

The Impact of the Business Strategy on the Level of Accounting Conservatism and Reflection of it on the Company Performance: Empirical Research on a Sample of Iraqi Companies

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Abstract: The study aimed to measure the impact of the business strategy according to the classification of (Miles snow) and to choose the extent of the impact of that reservation and the extent of reflection of it in the company value in the Iraqi environment, and to achieve this goal, the study dealt with a quantitative method for the financial lists of a sample of companies listed in the Iraq Stock Exchange and the number (13) companies divided into different sectors (banks, industrial companies, agricultural companies, investment companies, insurance companies) for the period from 2017 to 2021, and a model (Bentley et al., 2013) was used to measure business strategy (excavating, advocating, analyzing) The intermediate variable was measured accounting conservatism by relying on the (Givoly & Hayn, 2000) model, while financial performance (the dependent variable) was measured based on the (Tobin Q) model. The study found that there are 7 companies that follow the strategy of the defender against 6 companies that follow the strategy of the prospector. It is also noted that the majority of the industrial sector follows the strategy of the defender, while the insurance companies follow the strategy of the prospector, while there is a disparity in companies in the banking and agricultural sectors. It also found that there is a positive relationship Among the variables of the study, the impact of business strategy on the financial performance of the company increases when mediating accounting conservatism.

Keywords: Business Strategy, Accounting Conservatism, Financial Performance.

Introduction

The business strategy is the first step that must be prepared by companies through which a comprehensive framework can be built for managing the company, if the business environment around the world is characterized by continuous change, including the continuous entry and exit of competitors in global markets and changes in regulations and laws, and the importance of strategic success lies From the study of the internal and external environment, through which it can positively or negatively affect the financial performance of the company, if the financial performance of companies represents a fundamental concept of its importance, it is the woman who reflects the activities of companies and its achievements and determines the extent of its exploitation of its resources, its potential and its ability to achieve goals, in addition to that it is expected that the degree of Reservation differs in the business strategies followed, and this, in turn, is reflected in the company's financial performance.

The research dealt with four axes: the first axis dealt with "the research methodology", the second axis dealt with "the theoretical aspect of the research", the third axis dealt with "the applied side", and the fourth axis dealt with "conclusions and recommendations".

First axis: Research Methodology

First: Research problem:

Companies that use their strategies to adapt to the requirements of customers and their competitive environment is to achieve the basic aim of maximizing the value of stakeholders and ensuring the survival and continuity of the company. In this regard, "every strategy has a different role from the other," and the impact of each of these strategies varies on the atmosphere of competition and financial performance of the company. Likewise, due to uncertain conditions which in turn affect the level of accounting conservatism in financial reports, this relationship will eventually reflect its impact on the financial performance of the company. To solve this problem, the following question is required: "Is there a significant effect of the business strategy on accounting conservatism, and does this reflect on the financial performance of the company?"

The research problem can be summarized according to the following questions:

1. Is there a significant effect of the company's strategy on accounting conservatism?
2. Is there a significant impact of the company's strategy on the financial performance of the company?
3. Is there a significant effect of accounting conservatism on the financial performance of the company?
4. Does the impact of the company's strategy on financial performance increase when mediating accounting conservatism?

Second: Research importance:

The importance of the research is highlighted by its focus on the research variable that the researcher seeks to address, which was a motive for the search for solutions to it. accountant in the financial statements of the company through the availability of realistic evidence towards the relationship between the strategy used because of its impact on the variables of the study and to refinement the effectiveness and efficiency of decisions related to the process of financial reporting and then improve the financial performance of the company as one of the goals of the company and scientifically. This research represents an extension of the accounting studies that It focused on studying the complementary relationship between the variables of the study and enhancing the financial performance of the company through accounting conservatism.

Third: Research Objectives:

Based on the nature and importance of the problem, this research aims to achieve a main goal, which is the possibility of verifying the statement of the extent of the impact of the business strategy on the accounting conservatism and the extent of reflection of it on the financial performance of the company, through an applied study on a sample of companies listed in the Iraq Stock Exchange. Including the sub-objectives are divided:

1. Providing a theoretical framework for the variables of the study, especially in the Iraqi environment, which is to identify the concept of business strategy, its types, and its impact on accounting work.
2. Show the concept of accounting conservatism and its measurement methods.
3. Identifying the concept of the company's financial performance and its measurement methods.

