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Business Strategic Orientation and Banking Profitability: The Moderating Effect of Accounting Information Systems

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ABSTRACT
The primary objective of this study is to examine the effect of business strategic orientation on organizational profitability. In addition, this study investigates the moderating role of the Accounting Information System (AIS); its dimensions of aggregation (AISA), integration (AISI), and timeliness (AIST), on the relationship between business strategic orientation and banking profitability. Chief Executive Officers (CEOs) and Chief Financial Officers (CFOs) were sample target subsets for this research. The chosen banks received a total of 152 questionnaires. A minimum of 113 respondents was considered a sufficient sample size based on the study's requirements. The Partial Least Squares (PLS) method was utilized to evaluate the survey data. Results indicate that cost leadership (BSCLS) has a positive but marginally significant effect on profitability, whereas innovative differentiation (BSID) significantly enhances banking profitability. Regarding the moderating role of AIS, aggregation (AISA) positively and significantly strengthened the cost leadership (BSCLS) profitability relationship but had a negative and significant moderating effect on the innovative differentiation (BSID) banking profitability link. AISI shows negative and insignificant moderation for cost leadership (BSCLS), and positive but insignificant moderation for innovative differentiation (BSID). AIST, negatively and significantly, moderates the cost leadership (BSCLS) profitability relationship, while it positively and significantly moderates the innovative differentiation (BSID) banking profitability relationship. These findings highlight that the effectiveness of strategic orientation on banking profitability is contingent on specific dimensions of the AIS.

INTRODUCTION

Accounting information systems (AIS) are essential for business, particularly for managers who depend on them to generate high-quality and useful data (Tran Thanh Thuy, 2025). The decision-making process in organizations heavily relies on data and information related to the accounting of the organization (Mohsin, Alfartoosi, & Ahmed, 2022). AIS assists companies in aligning their business strategic orientation with respect to improved productivity, cost reduction, and implementation of their business plans (Latifah et al., 2021). AIS also helps decision-makers provide relevant data for the firm by collecting and interpreting accounting records. Such systems have to be effective and efficient enough in ensuring that decision makers are provided with the requisite information to analyze and evaluate their business strategies (Tjahjadi & Soewarno, 2019). The strategic orientation of the business has been identified as playing a key role in enhancing the organization's profitability (Komakech et al., 2024). Business strategic orientation is vital in terms of its selection and implementation in the process of creating dynamic capabilities within an organization (Ju et al., 2024). Organizations turn to strategic business orientation to increase their profitability and attain a competitive advantage in the sector (Ali & Anwar, 2021). Furthermore, advanced AIS is essential for predicting and improving organizational profitability (Pangaribuan et al., 2023). According to Ali (2020), the COVID-19 pandemic had an impactful negative influence on the economy of Iraq. Some examples of a banking crisis in Iraq also illustrate that banks tend to expose themselves to numerous risks, and there are differences in risk management and information quality amongst the organizations, as shown by Mahmood and Ahmed (2022). Several banks have also experienced deterioration in their quality information because of a substantial fall in the market equity indices. According to Al Karawi and Almashhadani (2022), the way the banking sector in Iraq responded to the economic and health crises, and the difficulties that followed, such as lower profits and liquidity constraints, is comparable to what is happening in banking sectors in other countries in the world. Al-Mamoorey and Al-Rubaye (2020) claim that the banking industry in Iraq struggled with low profitability and poor financial outcomes during this time. A business strategic orientation can be effectively executed with the support of AIS, leading to improved profitability in the banking sector. In situations where the environment shows fluctuating levels of ambiguity, decision-makers within the banks reassess their business objectives and strategies. Hence, the banks should be able to adapt to both internal and external changes. Therefore, top management requires accurate and timely accounting information to navigate these dynamic conditions (Ali & AlSondos, 2020). This is why we wanted to conduct this study to examine the effect of business strategic orientation, such as cost leadership and innovative differentiation, on banking profitability. In addition, this study investigates the moderating role of the AIS, specifically its dimensions of aggregation, integration, and timeliness, on the relationship between business strategic orientation and banking profitability.

