

*Case Study:*

# The Influence of Strategic Management accounting on Iraqi Service Companies' Performance

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## Abstract

*Organizations use management accounting information in a variety of ways, especially management accounting information, significantly contributes to the effective functioning of management process. Furthermore, management accounting information contributes to the organization's performance by providing feedback on the implementation of strategic plans and completion of jobs. But the new management accounting system due to its strategic characteristics (i.e. externally and future-oriented) may overcome many of the weaknesses of conventional management accounting systems; it still lacks a solid base of empirical studies. The main objective of this study is to determine the effect of Strategic Management Accounting on Iraqi Service Companies' Performance.*

*This study uses a quantitative method; the quantitative data are collected by questionnaire. The total selected sample size for the quantitative approach was 127 companies. The research found that the Strategic Management Accounting influence on companies' performance could be used as subjects of references. Company management should understand the importance of accounting information for strategic decision making.*

**Keywords:** Management Accounting, Financial Performance, Iraqi Service Companies.

## Introduction

The services sector plays an important role in the economic development of any country.<sup>45</sup> It has been internationally accepted that the services sector contributes up to 20% of the global economy and specifically in Iraq, the ratio of the profits from the services sector amounted to 72% of the Iraqi market in 2008 (Iraq Stock Exchange Report, 2015). The Iraqi services sector has seen many developments that put it equally with those of the developed countries.<sup>51</sup> This sector is considered as the most important sector that supports the gross domestic product (GDP). Compared with other economic sectors, such as manufacturing industry and agriculture, it has contributed more than 65% to GDP in 2009. Furthermore, more than 79% of the Iraqi labour force is working under the services sector while less than 25% of labour force is working under other sectors such as manufacturing industry and agriculture.

Increasing local and global competition, globalisation, technological advancements and increasingly demanding customers, have all contributed to environmental uncertainty within the services industry and have modified the characteristics of competition in the wide world,<sup>4,34</sup> in particular, in the Iraqi marketplace. For example, in the last two years, three new banks have been established in Iraq. However, under such a progressively competitive environment, Iraqi services companies need to strive to remain competitive and to achieve better performance. Therefore, services companies should be able to generate and utilise more strategic information regarding the external and future events to support and update their business strategy and accomplish higher levels of organizational performance.<sup>31,32,40,44</sup>

In a more theoretical vein, the fundamental assumption in contingent-based accounting studies is that superior organizational performance depends on the fit or match between accounting information systems (AIS) and other contingent factors (such as environmental uncertainty, business strategy, firm size etc.). Accounting information as output of accounting system, especially management accounting information, significantly contributes to the effective functioning of management process. The essence of such functioning centres decision-making is planning, organizing, directing and controlling. To meet this need, management accounting system provides management with information that focuses on decision making.<sup>37</sup>

Organizations use management accounting information in a variety of ways. Belkaoui<sup>7</sup> characterized four usage types, namely to help management planning, to facilitate organizational problem solving, to aid the examination of control functions and to facilitate operational systems management. Other authors have classified these four types into two usage streams, namely to evaluate managerial performance and to assist managers in making decisions.<sup>62</sup>

Furthermore, management accounting information contributes to the organization's performance by providing feedback on the implementation of strategic plans and completion of jobs. Specifically, appropriate MAS can help managers be aware of and address organizational expectations: customers' needs, competitive markets, or internal organizational goals.<sup>52</sup> In addition, ex-ante information can assist in meeting organizational challenges resulting from competing market faced by the organization and supports its value-added efforts relative to its competitors.<sup>8</sup>

The characteristics of SMA overcome the failings of conventional management accounting systems by providing the appropriate information for today's contemporary business environment to get competitive advantages.<sup>58</sup> Thus, SMA enhancement to the traditional and internal-oriented approaches of MAS is necessary to meet the special needs of contemporary business management, especially on strategy implementation and execution. While, there is a growing interest to introduce SMA as the new management accounting system due to its strategic characteristics (i.e. externally and future-oriented) that may overcome many of the weaknesses of conventional management accounting systems, it still lacks a solid base of empirical studies.<sup>11</sup>

In addition, some empirical studies that tested the relationship between SMA and companies' performance showed mixed results and rendering this relationship still ambiguous.<sup>2,11,49,56</sup> Therefore, this study aims to examine the relationship between the level of SMA and performance of Iraqi services companies.