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Fourth: Research Hypotheses:

1. There is a significant effect of the company's strategy on the accounting conservatism of the research sample companies.
2. There is a significant effect of the company's strategy on the financial performance of the research sample companies.
3. There is a significant effect of accounting conservatism on the financial performance of companies (research sample).
4. The impact of the company's strategy on the financial performance of the company increases when accounting conservatism is mediated in the companies (research sample).

Fifth: Research limits:

The research limits were as follows:

- Spatial limits: The search is limited to many different Iraqi companies for the sectors listed in the Iraq Stock Exchange.
- Temporal limits: The temporal limits of the research were based on reports and financial statements during the period from 2017 to 2021.

Sixth: Research method:

The research relied on two scientific research methods, the inductive and the descriptive analytical method, in achieving the goal of the research because it is the most used method in the study of social and human phenomena and is consistent with the current research. Figure (1) shows the search variables.

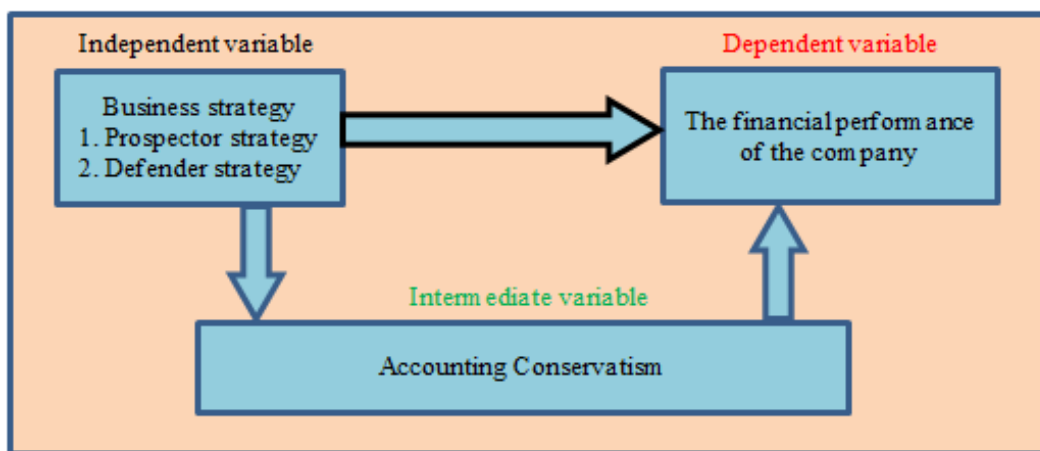


Figure (1) The search variables model

Source: Figure prepared by the researcher.

The second axis: the theoretical framework of the research variables

First: Concept of Strategy:

The roots of the word 'strategy' go back to the Greek word (Strategos), and it was historically associated with the plans used in managing battles and the arts of military confrontation. The use of this word extended to the administrative thought field and became preferred for use by business organizations and other organizations interested in achieving leadership in their field of activity, and its uses varied so that it included many Sciences and fields, and their use is no longer limited to military cases, but includes social

sciences (economics, sociology, management, information technology systems, politics, etc.) (Al-Hayali and Al-Samadi, 2021: 28). It was also defined as a set of strategic procedures and decisions for companies in the face of their own external environment to achieve competitive advantage in the market and achieve its best performance (Magerakis & Habib, 2021: 2).

According to the foregoing, the researcher believes that the concept of business strategy is a work set by companies in order to reach a specific goal or set of goals that have been set according to the company's strategy in order to gain and increase the number of investors and increase their position in the business market.

Second: The Importance of Business Strategy:

Business strategy is an important administrative tool that helps the company maintain its success, and it can be summarized as follows (Saleh, 2022: 16)

1. It helps the corporate manager to respond and be aware of internal and external influences.
2. Working on developing future ideas for corporate business.
3. Help in developing and improving the long-term financial performance of companies.
4. Contribute to accurately predicting strategic results.
5. It works to unify all efforts and administrative departments to reach the goals.

Third: The Dimensions of Business Strategies:

Many researchers divided business strategies into a group of types, the most important of which is the division of (Porter) and the division of (Miles & Snow). The research will depend on the divisions of (Miles & snow) and (Li, 2020: 25), it is divided into the following:

1. Prospectors strategy: This strategy is characterized by finding and investing in new products and finding greater market opportunities unlike the strategy of the defenders, as well as the creativity and innovation of the prospectors with better importance than high profits, and the companies that follow this strategy are trying to search for new markets and products, and its application requires the ability of management to predict future events and conditions (Saleh, 2022: 21), as well as indicating that companies undertake innovation and diversification to raise the level of activity, in addition to that the companies that follow this strategy are not limited to specializing in a specific product and market, but rather work on diversity, excellence and risk distribution (Mantak et. al, 2019: 102).