Business Strategy Orientation and Banking Profitability

Business strategic orientation is essential, and it is highly recommended to have a well-thought-out and well-defined plan for businesses to improve their profitability (András & Havran, 2015). Several studies have investigated the relationship between dimensions of business strategic orientation of cost leadership and innovative differentiation and profitability. For example, a study conducted by Setyarini et al. (2025) aims to assess the risk of a business strategy to participate in the profit maximization of the banking industry. They discovered that a business risk strategy that has been thoroughly established will be able to play a critical role in enhancing the profitability and stability of banks. Similarly, Banker et al. (2025) discovered that using a differentiation strategy, firms have more of their sticky costs as compared to those firms pursuing a cost leadership strategy. This association is mediated by their positive or negative forecasts of sales by the managers. The empirical study of Houessou et al. (2025) examines the direct impact of business strategy and the mediating impact of the level of competition on business strategy-outcome fit. It was observed that competitive intensity structure is a factor that contributes to firms' success. Unexpectedly, it was

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found that the intensity of competition does not play a critical role in moderating the influence of cost leadership and product differentiation strategy. Zairbani and Jaya Prakash (2025) found that the business strategy enhances the networks of the firm, profitability measurement, and organizational behavior. There is also a supportive differentiation strategy that will encourage management practices, strategic positioning, product pricing, product features, and profitability of the organizations. Bekata and Kero (2025) consider the importance of strategic orientation to contribute to the knowledge of the innovation capabilities and the profitability of small and medium-sized enterprises. They have identified that innovation capabilities are partially involved in mediation in the relationship between strategic orientation and profitability of SMEs. Ju et al. (2025) identified and discovered that different degrees of business differentiation strategies rely more on a positive effect on innovation persistence, whereas the weakest measures of cost leadership strategies undermine this relationship. Rubio-Andr et al. (2024) determined that innovation has a direct and positive influence on the performance in the market of SMEs. Thus, the hypotheses will be as follows.

H1: There is a positive effect of the cost leadership strategy on profitability.

H2: There is a positive effect of innovative differentiation on profitability.

Accounting Information System as a Moderator

AIS has a significant role in the process of gathering, interpreting, and reporting an organization's financial and operational data, making it a crucial moderating variable (Kristiana, Erlangga, & Sinarasri, 2024). AIS offers crucial data to improve organizational activity planning and management and minimizes decision-making uncertainty (Ibrahim et al., 2020). When creating organizational plans, it is common to neglect the potential benefits of accounting information systems. The misalignment between business strategy and operational potential, including the AIS, can be attributed to this carelessness, which can lead to the failure of business strategy implementation (Akande et al., 2024). The relationship between AIS, business strategic orientation, and profitability has been the subject of numerous earlier studies. For instance, a study carried out by Al-Hashimy and Yao (2025) notes that while the current systems are already effective, computerized accounting information systems have a smaller impact on cost management. Firdausy et al. (2022) state that AIS aggregation, integration, and timeliness have a positive and significant effect on managerial performance. Ayu (2014) shows that there is a significant positive effect of AIS aggregation, integration, and timeliness on the managerial performance of PT Bank. Tan and Jusoh (2012) state that strategic management accounting usage mediates a positive and significant effect on the product differentiation strategy and firm profitability. From this explanation, the hypotheses are:

Main Hypothesis: AIS moderates the relationship between business strategic orientation and profitability.

H3: AIS aggregation moderates the relationship between cost leadership strategy on profitability.

H4: AIS integration moderates the relationship between cost leadership strategy on profitability.

H5: AIS timeliness moderates the relationship between cost leadership strategy on profitability.

H6: AIS aggregation moderates the relationship between innovative differentiation on profitability.

H7: AIS integration moderates the relationship between innovative differentiation on profitability.

H8: AIS-timeliness moderates the relationship between innovative differentiation on profitability.

Study Model The present study proposes a model in which banking profitability serves as the dependent variable. Business strategic orientation, based on two dimensions, cost leadership and innovative differentiation, acts as a predictor. The framework is grounded in a comprehensive review of established literature and theoretical models. The moderating variable is AIS, measured through its dimensions of aggregation, integration, and timeliness. Figure 1 illustrates the proposed conceptual study model.

