

The Link between Competitive Strategies, Activity Based Costing Implementation and Organizational Performance

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ABSTRACT: *This paper investigates the link between competitive strategies of cost leadership and differentiation with activity based costing (ABC) implementation and organizational performance, and the mediating role of ABC implementation on the relationship between competitive strategies and organizational performance. A SEM-PLS3 is applied to analyze the survey data collected from 114 valid responses of Iraqi manufacturing companies. The findings reported in this paper reveal that there are significant relationships between cost leadership strategy, ABC implementation and organizational performance. ABC implementation and organizational performance is found to be significantly and positively related. Conversely, the paper found a negative but significant relationship between differentiation strategy and ABC implementation. The findings of this study also demonstrate no significant relationship between differentiation strategy and organizational performance. This paper provides evidence that ABC implementation acts as a mediator between competitive strategies and organizational performance.*

KEYWORDS: *ABC implementation, Cost leadership strategy, Differentiation strategy, Organizational performance.*

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I. INTRODUCTION

Since the early 1990s, the implementation of ABC is increasingly becoming popular as a sophisticated Management Accounting (MA) system for enhancing the performance of organizations. A significant number of studies have demonstrated that ABC has important implications on performance by providing accurate and timely information of cost objects and all activities (Chong and Cable, 2002; Sohal and Chung, 1998). In view of this, researchers have turned to the theoretical perspective of contingency theory to understand the factors which affect the implementation of ABC in organizations (Banker, Bardhan, and Chen, 2008). As such, there has been a consensus among contingency-based studies on the effects of contingency variables on ABC implementation and organizational performance. For instance, contingency-based studies argue that the correlation between strategy and appropriate MA practices will bring about an optimal performance outcome (Chenhall, 2003). However, the findings from some of the studies (Frey and Gordon, 1999; Cadez and Guilding, 2008; Hoque, 2004) are not exhaustive, especially with regards to link between competitive strategies, ABC implementation and organizational performance.

Additionally, majority of the contingency-based studies have established that competitive strategy is an important contingency variable which can influence the profitability and performance of organizations (Allen and Helms, 2006; Chi, 2010). Following the arguments of Porter (1980) on the typology of competitive strategy which include both cost leadership strategy and differentiation strategy, Amoako-Gyampah and Acquah (2008) added that both cost leadership and differentiation strategies are the most popularly discussed and studied strategies in the literature. However, there have been limited findings on the links between cost leadership strategy and differentiation strategy with ABC implementation and organizational performance. Previous researchers have not delved on the differential effects of both cost leadership strategy and differentiation strategy on the implementation of ABC and organizational performance.

Understanding the links between competitive strategies, ABC implementation and organizational performance relies mainly on the argument proffered by Shields (1995) who opined that the benefits of implementing ABC system are subject to the competitive strategies used by the business unit. Furthermore, contingency theorists have argued that the correlation between strategy and management control system practices leads to an optimal performance outcome (Chenhall, 2003). This is because both cost leadership

strategy and differentiation strategy help organizations to gain superiority among competitors by either sailing the route of lower cost or taking the path of differentiation (Leitner and Guldenberg, 2010; Porter, 1998). Some researchers have argued that organizations can combine between the two strategies (Powers & Hahn, 2004), however, other researchers are insisting that combining both cost leadership and differentiation strategies often leaves the organization in a limbo (Jusoh & Parnell, 2008) or low-performance for organizations that combine between strategies (Chi, 2010). Therefore, Agyapong and Boamah (2013) and Allen and Helms (2006) called for specifying the effects of these two strategies on ABC implementation and organizational performance.

In particular, no relevant evidence on the effect of organizational strategy emanate from Iraq. To this effect, Al-Shabani and Al-Hadede (2010) noted that Iraqi manufacturing companies are unable to compete due to employing inappropriate business strategies. In view of this, the present study considers adopting the typology of competitive strategies by Porter (1980) by examining the role of both cost leadership and differentiation strategies on ABC implementation and organizational performance.