2. Defenders Strategy: This strategy focuses on providing products or services that are of high quality and competitive price. Companies that follow this strategy work on specific markets and are not looking for a new opportunity outside their marketing field. Companies rarely need to make adjustments in their structure or methods of work. Bubble seeks to improve its current efficiency, and this strategy is more ambiguous than the prospector's strategy (Hussein, 2018: 2).

3. Analysts strategy: Companies that use this type of strategy face relative instability in their work activity as a result of ease of entry or exit from competition, as well as instability in their products. Therefore, companies must renew their strategies to get out of volatility and instability (Omer et al, 2017: 224).

Fourth: The concept of Accounting Conservatism:

Despite the importance of accounting conservatism and accounting practices, they did not agree on an approved definition of conservatism in the accounting literature, so many researchers came up with a variety of definitions, each taking a specific aspect, as the concept of accounting conservatism was defined

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as not expecting the administration to expect profits except for expecting losses, i.e. the tendency of accountants to make sure It is good news instead of recognizing bad news as a greater loss (Suwarnoa, 2020: 1390). Accounting conservatism is also defined as accountants using a policy of caution and caution in recognizing financial operations carried out by companies, meaning that losses are recognized and expected before they occur and are realized even if There was a small percentage that confirmed its occurrence, and the expected profits were not taken until after it actually occurred, although there was a high percentage that confirmed its occurrence (Hussein et al., 2020: 66).

From the foregoing, it was found that accounting conservatism can be considered a principle that the accountant must follow when preparing the financial statements to reflect the case of taking into account all expected future losses in return for not recognizing expected profits.

Fifth: Types of accounting conservatism and its measurement method:

Accounting conservatism is divided into two types: conditional accounting conservatism and unconditional accounting conservatism. The following is a description of each: (Cummins et al., 2019: 4), (Amash, 2021: 22)

1. Conditional reservation: which is the difference in the timing of recognition that depends on future economic news, i.e. recognition of bad news faster than good news. With regard to profits, economic losses are recognized faster. Examples of this type include the company’s decline, decline of long-term assets, stock valuation at a lower rate. cost or market.
2. Unconditional reservation: It is defined as reporting the lower value of net assets or disclosing the lower book value of property rights, and it is also known as pre-reservation about the occurrence of events, meaning that at the beginning of the life cycle of the asset, companies use an accounting method through which it is possible to reflect the decline in value The book of net assets when compared with the market value. Examples of this type are the depreciation method, the research and development account, advertising expenses, and doubtful accounts. The research will depend on measuring unconditional accounting conservatism on the (Givoly & Hayn, 2000) model, in agreement with the study of (Saleh, 2022) and the study of (Amash, 2021).

Seventh: Objectives of Accounting Conservatism:

There are many goals of accounting conservatism that can be summarized as follows: (Amash, 2021: 23)

1. Accounting conservatism contributes to confirming the credibility of the financial statements and increasing the appropriateness of accounting information.
2. The use of accounting conservatism helps prevent the collapse and bankruptcy of companies.
3. Financial reports that are prepared in a conservative manner is the basis for the work of shareholders and borrowers.
4. The use of accounting conservatism helps reduce uncertainties that the accountant is exposed to in preparing the financial statements.

Eighth: The concept of financial performance:

Financial performance is defined as a set of operations and procedures by which the performance of companies and their ability to achieve profits can be judged. Choosing available alternatives and opportunities to ensure its survival and achieve its goals at the lowest possible costs (Bouras, 2020: 27).

From the foregoing, the researcher sees the concept of financial performance as the extent to which companies are able to make optimal use of their resources and sources in the long-term and short-term

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uses to provide a value judgment about managing resources and the extent of the company's ability to satisfy the needs and desires of various external parties.

Ninth: The importance of financial performance:

The financial performance of companies is of great importance, especially for the management to seek to maintain the stability of the company and increase its share in the market, and this can be known through the financial reports prepared by the companies. It leads to bankruptcy, and investors and lenders view financial performance as the ability of the company to distribute dividends for financial investment, given the risks facing them (Farah et al., 2016: 82).