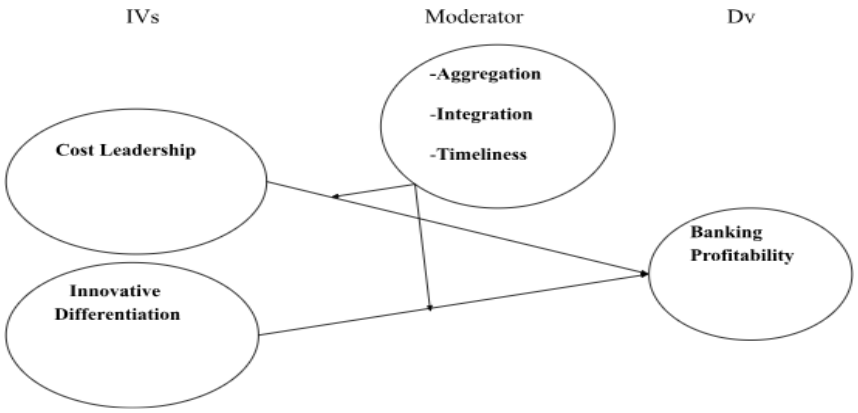

Figure 1: Study Model

METHODS

The current study employs a cross-sectional design and quantitative methodology, consistent with prior research on organizational management, banking profitability, AIS, and business strategic orientation. The study population comprises senior managers from Iraqi banks, drawn from the Central Bank of Iraq's list of the 76 banks operating in the country as of 2024. It was a subgroup of the overall population that was sampled from Chief Executive Officers (CEOs) and Chief Financial Officers (CFOs). Questionnaires were distributed to 152 bank branches that were selected. According to the calculations, it was ascertained that 113 completed returns were sufficient based on the study requirements. The Partial Least Squares (PLS) was used in analyzing the survey data. Structural Equation Modeling (SEM) using Smart-PLS 4.0 was utilized to assess the proposed research model and hypothesized relationships.

The strategic orientation of the business variable is measured with 18 items subdivided into innovative differentiation of 14 items and cost leadership strategy of 4 items using the scientifically acceptable questionnaire prepared by Reimann et al. (2010). The AIS variable has 14 items consisting of three dimensions: integration, having 3 items; aggregation, having 7 items; and timeliness, having 4 items, based on the study of Chenhall and Morris (1986). Banking profitability is also quantified by 8 items that are modified after Croteau and Bergeron (2001). Finally, demographic data is collected through 4 items to capture respondents' personal and professional characteristics.

RESULTS

Table 1 presents the data collection process, which spanned approximately five months, beginning with the distribution of 152 questionnaires. Of the 135 questionnaires returned, 5 were excluded due to incomplete responses, resulting in a total of 130 usable responses, representing 85.5% of the targeted sample. This high response rate indicates strong participant engagement and provides a reliable dataset for subsequent analysis.

Table 1: Distribution and questionnaire responses

	No.	(%)
Targeted	152	100
Questionnaires distributed	152	100
Questionnaires received	135	88.8
Unusable questionnaires	5	3.2
Usable responses	130	85.5
Total	130	85.5

Reliability, Validity, and Collinearity Assessment

In this study, a factor loading value threshold of 0.70 and higher was used to make the indicators of the constructs developed in the study model acceptable and viable (Hulland, 1999). The study also involved measuring the Average Variance Extracted (AVE), Composite Reliability (CR), Cronbach's Alpha (CA), and Variance Inflating Factor (VIF) of the reliability and collinearity of the data. Hair et al. (2017) recommend that the AVE values need to be at least 0.50 to be able to conclude convergent validity achieved, although suboptimal AVE, <0.50, may still be acceptable if CR is above 0.60 (Fornell & Larcker, 1981). To test the convergent validity, overall reliability, and

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internal consistency, Hair et al. (2017) confirm that the CR coefficients of construct indicators must amount to at least 0.70, and the CA value must also be at least 0.70 (Bagozzi & Yi, 1988; Vinzi et al., 2010). The results of the reliability analyses are given in Table 3. According to Sekaran (2010), one of the most important measurements is Cronbach's Alpha to measure the internal consistency and stability of a variable, where a score below 0.70 indicates insufficient reliability and a score above 0.80 indicates that it is a very reliable variable.