II. LITERATURE REVIEW

Competitive Strategies and ABC Implementation

Competitive strategy, such as cost leadership strategy and differentiation strategy, refers to the exertion of resources in a consistent manner to increase efficiency in performance, profitability and value production (Agyapong and Boamah, 2013). According to Porter (1980), cost leadership strategy is the ability to produce and sell products at lower prices compared to competitors. Porter (1998) highlighted the importance of large market share for any organization that is interested in adopting the cost leadership strategy. On the other hand, differentiation strategy is the production and marketing of superior products and services that are different from that of the competitors (Hoque, 2004). Sashi and Stern (1995) explained that differentiation strategy can be implemented by developing a positive, strong and superior perception towards the products and services of the organization in customers mind. Hence, differentiation strategy is making the customers to believe that a product is superior in quality, image, reputation and value as compared to the products from competitors in the market.

Contingency theory suggests that a particular strategy of the organization dictates the appropriateness of MA system (Chenhall, 2003). The study conducted in Singapore by Seaman (2006) investigated the relationship between MA and control system changes and performance under different business strategies. Although the Miles and Snow's (1978) typology were employed to categorize strategies in the study, the findings showed differences in the costing systems (such as ABC) in organizations with different strategies. For instance, Gosselin (1997) found that prospector organizations showed more interest in adopting ABC than organizations with other business strategy. While Alsoboa and Aldehayyat (2013) found that the use of ABC is positively connected with both differentiation and cost leadership strategies.

In fact, the findings presented by Al-Omiri and Drury (2007) found that strategy influences ABC infusion where ABC infusion is higher for defenders than for prospector firms. It has been argued that highly sophisticated systems (such as ABC) are appropriate for firms that embrace cost leadership strategy (Chenhall and Langfield-Smith, 1998). Pavlatos and Paggios (2009) have also stressed that the level of cost system functionality is positively associated with the cost leadership strategy. These studies unanimously conclude that the strategies an organization decides to employ affect the implementation of ABC system in their company. The current study proposes that both kinds of competitive strategies enhance ABC implementation. The following hypotheses are predicted:

H1: *Cost leadership strategy has a positive and significant effect on ABC implementation.*

H2: *Differentiation strategy has a positive and significant effect on ABC implementation.*

Competitive Strategies and Organizational Performance

There have been enormous evidences in the body of knowledge on the importance of competitive or business strategies in improving organizational performance (Allen & Helms, 2006; Chi, 2010). For instance, Allen and Helms (2006) adopted the generic Porter's strategies, both cost-leadership and differentiation strategies, and examined how these strategies affect organizational performance. Their study employed a survey research approach to distribute questionnaires to 226 working adults. The study revealed that the Porters' generic strategies have significant impact in improving organizational performance using a regression analysis. Meanwhile, the study conducted by Teeratansirikool et al. (2013) in Thailand revealed that only a differentiation strategy is significantly associated with firm performance. While the findings of Powers and Hahn (2004) presented statistical evidence on the positive and significant relationship between both cost leadership and differentiation strategies on organizational performance. It was elaborated further that, cost leadership offers a higher advantage in organizational performance than the differentiation strategy which is more difficult to be implemented in the banking industry.

Chi (2010) reported that the lack of clear emphasis on competitive strategies might be one of the reasons for a relatively low organizational performance. From 97 companies in various manufacturing industries in the US, Robinson and Pearce (1988) found that organizations pursuing either cost-leadership strategy or differentiation strategy outperform than those without a clear strategic orientation. The current study, therefore, proposes that competitive strategies enhance the performance of Iraqi manufacturing companies. H3 and H4 are therefore hypothesized as follows:

H3: *Cost leadership strategy has a positive and significant effect on organizational performance.*

H4: *Differentiation strategy has a positive and significant effect on organizational performance.*

ABC Implementation and Organizational Performance

The importance of implementing ABC provides better understanding into business process and cost drivers and also helps managers to realize less important activities and ultimately improve organizational performance (Ittner, 1999; McGowan, 1998). For instance, Abernethy and Bouwens (2005) demonstrated that the essence of adopting strategic MA system is to influence managerial decision making process which in turn improves organizational performance. This notion is consistent with so many other contingency-based studies. Chenhall (2003) argued that one of the advantages of sophisticated strategic MA systems is their great ability in improving organizational performance. While the empirical results from 100 responses collected by Lee, Yen, Peng, and Wu (2010) demonstrated that the level of ABC usage is significantly correlated with financial and non-financial performance improvement.