Tenth: Areas of Financial Performance:

(Hunger and Wheen) see the areas of financial performance as follows (Bouras, 2020: 7), (Fatihudin et al., 2018: 554):

1. Profitability: It represents one of the most important areas of financial performance through which the management's effectiveness in generating profits can be measured, as well as it can be used to judge the company's efficiency in using its assets, and the most important of these ratios are the gross profit margin, the operating profit margin, the net profit margin, and the return on the right of ownership.
2. Market position: It is represented by the market share, which refers to the percentage of the volume of business provided by the companies in terms of goods or services.
3. Productivity: It is represented by the relationship between the company's outputs of goods and services and its inputs.
4. Development of individuals and attitudes of workers: It is represented as a major performance that companies and all units seek to measure by compiling many various reports to evaluate the method followed by companies to meet all their current and future needs of the workforce, and labor trends can also be measured directly by trend research, either the indirect method By means of absence data and work turnover.
5. Financial Leverage: It refers to the extent to which companies depend on debts to finance their investments, through which the relationship between assets on the one hand and owners' rights on the other hand can be measured. This percentage is evidence that the company does not rely on debt to carry out its business or finance its investments.

Eleventh: Recent trends in evaluating financial performance:

These directions are an integrated approach in restructuring the financial management systems, due to their ability to link the financial performance with the company's general goals and the management goal in particular by maximizing the financial value of the company's shares (Al- Nuaimi & Al-Tamimi, 2008: 138):

1. Economic Value Added (EVA): It can be defined as a measure of financial achievement to estimate real profit as it is associated with maximizing shareholder wealth over time. It represents the difference between the cost of capital and net operating profit after taxes.
2. Market Value Added (MVA): It is one of the indicators by which a company's wealth can be measured.

Twelfth: The relationship between business strategies and accounting conservatism and the extent of its reflection on the company's performance:

Contemporary business companies may face many difficulties and challenges as a result of the strategic development in light of the variables involved in the environment of the local and global markets, which

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increases the cases of uncertainty in various companies, including the role of accounting reservation practiced by companies on the financial statements, which require transparency and reliability.

This was confirmed by the study (Houqe et al., 2013: 18) using the strategy classification (Miles & Snow, 1987) that business strategy is linked to the quality of declared profits. This study was based on a sample of American companies and indicated that defense strategies companies are associated with a high level of Earnings management and the prospector's strategy is associated with a high level of accounting conservatism, and this relationship depends on the change in high and low economic growth. A study (Hejranijami, 2020: 189-190) indicated that there is a positive relationship between business strategy and the level of conservatism, and that companies that adopt the prospector strategy in their policy are more conservative in their financial reports, which reduces uncertainties, and this does not apply to companies whose policy follows the defender strategy.

While the important role of business strategies in the various fields of the company was highlighted, this was confirmed by the study (Abdulwase et al., 2020: 136), as well as the existence of a positive relationship between business strategy and the company's performance by creating a competitive advantage to win the market, as the study added (Novatian et al., 2018: 286) that business strategies directly affect the company's performance, and that companies that adopt high-cost leadership indicators in their policies have better performance than companies use one low-cost strategic indicator, and a study added (Habashy & Mahdy, 2019: 9) that accounting conservatism has an important positive role in the performance indicators of companies and this positive role is reflected on the shareholders, which enhances a strong financial position and in turn affects the company's performance in the long term, and from the foregoing it was found that accounting conservatism helps reduce information asymmetry between management, shareholders and bondholders.

The third axis: The applied side of research

This axis includes the research community, measuring the variables, and then analyzing the statistical results and testing the hypotheses on which the research was based.

First: the research community and data collection:

The research community consists of all companies listed in "Iraq Stock Exchange", while the research sample included four sectors (industrial, banking, insurance, and agricultural) and includes 13 companies and banks for five years and for the period (2017-2021), and table (1) shows sample companies search.

Table (1): The research sample

No.	Title	Sector	No.	Name	Sector
1	Al Iraqiya for carpets	Industrial	8	Baghdad Bank	Banking
2	Al-Mansour for Pharmaceutical Industries	Industrial	9	Al-Ameen Insurance	Insurance
3	Sumer Bank	Banking	10	Gulf Insurance	Insurance
4	Al-Ahly Bank	Banking	11	Al Hamra Insurance	Insurance
5	Bank across Iraq	Banking	12	Iraqi for the production and marketing of meat	Agricultural
6	Al Mansour Bank	Banking	13	Middle East for fish production and marketing	Agricultural
7	The United Bank	Banking			

Source: The table was prepared by the researcher.