### Strategic Management Accounting

Since Simmonds<sup>61</sup> coined the term of SMA in his corner article at the beginning of 1980s, several authors had followed him to refine the SMA concept and this show of concern on the SMA concept is because of the strong evidence regarding SMA's connection in both management accounting and marketing management.<sup>26,58</sup> In 1981, Simmonds<sup>61</sup> has created the term SMA as an analysis of management accounting data including information about the business and its competitors, with the purpose of developing and monitoring business strategy. In his work, Simmonds<sup>61</sup> identified SMA by its external emphasis that focuses on competitor information.

Bromwich<sup>8</sup> defined SMA as the provision and analysis of financial information on the company's product markets, competitors' costs, cost structures and the monitoring of strategies of the enterprise and its competitors over a period of time. According to Bromwich<sup>8</sup>, SMA extends beyond simply collecting data about the business and its competitors by seeking to evaluate the organizational competitive advantage or value added, relative to that of the competitors and to evaluate the benefits to the organization over a long-term horizon.

Further definition of SMA was followed by Bromwich and Bhimani.<sup>9</sup> They viewed SMA as the provision and analysis of financial information on the organization's product markets, competitors' cost, cost structures, monitoring of the organizational strategies and of their competitors in the market over more than one time period. Tomkins and Carr<sup>63</sup> viewed SMA as lacking a general conceptual framework. Similarly, SMA is an emerging management accounting area with no exact identity and having an uncertain development in the future.

Lord<sup>46</sup> identified three elements of SMA: collection of competitor information, utilization of cost decreasing opportunities and matching of accounting emphasis with strategic position while others referred to SMA in terms of accounting for strategic positioning, an idea which is very closely linked to Porter's concept of competitive advantage. SMA is one of number of different generic approaches that are found within the overall theme of accounting for strategic positioning.

Guiding, Cravens and Tayles<sup>26</sup> believed that the SMA practices should have at least one of the following characteristics: an external business environmental orientation, a marketing orientation, a competitor focus and a long-term orientation for the future. Roslender and Hart<sup>58</sup> defined SMA as a generic approach to accounting for strategic positioning, attempting to integrate insights from management accounting and marketing management within a strategic management framework. However, there is still limited consensus about what constitutes SMA.<sup>11</sup> This inconsistency in conceptualizing SMA and what would be the contents of the SMA has promoted researchers to investigate which Management Accounting techniques carry strategic orientation and consequently should be shown as the SMA technique.

Guiding et al<sup>26</sup> assessed the usefulness of "competitor-focused accounting" (CFA), taking into consideration the three factors (strategic mission, competitive strategy and company size) along with five CFA practices including competitor cost assessment, competitive position monitoring, competitor appraisal based on published financial statements, strategic costing and strategic pricing. The findings showed that all five practices had higher perceived usefulness scores, in addition to the fact that the use of CFA was found to be significantly related to competitive strategy, strategic mission and company size.

Guiding et al<sup>26</sup> provided an original set of SMA techniques. They also described the criteria for considering particular accounting techniques as "strategic." It is noted that much of the conventional management accounting were based on a one-year period and the focus tends to be predominating. These characteristics do not agree with strategic orientations. The main characteristics of SMA as a strategy imply a long-term future orientation period and an externally focused perspective. The authors consequently argued that such characteristics could be a useful tool in determining accounting techniques suitable for SMA. From this perspective, the techniques should embody degrees of these two orientations – external business environment (outward-looking) and/or long-term (forward-looking). That was how Guiding et al<sup>26</sup> gathered twelve SMA techniques from the literature, then Cravens and Guiding<sup>12</sup> added another three techniques.

The more recent study done by Cadez and Guiding<sup>11</sup> emphasized the participation of strategic accountants in

cross-functional teams and SMA practice of guided management accounting with emphasis on operational issues. This view is shared by many other authors who agree that this shift had led to many new terms such as "strategic accounting." They have also defined new active roles for accountants such as being key players in analysing broader business management and in counselling customers. These roles had not been assigned to them before.

Cadez and Guilding<sup>11</sup> further drew sixteen SMA techniques from these works and they classified these techniques into five broad categories with three categories embodying themes of management accounting discussed in management accounting literatures. They are (1) costing, (2) planning, control and performance measurement and (3) decision-making. The other two categories were "competitor accounting" and "customer accounting."