Table 3. Constructs Reliability Analysis

	Cronbach's-alpha	Composite-reliability (rho_c)	Average variance extracted
AISA	0.705	0.793	0.557
AISI	0.741	0.807	0.584
AIST	0.769	0.799	0.502
BSCLS	0.753	0.843	0.574
BSID	0.802	0.851	0.572
BP	0.834	0.873	0.565

Variance Inflation Factor (VIF)

VIF values in Table 4 were examined to assess multicollinearity among the indicators of the independent variables. The VIF values for accounting information system, business strategic orientation, and banking profitability items ranged from 1.140 to 2.310, which are well below the commonly accepted threshold of 5 (Hair et al., 2017). This indicates low multicollinearity, confirming that each variable contributes unique information to the model, and the estimates derived from regression or SEM analysis are stable and reliable.

Table 4. Variance Inflation Factor

ITEMS	VIF
AISA1	1.303
AISA2	1.336
AISA3	1.323
AISA4	1.362
AISA5	1.283
AISA6	1.244
AISA7	1.202
AISI1	1.164
AISI2	1.366
AISI3	1.334
AIST1	1.293

Table 4. (continued)

ITEMS	VIF
AIST2	1.428
AIST3	1.341
AIST4	1.14
BSCLS1	1.455
BSCLS2	1.561
BSCLS3	1.687
BSCLS4	1.536
BSID1	1.78
BSID10	1.483
BSID2	2.31
BSID3	1.477
BSID4	2.038
BSID5	1.64
BSID6	1.428
BSID7	1.349
BSID8	1.288
BSID9	1.277
BP1	1.605
BP2	1.859
BP3	1.67
BP4	1.533
BP5	1.525
BP6	1.782
BP7	1.656
BP8	1.565

Correlation Matrix

Table 5 provides the correlation matrix among the research constructs: business strategic orientation of cost leadership strategy (BSCLS) and innovation differentiation (BSID), AIS of aggregation, integration, and timeliness, and banking profitability. The correlation results indicate that AIS dimensions of AISA, AISI, and AIST are strongly interrelated and positively linked with business strategies, particularly innovation/ differentiation, which shows stronger associations than cost leadership. Moreover, banking profitability is highly associated with AIS quality, particularly timeliness and aggregation, and business strategic orientation, with innovation differentiation demonstrating the strongest contribution.

Table 5. Correlation Matrix

	AISA	AISI	AIST	BSCLS	BSID	BP
AISA	1.000					
AISI	0.803	1.000				
AIST	0.914	0.684	1.000			
BSCLS	0.356	0.372	0.356	1.000		
BSID	0.637	0.478	0.586	0.737	1.000	
BP	0.599	0.512	0.695	0.6	0.705	1.000

R Square

Table 6. shows that the R^2 value is 0.576, indicating that 57.6% of the variance in banking profitability (BF) is explained by independent variables, business strategic orientation of cost leadership (BSCLS) and innovative differentiation (BSID), and the moderating role of AIS dimensions AISA, AISI, and AIST. This indicates that while these factors significantly contribute to banking profitability, the remaining 42.4% is influenced by other factors not examined in the model.

Table 6: Variance Explanation

	R-Square	R-Square Adjusted
Banking Profitability (BP)	0.576	0.537

Path coefficients (Hypotheses testing)

The results of the hypothesis testing reveal several key insights regarding the links between business strategic orientation, accounting information systems, and banking profitability. Table 7 shows the direct effects of these constructs, the business strategic orientation dimensions, innovation differentiation (BSID) significantly enhances banking profitability (BP) ($\beta = 0.267$, $p = 0.007$), while cost leadership strategy (BSCLS) shows a marginally significant positive effect ($\beta = 0.182$, $p = 0.054$).