Second: Description and measurement of research variables:

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The research includes three variables:

1. The independent variable: It is represented by the business strategy, and it was relied on to study each of (Miles & snow), (Li, 2020: 25) in dividing into two types of strategies (the prospectors' strategy) and (the defenders' strategy), according to six measures:

- a. The percentage of research and development costs to the total sales.
- b. The percentage of employees number to total sales.
- c. The change in the percentage of one year in the total sales.
- d. The percentage of sales, general, and management costs to total sales.
- e. The standard deviation indicator of a number of employees.
- f. The fixed assets to total assets (capital intensity).

The six variables for each company are measured on the basis of the average of the previous five years for each company. Then, each of these intermediate variables is ranked (ranked) according to a (quartile) scale for each company. The companies that occupy the first fifth on each variable are granted (5 degrees), and those in the second fifth are granted (4 degrees), and so on, while the companies in the last fifth are granted (1 degree) with the exception of the capital intensity that will be reversed and the variable given to each company in the fifth lowest (5 degrees). Scores are aggregated for the 6 measures for each company so that the company can receive a maximum score of 30 (Prospector type) and a minimum of 6 points (Defender type). Therefore, separate strategy scores along the continuum range in value from 6 to 30 for Defender and Prospector-type companies closer to the endpoints and Analyst-type companies that form the middle of the strategy chain. But in this study, only the defending strategy and the excavating strategy will be taken, and the defender strategy is determined (1-18), while the prospector strategy takes degrees from (18-30).

2. The intermediate variable: It is represented by unconditional accounting conservatism, as it was measured based on the model (Givoly & Hayn, 2000) in agreement with the study (Saleh, 2022) and the study (Amash, 2021), according to the following equation: (Hussein et al., 2018: 2661)

$$\text{Accounting Conservatism} = \frac{\text{Operational Dues}}{\text{Operating Profit}}$$

Since:

$$\text{Operating Dues} = (\text{Operating Profit} + \text{Depreciation}) - \text{Flow from Operations.}$$

The higher the negative value, the more this indicates the existence of a reservation, and in order to simplify the interpretation of the relationships between the variables, so the result of the equation will be multiplied by (-1). Thus, the higher the value of the product, this indicates the existence of a reservation, and the lower the value or if it was negative, this indicates a low level of reservation Unconditional accountant.

3. The dependent variable: It is represented by financial performance, and it was measured by adopting the index (Q Tobin s) in agreement with the study of each of (Bouras, 2020: 36), (Fatihudin et al., 2018: 554) and through the following equation: (Jasim et al., 2018: 2312)

$$\text{Financial performance according to (Q Tobin s)} = \frac{\text{The market value of the company}}{\text{Replacement cost of company assets}}$$

The higher the index ratio, the higher the level of financial performance.

Third: The descriptive analysis of the research variables:

Table (2) shows the levels of business strategies, unconditional accounting conservatism, and financial performance according to the research sample companies and banks.

Table (2): Description of search variables by companies

No.	Title	Strategy	Conservatism	Financial Performance
		X	M	Y
1	Al Iraqiya for carpets	Defender	0.76880	1.39540
2	Al-Mansour for Pharmaceutical Industries	Defender	1.12100	1.79340
3	Sumer Bank	Defender	1.30760	0.40900
4	Al-Ahly Bank	Defender	0.90620	0.20480
5	Bank across Iraq	Prospector	0.01340	0.57300
6	Al Mansour Bank	Prospector	0.10540	0.13100
7	The United Bank	Defender	1.47800	0.56060
8	Baghdad Bank	Defender	1.29540	1.12560
9	Al-Ameen Insurance	Prospector	-.57540	0.43000
10	Gulf Insurance	Prospector	-.87060	0.37240
11	Al Hamra Insurance	Prospector	-1.00000	0.23600
12	Iraqi for the production and marketing of meat	Prospector	-.31840	0.65060
13	Middle East for fish production and marketing	Defender	1.93880	1.45500
	Total	Defender	0.47463	0.71822

Source: The table was prepared by the researcher with reference to (SPSS program).