In Iraq, Allawi (2009) using a case study found that ABC implementation has contributed in providing information to manage the company's activities and evaluate the performance of cost centres based on both financial and non-financial indicators. As for the Arab region, Elhamma (2015) also demonstrated that the use of ABC among Moroccan enterprises has a high contribution on competitiveness and profitability. Alsoboa and Aldehayyat (2013) found that ABC, among other strategic costing techniques, has a significant positive effect on overall performance (financial and market) of Jordanian listed manufacturing companies. These studies, however, do not indicate the evolving usage of ABC implementation in the developing world and the Arab region, but indicate the usage of ABC significantly enhances organizational performance.

Meanwhile, Cagwin and Bouwman (2002) surveyed 210 internal auditors in the United States. The findings of the study demonstrated that a strong relationship between ABC and overall improvement of organizational financial performance. The study of Abdul Majid and Sulaiman (2008) is methodologically distinctive from that of Cagwin and Bouwman (2002). Abdul Majid and Sulaiman (2008) established the connection between ABC adoption and organizational performance using a case study of two multinational companies in Malaysia. It was reported that even though ABC was not widely adopted by the two companies, but it was a successful. Abdul Majid and Sulaiman (2008) found that ABC implementation contributes to the improvement of their overall organizational performance by reducing cost and improving process. Contingency theory of MA research reports that the use of modern MA such as ABC system can enhance organizational performance (Mia and Clarke, 1999; Hoque, 2011). In the light of this fact, and particularly in light of the current unimpressive performance of Iraqi manufacturing companies, the current study expects that ABC implementation will enhance the performance of Iraqi manufacturing companies. Accordingly, the following hypothesis is proposed:

H5: *ABC implementation has a positive and significant effect on organizational performance.*

Competitive strategies, ABC implementation and organizational performance

Cadez and Guilding (2008) examined the mediating effect of strategic MA on organizational performance using a comprehensive contingent model. The authors found that the strategic MA techniques do not necessarily lead to superior performance. However superior performance is a product of a good match between contingency factors (such as business strategy) and strategic MA techniques. Meanwhile, an empirical study by Frey and Gordon (1999), based on a survey of 123 manufacturing companies, found (1) there is a positive relationship between ABC system and performance, (2) the benefits of ABC implementation are contingent on surrounding circumstances such as competitive strategies used by an organization, and (3) the use of ABC is associated with better performance only among companies following a differentiation strategy but there is no evidence on those following a cost-leadership strategy.

However, it is noted that very little studies have explored the mediating effect of MA information or ABC implementation in the relationship between competitive strategies and organizational performance in developing countries (Teeratsirikool et al., 2013). In particular, no relevant evidence exists in Arab countries. Therefore, it is logically expected to further this longstanding argument by examining the mediating role of ABC implementation on the relationship between competitive strategies and organizational performance. Based on the reviews of literature on this intervening effect of ABC implementation, the following hypotheses are formulated:

H6: ABC implementation mediates the relationship between cost leadership strategy and organizational performance.

H7: ABC implementation mediates the relationship between differentiation strategy and organizational performance.

Theoretical Framework

The theoretical framework is illustrated in Figure 1. The framework relies on the contingency theory and depicts the relationship between competitive strategies namely; cost leadership strategy and differentiation strategy, ABC implementation and organizational performance.