Investigating the moderating effects, AISA strengthens the relationship between cost leadership strategy (BSCLS) and BF ($\beta = 0.479$, $p = 0.001$) but negatively moderates the relationship between innovation differentiation (BSID) and banking profitability (BP) ($\beta = -0.612$, $p < 0.001$). AIST positively moderates the relationship between innovation/ differentiation (BSID) and banking profitability (BP) ($\beta = 0.349$, $p = 0.004$) while weakening the effect of cost leadership strategy (BSCLS) on banking profitability (BP) ($\beta = -0.318$, $p = 0.016$). AISI does not significantly moderate the relationships for either business strategic orientation dimension of cost leadership strategy (BSCLS): $\beta = -0.047$, $p = 0.648$; innovation differentiation (BSID): $\beta = 0.138$, $p = 0.247$.

Table 7: Path Coefficients Tests

H		Original Value	Mean	Standard Dev.	T Statistics	P Values	Results
H1	BSCLS -> BP	0.182	0.178	0.094	1.927	0.054	Supported
H2	BSID -> BP	0.267	0.284	0.099	2.701	0.007	Supported
H3	AISA x BSCLS -> BP	0.479	0.399	0.15	3.186	0.001	Supported
H4	AISI x BSCLS -> BP	-0.047	-0.022	0.102	0.457	0.648	Unsupp.
H5	AIST x BSCLS -> BP	-0.318	-0.28	0.131	2.419	0.016	Supported
H6	AISA x BSID -> BP	-0.612	-0.526	0.156	3.912	0.000	Supported
H7	AISI x BSID -> BP	0.138	0.122	0.119	1.158	0.247	Unsupp.
H8	AIST x BSID -> BP	0.349	0.299	0.12	2.899	0.004	Supported

***** P < 0. 001 **p < 0. 01, *p < 0.05**

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Figure 2 represents a structural equation model (SEM) illustrating the relationships among business strategic orientation, banking profitability, and accounting information system as a moderator.