However, the focus of this study was the related information on firms' customers that was obtained externally. The main reason behind the selection of this information was because customer-focused techniques or customer accounting (which yield information regarding the customers) are the most widely applied techniques in the services sectors.<sup>10</sup> Moreover, the importance of identifying which customers contribute to an organization's profit had been given a lot attention of researchers. In addition, there was the idea which says that not every unit of revenue contributes equally to profits; some customers are more profitable than others.<sup>41,59</sup>

### Organizational Performance

Organizational performance has been presented as an essential dependent variable in accounting-based contingency researches as it gives the means for determining the suitable fit between the organizational accounting information systems design and its contextual variables.<sup>13,33</sup> Furthermore, most of the related studies look for variables that create variations in organizational performance.<sup>48</sup> The general idea of the concepts of organizational performance is focused on either efficiency or effectiveness, because organizations should be profitable in the long run to survive.<sup>48</sup>

Nevertheless, by its nature, performance measurement systems cover various subjects, thus, encouraging this study to investigate it from different perspectives such as accounting information systems and operations management. For example, Otley<sup>57</sup> looked at performance measurement systems from a management accounting point of view as system that provides the information thought to be useful to managers in performing their jobs and to aid organizations in developing and maintaining practical patterns of behaviour. Neely, Gregory and Platts<sup>54</sup> defined performance measurement systems as "the set of metrics used to quantify both the efficiency and effectiveness of actions."

Moreover, Forza and Salvador<sup>19</sup> defined performance measurement systems as an information system that supports managers in the performance management process generally accomplishing two main purposes. The first one is related to enabling and structuring communication among all the organizational units (individuals, teams, processes, functions, etc.) involved in the process of target setting. The second one is that of collecting, processing and delivering information on the performance of people, activities, processes, products and business units.

Ittner, Larcker and Randall<sup>38</sup> pointed out three dimensions for performance measurement systems. First, they provide information that allows the firm to identify the strategies offering the highest potential for achieving the company's objectives. Second, they align management processes, such as objectives setting and decision making. Third, performance evaluation was done with reference to the accomplishment of the chosen strategic target.

In fact, there have been too many authors who have illustrated the term performance measurement systems.<sup>17</sup> However, performance measurement has an important role in an organization and it should be chosen according to the contextual variables, such as strategy, environment uncertainty, technology and so on.

However, while the idea of organizational performance is comparatively easy to understand, it is difficult to measure and evaluate. This difficulty is evidenced by the on-going debate on whether performance is a one-dimensional concept or a multi-dimensional one, whether it should be measured by qualitative or quantitative data, whether it involves objective or subjective data.<sup>15,48</sup> In this regard, it is worth here to differentiate between the objective and subjective data method; objective data refers to the data which have been given by the organization, while the subjective measurements call upon the perception of the respondent.<sup>15</sup>

Information regarding performance is significant in diverse ways to the different stakeholders within a business. For example, owners and investors are interested in company performance to ensure that their investment decisions are the right ones. Managers look at the performance of a company's subunits as a technique of prioritizing the allocation of resources.<sup>16</sup>

In a strategic sense, performance measurement is seen as a significant approach of keeping an organization on its way in realizing the organization's targets. In addition, it is a monitoring system employed by the owners of an organization where ownership and management are separated.<sup>39</sup> Performance measures have to link with business strategy to be effective. This view is supported by number of researchers who noted that performance measures need to be based on a business's strategic objectives for

employees to realize and be committed to the accomplishment of those objectives.<sup>6</sup>

However, strong arguments are saying that the main performance measurements would usually include some mixture of indicators across two broad categories: financial indicators and nonfinancial indicators.<sup>14,40,42,43</sup> Thus, the current study has used financial performance measurements to evaluate organizational performance in this study.

### Financial Performance Measurement Systems

Accounting literatures have used and they depended mainly on financial performance measures to assess the organizational performance. However, Otley<sup>57</sup> pointed out three major functions of financial performance measures. The first function is that financial measures of performance are the tools of financial management. Second, it is the most important objective measurement for the organizational performance. Those measures such as return on investment (ROI) are used to show the accomplishment of an important company's objectives only. The last function of financial performance measures is that it is considered as a mechanism for motivation and control within the company. On this point, it provides financial information to support the process in the firm by identifying which specific operations are well managed through classification of their inputs and outputs in financial language.