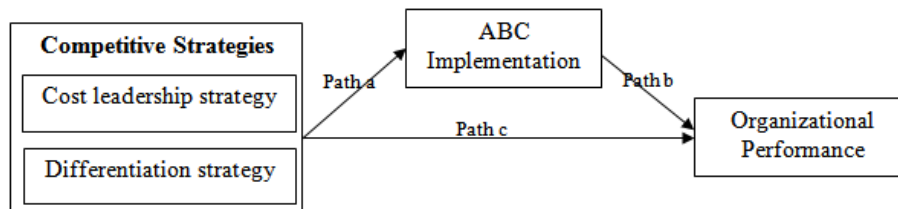


Figure 1: Theoretical Framework

III. METHOD

This research employs a quantitative method using a survey design. Subsequently, a self-administered questionnaire was used for data collection among 305 financial and account officers in manufacturing companies in Iraq. 239 filled questionnaires were returned, however the analysis in this study is based on 114 respondents from organizations which had implemented ABC in their organizations. The remaining 125 respondents were excluded as they are either from organizations which have not implemented ABC at all or planning to implement ABC.

The measurements of the variables in this study were adopted from previous studies. Specifically, to measure ABC implementation in this study, 19 items were adopted from McGowan (1998). The items focus on four groups of dimensions of ABC implementation namely, impact on organizational process (measured with 6 items), perceived usefulness of ABC (measured with 5 items), technical characteristics of ABC (measured with 4 items) and employee attitude (measured with 4 items). Organizational performance is measured with 8 items for measuring both financial (measured with 4 items) and non-financial performance (measured with 4 items) adopted from Govindarajan (1984). The items required respondents to rate both the financial and non-financial performance of their organizations as compared to other companies in their industry in the past three years. Finally, 11 items were adopted from Dess and Davis (1984) for measuring both cost leadership strategy (measured with 5 items) and differentiation strategy (measured with 6 items). A seven-point scale was employed to anchor responses in this study.

IV. FINDINGS

Both SPSS and partial least squares (PLS3) were employed to analysis the data collected for this study. SPSS was used to effectuate the preliminary analysis including normality, outlier and multicollinearity. The descriptive findings reveal that, majority of the respondents (52.6%) in this study are chief financial officers. This is followed by 22.8% financial managers and 15.8% financial controllers. 8.8% of the respondents are others who are holding the positions related to either cost or management accounting. Finally, majority of the respondents 46.4% of the respondents have worked in their current organization for more than 12 years. This is expected as the respondents in this study are high ranked managers and officers. 29.8% of the respondents have 4 to 8 years working experience with their current organization. It is also observed that 14.9% of the respondents have 9 to 12 years of working experience with their organizations. Meanwhile, 5.2% of the respondents have the lowest working experience in the range of less than 4 years.

The formulated hypotheses in this study were tested using structural equation modelling approach in SEM-PLS3. This technique is twofold including measurement and structural models. The variables understudied in this research are operationalized as a reflective-reflective type of Hierarchical Component Model (HCM) consisting of six Lower Order Components (LOCs) which are the dimensions of ABC implementation (4) and organizational performance (2). The results of both the measurement and structural models are reported in the following subsections.

Measurement Model

As shown in Table 1, the reliability analysis has been achieved for all reflective constructs as represented by Cronbach's Alpha and Composite Reliability, which is above the threshold of 0.60 and 0.70(Hair, Sarstedt, Hopkins, & Kuppelwieser, 2014) for all variables respectively. The Average Variance

Extracted (AVE) of the reflective dimensions are higher than 0.50 indicating that the convergent validity is established that represents the convergent validity of reflective constructs is also achieved. Furthermore, the loadings of the items measuring the dimensions range between 0.57 and 0.89. However, a total of 2 items with loadings below 0.50 were eliminated from the model.