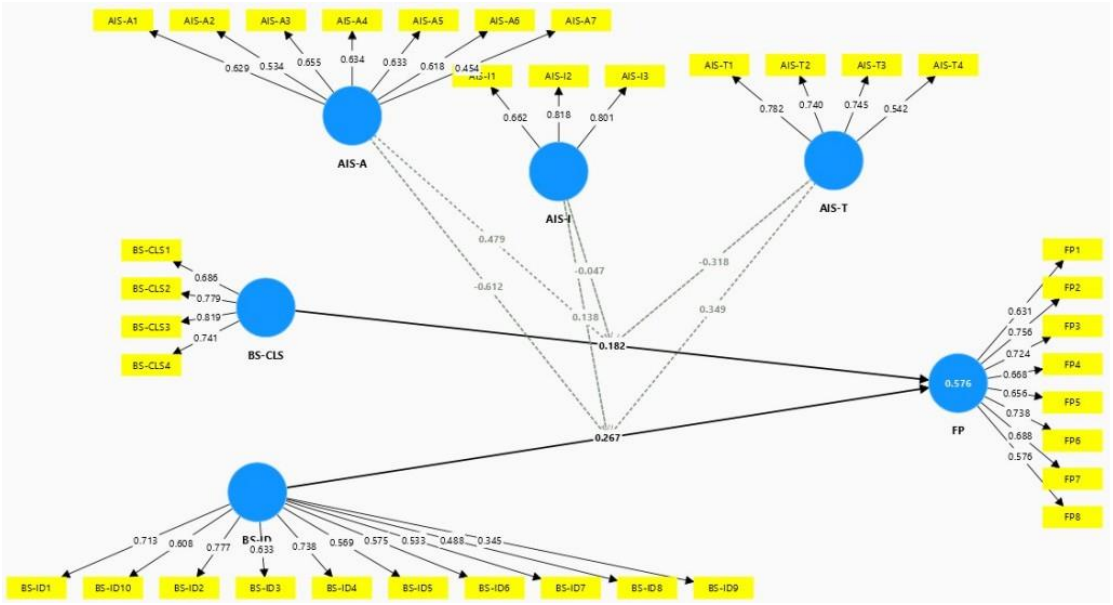

Figure 2. PLS-SEM Model

DISCUSSIONS

Impact of business strategic orientation on banking profitability

Cost leadership strategy: The main goal of the cost leadership strategy is to maximize the use of the organization's resources during the manufacturing process and to enhance productivity through the implementation of effective cost management initiatives, all while maintaining product quality (Agustia, Muhammad & Permatasari, 2020). Businesses that adopt a cost leadership approach aim to generate profits, offer customers competitive rates, and achieve the lowest cost products or services in their industry (Dadzie, Winston & Dadzie, 2012). For the dimension of cost leadership strategy (BSCLS), it shows a marginally significant positive effect (β = 0.182, p = 0.054), supporting hypothesis (H1). This means that the cost leadership strategy is also an important dimension that contributes to improving and enhancing banking profitability. These findings are consistent with several studies in the literature that tested the link between cost leadership business strategy and profitability. For instance, Li and Li (2008) found that the effects of both cost and dual strategies on profitability are more significant for domestic firms compared to foreign firms. Market orientation and the cost leadership strategy have a strong positive correlation with SMEs' profitability (Dutse & Aliyu, 2018), and the cost leadership strategy can significantly improve firm profitability (Sun & Li, 2022).

Innovation differentiation strategy: Differentiation refers to the capacity of a firm to provide clients with more desirable products than those offered by the competing firms (Andersen, 2021). As per Danso et al. (2019), profitability could be advanced massively when implemented by businesses that employ the differentiation strategy model. The findings imply a positive and significant effect on business strategic orientation dimensions and innovation differentiation (BSID) on a positive and significant relationship with banking profitability (BF) (b = 0.267, p = 0.007), in line with hypothesis (H2). This implies that the dimension of innovation differentiation (BSID) is instrumental in the reflection of enhancing the profitability of the banking sector. This result is consistent with several earlier investigations in the literature. According to Hutahayan (2020), the innovation strategy is important and has a positive effect on profitability. In another study, Cui (2020) found that the differentiation strategy significantly improves the innovation profitability. According to Ngo (2022), the findings indicate that the relation between creative culture and profitability is partially mediated by the differentiation strategy. The

banking industry can benefit from this recognition by using it to guide strategic planning and decision-making processes, ultimately leading to improved profitability and sustainability.

The Moderating Effect of the Accounting Information System

Accounting information systems are essential instruments because they enable efficient gathering, storing, accessing, and deleting accounting data (Akande et al., 2024). A bank's management team is usually enabled by accessing accounting data, which is a product of information systems, particularly when it comes to organizing, managing, and conducting organizational operations (Ren, 2022). AIS is a crucial component of a business's overall information system, especially in accounting procedures and processes (Iyibildiren, Eren, & Ceran, 2023). The study results show that AISA has a positive and significant moderating effect on the relationship between cost leadership strategy (BSCLS) and banking profitability. This is supported by the acquisition of a path coefficient value of 0.182, a statistical t-value of 1.927, which is less than 1.96, and a p-value of 0.054, which is greater than 0.05, indicating a positive but marginally significant moderating effect. Therefore, hypothesis H3 is supported. These findings align with Beg (2018), who states that accounting information system-aggregation is one of the crucial factors for a firm's outcome, thereby influencing its profitability. AISA moderates the relationship between innovation differentiation (BSID) and banking profitability. This is supported by the acquisition of a path coefficient value of -0.612, a statistical t-value of 3.912, which is greater than 1.96, and a p-value of 0.000, which is less than 0.05, indicating a negative and significant moderating effect. Therefore, hypothesis H6 is supported. The results of this study confirm that empirical studies show that AISA has a negative and significant effect on organizational profitability (Damayanti & Augustine, 2019).