However, the concept of organizational performance is in general centred on either efficiency or effectiveness. Since organizations must, in the end, be profitable to survive, financial efficiency in some form (e.g. gross margins, net margins, ROI, relative profitability etc.) is usually used as an eventual result when performance is included in research.<sup>65</sup>

According to Chenhall and Langfield-Smith,<sup>14</sup> the most commonly used financial ratios are the ROE and ROA. ROE measures profitability from the shareholder's viewpoint. ROA defined as net income divided by average total assets, measures company profits per dollar of assets. In addition, ROE is a summary measure of company performance. According to Sinkey,<sup>60</sup> the best measures of a firm's overall performance are the profitability ratios, ROE and ROI.

Notwithstanding the importance of financial performance measures, it becomes less useful without a link with some nonfinancial performance indicators. This is because those financial performance measures are facing critical criticism from many academics. Traditional methods of revenue-costs matching and short-term profit measures had become unreliable performance measurements due to decreased reliance on direct labour, increased capital intensity and increased contribution from capital and resources. In addition, financial performance measures are easily manipulated by managers.<sup>32</sup>

In general, financial performance measures are predominately "backward-looking" and lack predictive

ability to explain future performance. These characteristics are not matching with contemporary environment such as competitiveness and high technologically changes.<sup>14</sup> Furthermore, financial performance measures that were designed to work in a stable environment become no longer useful in current environment.<sup>22</sup> Abernethy and Lillis<sup>1</sup> claimed that financial performance measures lack integration with the organizational strategy.

Moreover, with exclusive focus on efficiency (e.g. cost minimization or profit maximization), it is anticipated that financial performance measures would fail to demonstrate other strategic dimensions of customers such as quality, flexibility. Although, all these weaknesses of using the financial performance measures that have been mentioned, other authors still believe that the firms should continue to use financial performance measures,<sup>57</sup> but it must be coupled with nonfinancial indicators that are based on the organization strategy, marketing research and external environments.<sup>32</sup>

The current study has applied the use such financial performance measures following the related studies.<sup>31,36</sup> Financial performance, therefore, is conceptualized as "the level of company's financial performance relative to their major competitors over the last three years." Meanwhile, the financial indicators that have been used in this study are ROI, ROE, sales growth and operating profit.<sup>36</sup>

### Review of Literature

The existing literature shows that the usage of broad scope MAS information helps managers in reducing high levels of job complexity and uncertainty and leads to successful decisions.<sup>18</sup> This is because extensive use of broad scope MAS provides managers with multiple options to manage their business, resulting in a dramatic improvement in managers' understanding of their and organizational performance.<sup>5,18,25</sup>

Studies in the manufacturing industry found empirical evidence that supports the positive relationship between managers' use of the conventional management accounting information and organizational performance.<sup>20</sup> This empirical evidence present in the manufacturing industry may not be relevant in the services sectors.<sup>52</sup> Also, conventional management accounting information has become under strong criticism by scholars and practitioners<sup>22,24</sup> as being internally rather externally focused, ex-post oriented (related to past events) rather than ex-ante (related to future events), financially oriented and according to Wilson,<sup>67</sup> emphasizes short-term goals.

Even though conventional management accounting systems provide important information to decision makers, they frequently fail to report relevant, useful and timely information that creates the components of competitive advantage as well as supports business strategy.<sup>61</sup> Increasingly they have been unable to provide useful

information to address a current competitive environment. Conventional management accounting systems are not sufficient to maintain services companies' long-term competitiveness.<sup>24,52</sup> However, MAS must add an external focus such as customers' perceptions of value in addition to the traditional inward emphasis of the accounting analysis, planning and control.

The situation with conventional management accounting promoted management accounting researchers to introduce strategic management accounting (SMA), to overcome the inability of conventional management accounting to provide the long-term orientation, external and ex-ante information.<sup>11,26</sup>

Despite many authors showing intense interest in SMA overcoming the weaknesses in conventional management accounting systems,<sup>11,26</sup> there remain many neglected issues in the SMA literature. There are few empirical studies on SMA that demonstrated its efficacy.<sup>11,21</sup> Several studies have measured SMA techniques by using one signal item (question) in the questionnaire for each technique<sup>10,11,28,49</sup> and such methods tend to increase the possibility of bias.<sup>50</sup>

Furthermore, the majority of previous studies did not give sufficient attention to nonfinancial indicators, but focused on financial performance or overall performance, a practice widely criticised due to its internal and historical focus, which is more likely to be manipulated by managers.<sup>32</sup> Those financial measurements are considered as not to give a clear picture of an organization's performance, unless it is coupled with nonfinancial indicators.<sup>14</sup> In addition, a few empirical studies that examined the relationship between SMA and organizational performance provided mixed and inconsistent results.<sup>11,49,56</sup>

### Relationship between SMA and Organizational Performance

The direct relationship between information use and organizational performance has been assumed in many areas such as in the field of management information systems<sup>64</sup> and in marketing.<sup>23,53</sup> However, this assumption has mostly been confirmed in the management accounting systems literature as well.<sup>3,5,11,20,33,55</sup> These studies have hypothesized a direct relationship between management accounting information and performance. Even in the study conducted by Henri,<sup>35</sup> who deliberately assumed an indirect relationship between use of management accounting information and performance, the empirical data did actually provide support for a direct relationship.