It is noted from Table (2) that the arithmetic mean (for the five years of the research sample for all companies and banks in the research sample) has shown that most of the sample follows the strategy of the defender, versus the strategy of the prospector, as 7 companies follow the strategy of the defender in their business compared to 6 companies that follow the strategy of the prospector, as It is noted that the industrial sector was mostly following the strategy of the defender, while the insurance companies within the sample follow the strategy of the prospector in managing their business. The Middle East for Fish Production and Marketing is the most conservative, followed by the United Bank, then the Sumer Bank. As for Al-Hamra Insurance Company, it was the least conservative. As for the level of financial performance, it is noted that "Al-Mansour Pharmaceutical Industries" was the best, followed by the "Middle East Company for Fish Production and Marketing". The lowest level in financial performance was the share of "Al-Mansour Bank". Table (3) shows the mean and standard deviation of the variables of research and the total sample.

Table (3) Demonstration of the search variables at the aggregate level

Variable Type	Variables	Code	Mean	Standard Deviation	Lowest Value	Highest Value	Coefficient of Difference
Independent	Strategy	X	1.54	.5020	1	2	32.7%
Intermediate	Conservatism	M	0.475	1.140	-1.000	3.639	240.2%

Dependent	Financial Performance	Y	0.718	0.578	0.111	2.548	80.5%
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Source: The table was prepared by the researcher with reference to (SPSS program).

It is noted from Table (3) that the research sample as a whole of companies and banks tends to adopt the strategy of the defender at the expense of the strategy of the prospector. Consistency of observations and lack of discrepancy or dispersion in them, as it is noted that there is a low level of accounting conservatism as indicated by the arithmetic mean of the total sample, but this result cannot be reliably generalized to the sample as a whole due to the high standard deviation and the difference coefficient exceeding its standard value significantly, as for Financial performance It is also noted a decline in financial performance somewhat, but this decline cannot be generalized to the total sample due to the presence of dispersion in observations and inconsistency in terms of standard deviation and coefficient of difference.

These results differ from the study (Li, 2020), which was conducted on listed companies in China, which confirmed that accounting conservatism clearly reduces the negative impact of the business strategy, while the combined effect of both the business strategy and the accounting conservatism is clearly and positively associated with financial performance.

Fourth: Testing the relationship between variables:

For the purpose of conducting impact tests, it is necessary to examine the levels of the relationship between the research variables as a preliminary plan to determine the variables that can be entered into the regression equations models of the effect. The Pearson correlation coefficient was adopted as shown in Table (4) to test the levels of relationship between the research variables.

Table (4): Correlation coefficient values between research variables

		Financial Performance	Conservatism
Strategy	Pearson	0.515 ^{**}	0.749 ^{**}
	Sig.	0.000	0.000
Conservatism	Pearson	0.454 ^{**}	1
	Sig.	0.000	
** "It means that the correlation is significant at 1%"		* "It means that the correlation is significant at 1%"	

Source: The table was prepared by the researcher with reference to (SPSS program).

It is noted from Table (4) that there is a positive (direct) significant correlation at the level of (5%) between business strategy (defender strategy) and both unconditional accounting conservatism and financial performance, meaning that an increase in the orientation of companies and banks - towards adopting the defender's strategy in his business - will be accompanied by an increase in levels of unconditional accounting conservatism, as well as a relative increase in financial performance. It is also noted that there is a direct positive relationship with significant significance at the level (5%) between accounting conservatism and financial performance, meaning an increase in the research sample companies' orientation towards adopting conservative accounting practices. This will be accompanied by an increase in the level of financial performance.

These results are consistent with the study (Abdulwase et al., 2020), which confirmed the existence of a positive relationship between business strategy and the company's financial performance by creating a competitive advantage to win the market.

Fifth: Testing research hypotheses:

The research included four main hypotheses as follows:

(H1): The first main hypothesis: There is a statistically significant effect of the company's strategy on the accounting conservatism of the companies (research sample).

For the purpose of testing the first research hypothesis (H1), a simple linear regression model was formulated in order to estimate the relationship between accounting conservatism and the company's strategy, in order to identify the level of influence of the company's strategy on accounting conservatism. Table (5) shows the results of the impact test.

Table (5): The impact of the company's strategy on accounting conservatism

Variables	R ²	Value of (F)	Sig.	Level of significance
Company strategy	0.561	80.579	0.000	Statistically significant
	Constant coefficient (β ₀)	Regression coefficient (β)	Value of (T)	Sig.
	-2.141	1.700	8.977	0.000

Source: The table was prepared by the researcher with reference to (SPSS program).