AISI moderates the relationship between cost leadership strategy (BSCLS) and banking profitability, but it has a negative and insignificant moderating effect. This is based on the acquisition of a path coefficient value of -0.047, a statistical T-value of 0.457, which is less than 1.96, and a p-value of 0.648, which is greater than 0.05, indicating a negative and insignificant moderating effect. Therefore, hypothesis H4 is unsupported. This means that AISI does not play the role of a moderator in the relationship between cost leadership strategy (BSCLS) and banking profitability. AISI moderates the relationship between innovation differentiation (BSID) and banking profitability, and it has a positive and insignificant moderating effect. These findings are based on the acquisition of a path coefficient value of 0.138, a statistical T-value of 1.158, which is less than 1.96, and a p-value of 0.247, which is greater than 0.05, indicating a positive and insignificant moderating effect. Therefore, hypothesis H7 is unsupported. This means that AISI does not play the role of a moderator in the relationship between innovation differentiation (BSID) and banking profitability. This result is consistent with several earlier studies that demonstrate the substantial impact of an innovation strategy on profitability (Hutahayan, 2020). According to Damayanti and Augustine's (2019) research, the profitability of organizations is adversely affected by the integration of the management accounting system. This is one of the rare studies that does not agree with the majority of the research results presented in the literature.

AIST moderates the association between cost leadership strategy (BSCLS) and financial gain in banking in a negative and significant trend. This is premised on two factors, namely the acquisition of a path coefficient value of -0.318, a statistical T-value of 0.457, which is less than 1.96, and a p-value of 0.016, which is less than 0.05, indicating a negative and significant moderating effect. Accordingly, hypothesis H5 can be accepted. This implies that, in correlation with the cost leadership strategy (BSCLS), the AIST can be viewed as a moderator in banking profitability. The findings indicate that a moderating effect exists between AIST and the innovation differentiation (BSID), and the importance of banking profitability. This is evidenced by the resulting path coefficient value of 0.349, a T-value of 2.899, which is greater than 1.96, as well as a p-value of 0.004, which is less than 0.05, indicators of a positive and significant moderating effect. Therefore, hypothesis H8 is supported. This means that AIST plays a high role as a moderator in the relationship between innovation differentiation (BSID) and banking profitability. This result is consistent with several other studies in the literature. For example, a 2019 study by Damayanti and Augustine shows that the accounting

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information system's timeliness positively impacts organizational profitability. Similarly, it confirms the empirical study of Fazri and Muttaqin (2021), which finds that the deadlines of the management accounting system had a statistically significant positive effect on the profitability of Indonesian start-up businesses.

CONCLUSION, IMPLICATIONS, AND FUTURE RESEARCH

This study aimed to explore the relationship between the business strategic orientation of cost leadership and innovative differentiation and banking profitability, with a focus on the moderating role of AIS in the banking sector of Iraq. The results revealed that cost leadership (BSCLS) had a positive but marginally significant effect on banking profitability, while innovative differentiation (BSID) significantly enhanced profitability. The moderating role of AIS dimensions was found to be variable; AISA positively moderates the relationship between cost leadership and profitability, while having a negative impact on the relationship between innovative differentiation and profitability. On the other hand, AISI has a mixed effect, with negative and insignificant moderation for cost leadership and positive but insignificant moderation for innovative differentiation. AIST exhibits a negative and significant impact on the cost leadership profitability relationship, whereas it was positive and significant in the case of innovative differentiation and the corporate profitability relationship. These findings reiterate the significance of certain accounting information system dimensions in mediating the efficacy of strategic orientations on banking profitability, which shows that attaining sustainable profitability in the banking sector is quite complicated. This research offers a contribution to the academic community in that it investigates the contribution of the strategic orientation towards the business, as well as the intervening effect of accounting information systems on the profitability of banking institutions in the Iraqi banking sector. It sheds new light on the role of accounting information systems in enhancing or degrading the levels of relationship between business strategy and profitability, and is useful in creating a framework for understanding the dynamics of banking profitability. The findings suggest that bank managers should focus on improving accounting information systems to ensure they are timely, relevant, and predictive; thereby enhancing profitability. Policymakers and decision-makers in emerging markets should recognize the critical role of AIS in bridging strategic orientation and profitability, ensuring their effective implementation to improve operational efficiency and profitability in the banking sector. Future studies could explore the moderating effects of accounting information systems in other sectors and regions, providing a broader understanding of their impact on organizational profitability and strategic execution in different contexts.

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