The common assumption regarding the direct relationship between management accounting information usage and organizational performance has been supported by most of the studies that have been examined. The assumption on the direct relationship between information use and performance, especially, the positive influence of information use on the performance is that the extent of

management accounting information usage influences effectiveness in decision making and organizational performance.<sup>5,11,20,35,55</sup> For example, Cadez and Guilding<sup>11</sup> hypothesized the direct relationship between SMA usage and organizational performance and they gave the rational link for this relationship. They have argued that the major purpose of an accounting information system is to provide information to help the managers on the implementation of plans, completion of their job, support the managers in the decision-making process and enhance the organizational performance.

Chong and Chong<sup>20</sup> have hypothesized the direct relationship between the usage of MAS information and organizational performance; they assumed that MAS information would aid the managers in their decision-making process and enhance the organizational performance. Then, Henri investigated the direct association between the usage of management control system and organizational performance. In his study, Henri<sup>35</sup> implicitly assumed that the usage of management accounting information for decision making has a positive effect on organizational performance. In addition, Jais<sup>30</sup> also assumed a direct link between the usage of management accounting information and performance. According to Baines and Langfield-Smith<sup>5</sup> management accounting information helps managers reach informed decisions and enhance organizational performance.

A negative relationship was found between several strategic control practices (such as market research, benchmarking and strategic audits) and performance. Chong and Chong<sup>20</sup> found MAS played a role in the relationship between strategy choices and performance. The study showed that the broad scope of MAS information positively affects the performance. Gul Glen and Huang<sup>29</sup> have investigated the relationship between MAS and organizational performance and their finding showed that there is positive relationship between MAS and organizational performance.

### Methodology

The sample size is 127 service companies listed from Iraq Stock Exchange used as the sampling frame for the current study. This study uses a quantitative method; the variables are measured based on the questionnaire. SPSS (Statistical Package of Social Science) version 20.0 will be used in the analysis of the data. The data collection was processed through different statistical techniques such as (Descriptive Statistics, Correlations Analysis and Multiple Regressions).

**Descriptive Statistics:** Table 1 shows that financial performance was high in organizational performance (mean = 4.56, SD = 1.55). On the other hand, the table revealed that the mean SMA is mean = 4.26, SD = 1.46).

**Correlation Analysis:** Correlation analyses (table 2) were applied to determine the degree to which the variables are related. It determines how well the estimated equation

actually describes the relationship. The correlation between SMA and F-P is shown in table 4. The report showed that SMA has positive relationship with F-P with values (.310).

**Regression Analysis:** In order to test hypotheses that postulated positive relationship between independent variables (SMA) and dependent variable (financial performance), there was one step of hierarchical regression equation that was carried out. In step one, the independent (predictor) variables were introduced to test their marginal effect on the dependent variable.

A report on table 3 with R square value of .130 for SMA, the R square value is explaining 13% from independent variables on dependent variable (Financial Performance).

Table 4 was found that SMA has positive relationship with the financial performance, (-.189). The result showed that the internal review has a significant impact on financial performance where it was at  $P < 0.01$ ,  $\beta = 0.191$ . It shows that the larger is information of SMA, the higher is performance. Therefore, this hypothesis has been supported. This result gives support for the assertion that the SMA characteristics lead to the creation of performance on financial.

**Table 1**  
Descriptive statistics of variables

Variables	Mean	Std Deviation
SMA	4.26	1.46
F-P	4.56	1.55

Note: All the variables were measured using a 7-point Likert scale with (1 = not at all, 7 = to a greater extent)

**Table 2**  
Correlations Analysis

	SMA	F-P
SMA	1	
F-P	.310	1

\*\* Correlation is significant at the 0.01 level (2-tailed).  
\* Correlation is significant at the 0.05 level (2-tailed).