Table (5) shows the results of analyzing the simple linear regression equation model as follows:

- a. It is noted that the value of (F) amounting to (80.579) was statistically significant at a significant level of less than (5%), which confirms the stability of the regression model.
- b. The significant (T) value of (8.977) at a significance level of less than 5% indicates the significant impact of the company's strategy on accounting conservatism.
- c. The positive value of the beta regression coefficient (β) of (1.700) indicates that the effect is positive, meaning that the greater the trend towards adopting the defender strategy in business, this will lead to a higher level of accounting conservatism in the research sample companies.
- d. The value of the determination coefficient (R²) of (0.561) indicates that the company's strategy explains (56.1%) of the changes in accounting conservatism, and based on the above, the first main hypothesis is accepted.

These results differ with (Hejranijami, 2020) study, which indicated that there is a positive effect in companies that rely in their policy on the prospector strategy to be more conservative in their financial reports, which saves cases of uncertainty, and this does not apply to companies that follow the policy of the defender strategy.

(H2): The second main hypothesis: There is a statistically significant impact of the company's strategy on the financial performance of the companies (research sample).

For the purpose of testing the second research hypothesis (H2), a simple linear regression model was formulated in order to estimate the relationship between financial performance and the company's strategy, in order to identify the level of influence of the company's strategy on the financial performance. Table (6) shows the results of the impact test.

Table (6): The impact of the company's strategy on financial performance

Variables	R ²	Value of (F)	Sig.	Level of significance
Company strategy	0.266	22.793	0.000	Statistically significant
	Constant coefficient (β ₀)	Regression coefficient (β)	Value of (T)	Sig.
	-0.194	0.593	4.774	0.000

Source: The table was prepared by the researcher with reference to (SPSS program).

Table (6) shows the results of the analysis of the simple linear regression equation model as follows:

- It is noted that the value of (F) amounted to (22.793) was statistically significant when a level of significance less than (5%), which confirms the stability of the regression model, and this means the possibility of estimating the financial performance in terms of the company's strategy, which gives confirmation of the validity of the model.
- The significant (T) value of (4.774) at a significance level of less than 5% indicates the significant impact of the company's strategy on the financial performance.
- The positive value of the beta regression coefficient (β) of (0.593) indicates that the effect is positive, meaning that the greater the trend towards adopting the defender strategy in business, this will lead to a higher level of financial performance in the research sample companies.
- The value of (R²) of (0.266) indicates that the company's strategy explains (26.6%) of the changes in the financial performance, and based on the above, the second main hypothesis is accepted.

These results are consistent with the study of (Novatian et al., 2018), which confirmed that the business strategy directly affects the financial performance of the company.

(H3): The third main hypothesis: There is a statistically significant effect of accounting conservatism on the financial performance of the companies (research sample).

For the purpose of testing the third research hypothesis (H3), a simple linear regression model was formulated in order to estimate the relationship between the financial performance and the accounting conservatism, in order to identify the level of influence of the accounting conservatism on financial performance. Table (7) shows the results of the impact test.

Table (7): The effect of accounting conservatism on financial performance

Variables	R ²	Value of (F)	Sig.	Level of significance
Accounting conservatism	0.206	16.382	0.000	Statistically significant
	Constant coefficient (β ₀)	Regression coefficient (β)	Value of (T)	Sig.
	0.609	0.230	4.047	0.000

Source: The table was prepared by the researcher with reference to (SPSS program).

Table (7) shows the results of the analysis of the simple linear regression equation model as follows:

- It is noted that the value of (F) amounted to (16.382) was statistically significant at a significant level of less than (5%), which confirms the stability of the regression model, and this means the possibility of estimating financial performance in terms of accounting conservatism, which gives confirmation of the validity of the model.

- b. The significant (T) value of (4.047) at a significance level of less than 5% indicates the significant effect of accounting conservatism on financial performance.
- c. The positive value of the beta regression coefficient (β) of (0.230) indicates that the effect is positive, meaning that the greater the trend towards adopting practices that support unconditional accounting conservatism, this will lead to a higher level of financial performance in the research sample companies.
- d. The value of (R^2) of (0.206) indicates that accounting conservatism explains (20.6%) of the changes in financial performance, and based on the above, the third main hypothesis is accepted.

These results are consistent with the study (Habashy & Mahdy, 2019: 9), which indicated that accounting conservatism has an important positive role on the performance indicators of companies, which enhances the financial position and in turn affects the company's performance in the long term.

(H4): The fourth main hypothesis: the impact of the company's strategy on the financial performance of company increases when mediating accounting conservatism in the research sample companies

To measure the direct and indirect effects between the company's strategy and financial performance, and by mediating the accounting conservatism, the statistical program (AMOS: Ver. 22) was used. The method of "maximum likelihood" was also used to identify the level of significance of the direct and indirect relationships between these variables. The significance of the model has been proven.