Table 1: OuterLoadings, Cronbach’s Alpha, Composite Reliability and Average Variance Extracted (AVE) for the First Stage Hierarchical Construct Model

| Construct and items | Loadings | Cronbach’s Alpha | Composite Reliability | AVE |
|---|----------|------------------|-----------------------|--------------|
| ABC Implementation | | | | |
| Impact on Organization Process (IOP) | | 0.821 | 0.870 | 0.527 |
| Quality of decision | 0.747 | | | |
| Efficiency and waste reduction | 0.689 | | | |
| Innovation | 0.762 | | | |
| Relationship across functions | 0.715 | | | |
| Communication across functions in the organization | 0.725 | | | |
| Overall goal | 0.716 | | | |
| Perceived Usefulness of ABC (PUA) | | 0.755 | 0.837 | 0.509 |
| Making job more easier | 0.777 | | | |
| Usefulness on my job entirely | 0.600 | | | |
| Operations control | 0.673 | | | |
| Accomplishment of task more quickly | 0.760 | | | |
| Enhancement of effectiveness | 0.744 | | | |
| Technical Characteristic (TC) | | 0.833 | 0.888 | 0.666 |
| Accurate information | 0.809 | | | |
| Accessible information | 0.790 | | | |
| Reliable information | 0.836 | | | |
| Timeliness information | 0.827 | | | |
| Employee Attitude (EA) | | 0.896 | 0.928 | 0.762 |
| Favourable attitude | 0.893 | | | |
| Embrace ABC | 0.863 | | | |
| Willingness to use ABC | 0.877 | | | |
| Easy to incorporate ABC system | 0.858 | | | |
| Organizational Performance (OP) | | | | |
| Financial (FP) | | 0.858 | 0.904 | 0.702 |
| Level of firm profitability | 0.850 | | | |
| Sales and revenues | 0.889 | | | |
| Return on investment | 0.822 | | | |
| Operational and cost efficiency | 0.788 | | | |
| Non-financial (NFB) | | 0.832 | 0.888 | 0.665 |
| Market share | 0.846 | | | |
| Customer loyalty | 0.852 | | | |
| Employee satisfaction | 0.758 | | | |
| R&D activities | 0.804 | | | |
| Cost Leadership Strategy (CLS) | | 0.850 | 0.894 | 0.630 |
| Optimizing capacity utilization. | 0.887 | | | |
| Negotiating the best price when buying raw materials. | 0.840 | | | |
| Emphasizing competitive pricing. | 0.828 | | | |
| Improving the productivity of the manufacturing system. | 0.724 | | | |
| Lowering manufacturing costs. | 0.671 | | | |
| Differentiation Strategy (DS) | | 0.665 | 0.797 | 0.500 |
| Emphasizing company's brands. | 0.771 | | | |
| Offering high quality products. | 0.673 | | | |
| Offering differentiated products. | 0.570 | | | |
| Supporting advertising expenditure. | 0.791 | | | |

Additionally, to ascertain the discriminant validity of the reflective constructs for LOCs, the square root of AVE of each dimensions should be higher than its correlations with any other construct (Fornell and Larcker, 1981). As shown in Table 2, the diagonal bolded values represent the square root of AVE, which are above the correlation of any reflective variable with one another. This clearly indicates the discriminant validity is established at LOCs.

To assess the second stage hierarchical construct model, the latent variable scores in the first order model were recomputed under the variables in the second stage hierarchical construct model. As a result, the dimensions of the constructs in the first stage model served as items for the constructs in the second stage model (Henseler, 2007). The result of the second stage which is the hierarchical measurement model revealed the second order model (Table 3) is fit as the Cronbach’s alpha, Composite Reliability and AVE values were all above the expected threshold of 0.60, 0.70 (Hair, Ringle, and Sarstedt, 2011) and 0.50 respectively (Chin, 1998).

Table 2: Discriminant Validity (Fornell-Larcker Criterion) for First Stage Hierarchical Construct Model

| | CLS | DS | EA | FP | IOP | NFP | PUA | TC |
|------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| CLS | 0.794 | | | | | | | |
| DS | 0.394 | 0.707 | | | | | | |
| EA | 0.499 | 0.253 | 0.873 | | | | | |
| FP | 0.434 | 0.460 | 0.526 | 0.838 | | | | |
| IOP | 0.477 | 0.344 | 0.521 | 0.529 | 0.726 | | | |
| NFP | 0.567 | 0.403 | 0.531 | 0.661 | 0.575 | 0.815 | | |
| PUA | 0.372 | 0.157 | 0.476 | 0.319 | 0.643 | 0.426 | 0.714 | |
| TC | 0.463 | 0.292 | 0.514 | 0.438 | 0.687 | 0.516 | 0.572 | 0.816 |