**Table 3**  
R Square of SMA

Model	SMA
R Square	.130
Sig F Change	.000

**Table 4**  
Regression Result: Relationship between SMA and Financial Performance

Financial Performance	
Standardized Coefficients	
Independent Variable	Beta
SMA	.191

In this study the hypothesis that was set before the analysis, showed acceptance for the variables proposed in this study; the hypothesis was supported.

### The Impact of SMA and Financial Performance

SMA is one of the most important factors that impacts on the organization performance.<sup>5,11</sup> The current study evaluated the level of financial performance of Iraqi services companies. The current study contributes to the literature by offering detailed evidence of the level of financial performance of these companies. The level of performance of services companies in Iraq was shown by using descriptive statistics. The results of the current study drew conclusions regarding the financial performance of Iraqi services companies that had contributed to the existing research. Financial performance measured by monetary metrics (such as return on equity, return on investment and operating profit) was rated higher than other performance dimensions and indicated that Iraqi services companies ranked financial performance rated as above average. This result is entirely expected as the main objective of business is to maximise profit.

Nevertheless, a closer look at the characteristics of Iraqi services companies showed that about 40% of the companies had been in operation for more than 3 years well established and stable in Iraq. Such well-established companies normally have relatively higher financial performance.

This result was justified by the World Competitiveness Yearbook, 2009 which showed that Iraqi companies have had stable financial performance for last few years. However, there are increasing criticisms that the financial performance measurement system of relying solely on performance measurements are focused on internal and historical aspects rather than having external focus and being future-oriented. In addition, previous studies have pointed out that the role of short-term financial performance measurement systems has been undermined by rapid changes in technology and competitive business environment<sup>14,32</sup> and organizational performance should also be evaluated on nonfinancial performance measurements which are considered as leading indicators to future financial performance.

In the current study, market performance indicators. Iraqi services companies ranked market performance highest, after financial performance, with mean value of 4.56, which indicates market performance was rated above average. In addition, the qualitative results ranked the market performance in the second rank after financial performance.

However, the relatively low market performance level among Iraqi services companies could be a result of the dynamic actions that have been taking place in the Jordanian market, making the process of estimating a firm's market performance difficult, costly and time consuming. These findings from the present study are in line with that of some

previous studies<sup>28,56</sup> and contrasted with other works on accounting technique usage, such as that of Lord, Shanahan and Nolan<sup>47</sup> who found that customer accounting technique usage was below the midpoint on a 7-point Likert scale and that of Cadez<sup>10</sup> who found that two out of three customer accounting techniques measured below the midpoint on a 7-point Likert scale. The reasons behind their findings may be explained by their research design which used one single question to measure each customer accounting technique, which potentially created bias. There are also other strategic management accounting studies that contrasted the current study's findings.<sup>26</sup>

However, the potential explanation is that over the last decade, services companies had started to appreciate the usefulness of SMA information for strategic decision-making purposes and the study result showed that accounting information has definitely made progress. Generally, the results of the current study draw conclusions about the reality of SMA usage in Iraqi services companies, which previous studies had failed to discover. In the context of the current study, it is important to recognize the quality of SMA and information usage, particularly in providing incremental and important information for strategic purposes which could not be gathered by the traditional accounting information system.

## Conclusion

The accounting literature as a strategic management accounting system, not a single previous study had investigated the components of SMA dimensions, their level of usage and their effect on organizational performance. This study has made a unique contribution to the body of literature concerning the influence of SMA on the financial performance in Iraqi services companies. The results of this study have revealed that the level of SMA in Iraqi services companies is high in general. This study found that there is empirical evidence showing the independent variable effect of an SMA on companies' performance.

The current study demonstrated that SMA could provide Iraqi service companies with unique strategic information that underpinned the development and implementation of their market strategy and ultimately improved their organizational performance. The strategic SMA elements that affect the organizational performance of services companies and hence deserve more attention are customer profitability analysis, lifetime customer profitability analysis, valuation of customers as assets, customer equity analysis and customer retention analysis. Therefore, the companies should recognise the powerful dual effect that SMA may have on organizational performance.

This study tested a research model that conceptualized the influence of SMA on Iraqi services companies' performance. The research found that the selected SMA influence performance could be used as subjects of references in determining the existence of quality

performance on financial. This is significant for at least three parties i.e. companies' managers and the relevant authorities' bodies, to strategize on containing the existence of the financial performance in firms by accordingly controlling the selected characteristics, hence help services company management understand the importance of accounting information for strategic decision making.

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