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Investigating the Impact of Management Accounting System Tools on Sustainable Performance in Developing Countries: A Case Study of Balanced Scorecard Implementation in Iraqi SMEs

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ABSTRACT

In an era marked by tumultuous economic terrain and rapid transformations, senior executives and strategic planners in Iraq grapple with the formidable challenge of steering their businesses towards trajectories aligned with strategic goals. The global business arena's escalating competitiveness intensifies the demand for robust strategies that propel organisations towards their envisioned destinations. However, achieving this goal remains a formidable task as various performance measurement models, including the Balanced Scorecard and Key Performance Indicators (KPIs), have not achieved optimal practical applicability. Considerations such as cost-effectiveness, stakeholder engagement, adaptability to environmental shifts, access to local technical expertise, and information technology access loom large, adding complexity to the challenges faced by senior executives and strategic planners in Iraq. This qualitative study delves into the realm of Management Accounting System (MAS) tools and their influence on Sustainable Performance within the context of Iraqi Small- and Medium-sized Enterprises (SMEs). The research has a dual focus: it explores the traditional Balanced Scorecard (BSC) as an established MAS tool and investigates the innovative Agile-Adaptive Balanced Scorecard (AABSC) as a potential new entrant into this domain. The choice of SMEs as the research context is motivated by their substantial role in economic growth and development. These agile and dynamic entities frequently confront significant challenges while navigating shifting business landscapes, underscoring the importance of understanding the impact of MAS tools on their sustainable performance. To gather in-depth insights from 14 participants within the target SMEs, this research adopted a single case study approach along with a semi-structured interview methodology. These interviews yielded valuable qualitative data, which was subsequently analysed using the Atlas.ti 9 software, employing content analysis techniques. The findings of this study not only validate the potential of the AABSC but also emphasise the need for further research to refine and make this novel tool accessible to both managers and scholars. Participants highlighted the necessity for ongoing study and development of the AABSC, indicating its promise as a catalyst for enhancing sustainable performance in Iraqi SMEs. This research contributes to the understanding of MAS tools and their role in advancing sustainable performance, offering valuable insights for SMEs in developing countries. It underscores the significance of embracing innovative tools like the AABSC, to adapt to ever-evolving business environments and promote sustainability. Furthermore, it highlights the critical importance of agility and adaptability in the face of rapid economic changes and global competition, reinforcing the notion that the future of business hinges on innovation and the capacity to navigate complex and dynamic landscapes effectively.

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CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

The turbulence-oriented and super dynamic economic environment, maintaining the desired path's business trajectory and achieving its anticipated strategic goals are extraordinary challenges faced by senior executives and strategic planners in Iraq (Zandieh et al.,2020). As such, many performance measurement models have been introduced in recent decades to facilitate planning, execute and evaluate strategic decisions in organisations (Shariat et al., 2019). One could argue that among various tools and approaches, the introduction of Balanced Scorecard (BSC), along with the setting of Key Performance Indicators (KPIs) and their associated targets and initiatives that align with the Strategy Map, provide limited advantages to the organisation (Wiraeus & Creelman, 2019). Therefore, it can be inferred that factors such as financial investment, stakeholder involvement, and innovation capacity play crucial roles in achieving better sustainable results, as they are closely interrelated and strongly influenced by the linkage criteria mentioned, including cost-effectiveness, stakeholder engagement, flexibility/adaptability, local technical skills, and information technologies (Tsai et al., 2019). Sustainability has gained considerable momentum as an integral part of business practice and strategy in today's hyper-competitive world. Sustainability is a concept whereby companies integrate social and environmental concerns in their business operations and their interaction with their stakeholders, voluntarily (Asiaei & Bontis, 2019).

Generally, the adoption of any approach, even when it focuses on a specific aspect of a management accounting system (MAS), may not guarantee the successful implementation of the entire system, unless the environmental factors and organisational characteristics are identified and understood. While concentrating on one aspect of MAS, any innovative approach does not inherently contribute to effective implementation of the MAS unless it defines and underpins external variables and organisational characteristics. This may influence successful MAS implementation, which will in turn, positively reflect on sustainability performance. The relationships between context, content, and process have been discussed from BSC point of view