Table 3: Loadings, Cronbach’s Alpha, Composite Reliability and Average Variance Extracted (AVE) for Second Stage Model

| Construct | Loadings | Cronbach’s Alpha | Composite Reliability | AVE |
|-----------------------------------|--------------|------------------|-----------------------|--------------|
| ABC Implementation | | 0.841 | 0.893 | 0.678 |
| Impact on Organizational Process | 0.881 | | | |
| Perceived Usefulness of ABC | 0.800 | | | |
| Technical Characteristics | 0.848 | | | |
| Employee Attitude | 0.759 | | | |
| Organizational Performance | | 0.796 | 0.907 | 0.830 |
| Financial | 0.899 | | | |
| Non-Financial | 0.923 | | | |
| Cost Leadership Strategy | 1.000 | Nil | Nil | Nil |
| Differentiation Strategy | 1.000 | Nil | Nil | Nil |

Additionally, Table 4 presents the discriminant validity of the second-order model which is assessed with the square root of the AVE values and it was expected to be greater than the correlations among latent constructs. The result of the discriminant validity shows the square root of the AVE values of each construct are all greater than the correlations among the constructs. Hence, this result indicates that there is a valid relationship between the first order dimensions and the second stage variables.

Table 4: Discriminant Validity (Fornell-Larcker Criterion) for Second Stage Hierarchical Constructs Model

| | 1 | 2 | 3 | 4 |
|-----|--------------|--------------|--------------|--------------|
| ABC | 0.823 | | | |
| CLS | 0.553 | 1.000 | | |
| DS | 0.325 | 0.394 | 1.000 | |
| OP | 0.652 | 0.554 | 0.471 | 0.911 |

Note: Entries shown in bold represent the square root of the AVE.

4.2 Structural model

In order to analyse the proposed hypotheses in this study, the structural equation model was employed using bootstrap technique (Hair et al., 2014) to examine the direct relationship between competitive strategies (cost leadership strategy, differentiation strategy), ABC implementation and organizational performance. As presented in Table 5, the result reveals that cost leadership strategy has a significant and positive effect on ABC implementation ($\beta = 0.203, p < 0.01$) and therefore H1 is supported. Also, the results demonstrate that ABC implementation has a positive and significant effect on organizational performance ($\beta = 0.347, p < 0.01$). This provides the basis to support H5. The results also show that cost leadership strategy has a positive and significant effect on organizational performance ($\beta = 0.225, p < 0.05$). Therefore, H3 is supported. Conversely, the result shows that differentiation strategy has a negative but significant effect on ABC implementation ($\beta = -0.195, p < 0.05$). Hence, H2 is not supported. Additionally, there is no significant effect of differentiation strategy on organizational performance ($\beta = 0.140, p > 0.10$). This shows that H4 is not supported too.

Table 5: Structural Model Assessment

| H | Relationships | Beta | SE | t-values | p-values | Decisions |
|----|---------------|--------|-------|----------|----------|---------------|
| H1 | CLS -> ABC | 0.203 | 0.085 | 2.398 | 0.008*** | Supported |
| H2 | DS -> ABC | -0.195 | 0.091 | 2.152 | 0.016** | Not Supported |
| H3 | CLS -> OP | 0.225 | 0.100 | 2.235 | 0.013** | Supported |
| H4 | DS -> OP | 0.140 | 0.129 | 1.083 | 0.140 | Not Supported |
| H5 | ABC -> OP | 0.347 | 0.113 | 3.067 | 0.001*** | Supported |

Note: *: $P < 0.10$, **: $P < 0.05$; ***: $P < 0.01$

Testing mediation effect of ABC implementation

Based on the theoretical framework proposed in this study, the mediating role of ABC implementation on the relationship between competitive strategies (cost leadership strategy and differentiation strategy) and organizational performance was proposed. As such, the indirect effect of ABC implementation is estimated and presented in Table 6.