The following is a presentation of the results of the statistical analysis to test the fourth research hypothesis (H4), depending on the proposed model to determine the direct and indirect influence relationships between the company's strategy and financial performance, and Table (8) shows the results of these relationships when mediating accounting conservatism.

Table (8): Results of analyzing the direct, indirect and overall effects of the company's strategy on financial performance when averaging accounting conservatism

Variables			The value of the direct path coefficient	The value of the indirect path coefficient	The value of the overall path coefficient
Independent	Intermediate	Dependent			
Strategy	Conservatism	Financial Performance	0.459	0.134	0.593
**: "It means that the correlation is significant at (0.01)"					

Source: The table was prepared by the researcher with reference to (AMOS program).

Table (8) explains an increase in the impact of the company's strategy on financial performance when accounting conservatism is an intermediate variable, as the positive increase value reached (0.134), which is the value of the indirect effect. It can be said that when mediating accounting conservatism, this results in an increase in the positive impact of the company's strategy on financial performance, which results in the validity of the fourth main hypothesis.

Figure (2) shows the direct and indirect impact of the company's strategy on the financial performance when mediating accounting conservatism.

The value of the indicators of conformity of the model with the measurements	
0.000	Chi-square: Smaller value is better
0.000/DF	Standard chi-square: less than 5
0.000	Root mean squares of residuals: the closer to zero, the more exact and congruent

1.000	Matching quality index: equal to 0.90 or more
1.000	Comparative Matching Index: equal to 0.90 or more

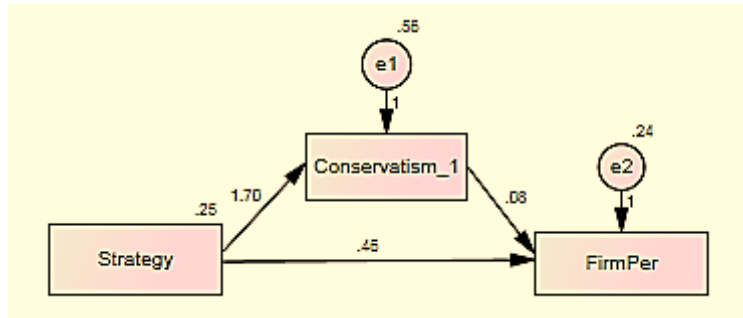


Figure (2): The direct and indirect impact of the company's strategy on financial performance

Source: The figure was prepared by the researcher with reference to (AMOS program).

The fourth axis: Conclusions and Recommendations

The researcher reached a set of conclusions and recommendations as follows:

First: Conclusions:

A set of theoretical and practical conclusions were reached, the most important of which are the following:

1. Strategic management has an important role in the long-term future of companies by analyzing future visions and identifying its most important goals and strategic decisions in evaluating companies.
2. Accounting conservatism has a major role in enhancing the credibility of the financial statements and raising the level of suitability for the financial information.
3. The existence of a correlation between the business strategy (defender strategy) and both unconditional accounting conservatism and financial performance, which indicates an increase in the tendency of companies and banks towards adopting the defender strategy in their business and will be accompanied by an increase in the levels of unconditional accounting conservatism as well as an increase in the proportion of financial performance.
4. There is a positive relationship of significant significance at the level of (5%) between accounting conservatism and financial performance, which contributes to increasing companies' tendency towards adopting conservative accounting practices that will be accompanied by an increase in the level of financial performance.
5. When using accounting conservatism as a mediating variable, the impact of the company's strategies on financial performance increases. The value of the positive increase was (0.134), which is the value of the indirect effect. This means that there is a positive effect produced by the company's strategy on financial performance when mediating accounting conservatism.

Second: Recommendations:

In light of the conclusions of the research, the researcher recommends the following:

1. The need for future studies of the types of business strategies in the Iraqi environment to increase knowledge of the diversity of strategies, which helps banks and companies to improve their performance.

2. The need to compel Iraqi companies to the policy of accounting reservation when preparing financial statements and reports.
3. Increasing knowledge of business strategy and the level of conservatism to obtain a high level of reliable results through which managers can be prepared to face changes in the financial markets.
4. The need to direct many applied researches to develop and increase confidence in the use of modern strategies and accounting conservatism, which has a significant impact on the financial performance of companies in the long run.

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