Table 6: Testing the Mediation Effect of ABC Implementation

| H | Mediation Path | Beta | SE | t-value | p-value | Confidence Intervals | | Decision |
|----|----------------|--------|-------|---------|---------|----------------------|-------------------|-----------|
| | | | | | | Lower Limit (5%) | Upper Limit (95%) | |
| H6 | CLS>ABC>OP | 0.070 | 0.040 | 1.746 | 0.041** | 0.018 | 0.148 | Supported |
| H7 | DS>ABC>OP | -0.068 | 0.044 | 1.541 | 0.062* | -0.154 | -0.012 | Supported |

Note: *: * P<0.10, **: P <0.05

The findings presented in Table 6 show that there is a mediation effect of ABC implementation on the relationship between cost leadership strategy and organizational performance ($\beta= 0.070, t=1.746, p<0.05$). In addition, the mediating effect of ABC implementation on the relationship between differentiation strategy and organization performance is found to be significant ($\beta= -0.068, t=1.541, p<0.10$). In order to confirm the mediation effects of ABC implementation and for the assessment of hypotheses 6 and 7 the Variance Accounted For (VAF) is calculated. According to Hair et al., (2014) the $VAF = \text{path } a * \text{path } b / (\text{path } c + \text{path } a * \text{path } b)$ (see Figure 1). The VAF determines the size of indirect effect in relation to total effect. According to Hair et al., (2014) the VAF is proposed as follow: $VAF < 20\% = \text{No Mediation}$; $20\% > VAF < 80\% = \text{Partial Mediation}$; $VAF > 80\% = \text{Full Mediation}$. The VAF for the H6 is 0.238 which therefore means there is a partial mediation. On this basis, H6 is supported. The VAF for H7 is -0.935 which demonstrates full mediation. Hence, H7 is also supported.

V. DISCUSSION

The broad objective of this study is to determine the effects of competitive strategies on ABC implementation and organization performance. The results of the hypotheses revealed that, both cost leadership strategy and differentiation strategy have significant relationships with ABC implementation. However, the relationship between differentiation strategy and ABC implementation is negative while the relationship between cost leadership strategy and ABC implementation is positive. Consistent with previous researches (such as: Alsoboa and Aldehayyat, 2013; Cinquini and Tenucci, 2010; Krumwiede and Charles, 2014; Pavlatos and Paggios, 2009; Seaman, 2006; Shields, 1995) which have also indicated that a particular type of competitive strategy significantly influence the adoption of ABC implementation. The present study advances the status quo by demonstrating that, cost leadership strategy significantly and positively influence the implementation of ABC system. Meanwhile differentiation strategy evinced a negative and statistical significant nexus with ABC implementation.

The practical implications of these results are twofold. One is that, manufacturing organizations with cost leadership strategy have the tendency of implementing ABC system successfully. On the other hand, differentiation strategy does not appear to be supportive for the implementation of ABC system. The results also have theoretical implications, following the discussions by experts that organizations focus on either the cost leadership or differentiation strategies depending on the requirements of their target market (Porter, 1980; Teeratansirikool et al., 2013). Therefore, the study evinced that cost leadership strategy is apt for manufacturing organizations with the intention of implementing ABC systems. This assertion is an interpretation of the results presented in this study with regards to the effects of competitive strategies on the implementation of ABC. Moreover, this study further affirms the stance of contingency theorists (Chenhall and Langfield-Smith, 1998; Govindarajan, 1988) on the importance of competitive strategies in relation to the implementation of ABC systems. As demonstrated in this study, the implementation of ABC systems is positively influenced by the consistent information generated and the strategic practices of cost leadership strategy as opposed to differentiation strategy.

Additionally, the effects of competitive strategies namely; cost leadership strategy and differentiation strategy on organizational performance was hypothesized and tested in this study. The result of these hypotheses revealed that cost leadership strategy has a significant effect on organizational performance. Meanwhile, differentiation strategy was found to have no significant effect on organizational performance. The interpretation of these findings is that among the two strategies tested against organizational performance, cost leadership strategy is the only strategy that influence the advancement of organizational performance in the manufacturing industry of Iraq. The findings of this study in this regard are consistent with the findings of contingency-oriented studies (such as: Allen and Helms, 2006; Beal and Yasai-Ardekani, 2000; Campbell-Hunt,

2000; Chi, 2010) to an extent. In specific, the significant effect of cost leadership strategy on organizational performance affirms with the findings from previous studies. However, the insignificant effect of differentiation strategy on organizational performance could not be established. Nevertheless, the implication of these results are insightful as different effects of cost leadership strategy and differentiation strategy on organizational performance are revealed. In specific, these results answer the call raised by Chi (2010) by clarifying on the specific strategy which influences organizational performance. In other words, the study demonstrates that cost leadership is influential to the advancement of organizational performance among manufacturing companies in Iraq as compared to the effect of differentiation strategy on organizational performance.

This study determines the effect of ABC implementation on organizational performance. For this purpose, the relationship between ABC implementation and organizational performance was hypothesized. The result of this hypothesis confirmed that there is a significant relationship between ABC implementation and organizational performance. This implies that the successful implementation of ABC system has important influence on both the financial and non-financial performance of manufacturing organizations. This result is in line with the assumptions of ABC advocates who believed that the increasing proliferation of ABC implementation among organizations is a result of the influence of ABC system on their financial and non-financial performances (Abdul Majid and Sulaiman, 2008; Alsoboa and Aldehayyat, 2013; Lee et al., 2010; Cagwin and Bouwman, 2002; Qian and Ben-Arieh, 2008; Tsai and Hung, 2009). Evidently, this result demonstrated that the functionalities of ABC implementation among manufacturing organizations in Iraq such as in the area of accurate cost analysis, profitability analysis and accurate managerial decisions have positive implications on organizational performance (Banker et al., 2008; Abernethy and Bouwens, 2005).

Finally, the findings of this study in this regard are consistent with the findings of Hoque (2004) to an extent. In particular, the significant indirect effect of non-financial measures on the relationship between management's strategic choice (defender strategy) and organizational performance. However, the results fully support the argument of Chenhall and Langfield-Smith (1998) that higher performing organizations employing a cost leadership (low price) strategy would benefit from ABC system. Consistently, VAF test reveals support that the implementation of ABC system acts as a passive mediation on the relationship between differentiation strategy and organizational performance. However, this result is consistent with other studies such as Govindarajan (1988) which reported that the high performance is associated with low emphasis on matching MA system such as budget evaluative style with differentiation strategy.

VI. CONCLUSION

This study concludes that cost leadership strategy has significant and positive effect on ABC implementation and organizational performance. However, differentiation strategy has no significant effect on organizational performance. ABC implementation is found to have positive significant effect on organizational performance. The findings reported in this study have significant theoretical implications. Importantly, among others is that, the results of this study provide the empirical evidence on the contingency theory which proffers fit between contingency variables such as; competitive strategies with ABC implementation and organizational performance (Chia, 1995; Frey and Gordon, 1999). Additionally, this study also makes some important practical contributions and implications with regards to implementing ABC and improving organizational performance. Most importantly, this research implies that to ascertain a successful implementation of ABC among manufacturing companies especially in Iraq they must focus on cost leadership strategy as their business and organizational strategy.

Even though the highlighted objective of this study is achieved, there are some limitations which are observed. The foremost limitation of this study is the nature of its design. Due to the use of the cross-sectional survey approach, there is no room for causal inferences to be made from the population of this study. Thus, the cross-sectional nature of data collection provides a static perspective on the effect of competitive strategies on ABC implementation and organizational performance. Based on this limitation, it is recommended that a longitudinal design which could allow the measurement of ABC implementation on organizational performance over a longer period of time needs to be carried out. This will enable the measuring of the study variables at a different stage of ABC implementation.

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