



AUSTRALIAN JOURNAL OF BASIC AND APPLIED SCIENCES

ISSN:1991-8178 EISSN: 2309-8414
Journal home page: www.ajbasweb.com



The Mediating Role of Balance Scorecard between Contingent Factors and Firm Performance: A Proposed Framework

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ARTICLE INFO

Article history:

Received 26 August 2016

Accepted 10 October 2016

Published 18 October 2016

Keywords:

BSC, Performance, Intensity of competition, Political Turbulence, Iraq

ABSTRACT

Background: Performance of manufacturing industry in Iraq has declined over the last few decades. Yet, many companies in the manufacturing sector in Iraq have not adopted strategic management accounting techniques, e.g. Balanced Scorecard (BSC), to improve their performance despite its potency to achieve competitive advantage and better performance. As a result of this decline in the industrial sector and the poor performance of industrial companies, the Iraqi Government undertook a number of reforms and convened conferences and sessions at a very high level, including: Conference of Iraqi Federal Board and Supreme Audit in April 2014 which emphasized the attention to the industrial sector and to increase the effectiveness of its role in supporting the Iraqi economy. **Objective:** This study aims at examining the relationship between selected contingent factors, e.g. perceived environmental uncertainty (PEU) which includes two dimensions (i) political turbulence and (ii) intensity of competition), and the adoption extent of BSC in the context of Iraqi companies. **Results:** Based on this conceptual paper that carefully reviewed the current literature regarding the impact of the PEU (i.e. political turbulence and intensity of competition) on firms performance, the researchers strongly recommend to convert this conceptual paper into an empirical one, since this kind of uncertainties dominating the Arab world in general and Iraq in particular. Thus, Academician and practitioners should be aware to the importance of such strategic uncertainties on the firm's performance and the advantage behind using the BSC in order to take sound decision. **Conclusion:** This is a conceptual paper; thus, its framework needs to be tested empirically by future researchers in order to examine the ability of the BSC to enhance firms' performance under such political turbulence that dominates the Arab World. Researchers in the field of strategic management accounting need to examine the impact of such uncertainty on BSC, since it may lead to different kinds of strategic uncertainties.

INTRODUCTION

The aim of strategic cost management is to provide valid and reliable information that is useful for the process of decision making, planning, and performance evaluation (Merchant & Otley, 2006). While strategic cost management literature is replete with studies that focus on developed economy, few studies give attention to strategic cost management in the context of a developing economy. Arab world, as an important body of the developing economy, constitutes of 22 countries spread over a large geographical area. It offers significant opportunities for many foreign investments. Yet, it has received little attention in the previous strategic cost management research. In fact, the missing part of this global strategic cost management research is the Arab countries (Shurafa & Mohamed, 2016). Business organizations in the Arab world are generally suffering from the pressures of politico-economic uncertainty since the appraisal of the Arab spring revolution in 2011, and the

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To Cite This Article: Khalis Al-Naser and Rapiah Bt Mohamed., The Mediating Role of Balance Scorecard between Contingent Factors and Firm Performance: A Proposed Framework. *Aust. J. Basic & Appl. Sci.*, 10(15): 231-241, 2016

subsequent armed and political conflict in many countries such as, Yemen, Iraq, Syria, Lebanon, Libya, and Egypt (Shurafa & Mohamed, 2016) as well as the political uncertainty that is dominating Iraq (Demir, Özmen and Rashid, 2014) after the 2003 war and the withdrawal of US forces (Ali, Christopher, & Nordin, 2016). Indeed, one of the most critical strategic uncertainties that is dominating Arab world is the political turbulence and intensity of competition.

Researchers in the field of strategic cost management need to examine the impact of political turbulence and intensity of competition on strategic cost management techniques (e.g. BSC) and firm performance since it may lead to different kinds of strategic uncertainties. An example of such emergence uncertainties includes: supply and demand fluctuation, assets safety, employees' safety, aggressive price competition, new government legislation, public boycott products of some countries, and prevention of import and/or export of raw materials to and from some countries, among others. Many different negative side effects have to be considered in the future research to provide a proper solution to cope such dangerous uncertainties (Shurafa & Mohamed, 2016). However, there is little research directed toward strategic uncertainty originated from political pressures that influence the firm performance (Kattan, Pike, & Tayles, 2007), where firm performance has become one of the most concerns for the owners, managers and accountants of different types of enterprises across nations (Acer and Acer, 2014; Jusoh, 2008; Pimentel and Major, 2014). Nickell (1995) argued that the thrust behind the development of any powerful country is the effective performance of its industries and firms. Indeed, many organizations have globally adopted the approach of working continuously to get better result by adopting different types of techniques which cut across financial and non-financial measures (Al-Mawali, 2015; Guidara and Khoufi, 2014). Importantly, when the top executive members are able to set the firm's priorities concerning the set of activities and strategies to be adopted across the organization, the capacity of their organization in sustaining its performance will be determined in the long run (Neely, Mills, Platts, Gregory, & Richards, 1994). Recently, this position has been corroborated by Guidara and Khoufi (2014) who argued that it is essential for organizational performance measures to be redirected towards long term perspectives. For instance, firms should start to focus their attention on how to maintain an effective performance measurement system (PMS), as this is essential for their continued existence (Chow & Van der Stede, 2006).

Within the Iraqi context, manufacturing sector has a crucial role in Iraqi's GDP. Over time, it has been placed in the second rank to support the national economy (Central Bank of Iraq Annual Report (CBIAR), 2013). However, recent evidences have shown that the Iraqi manufacturing sectors are under serious challenges and pressures since 1990, which has made the sector to be regarded as weak when compared with other service sectors like banking (Bureihi, 2011; CBIAR, 2013). This weakness is perhaps attributed to their failure to make use of appropriate PMS.

Taking the cognizance of above, further experience has equally revealed that many manufacturing companies in Iraq are still adopting traditional PMS that focus on financial measures of accounting against the world best practices. The existing literature on management accounting has seriously argued against the myopic reliance on traditional financial performance and stressed on the need to adopt both financial and non-financial accounting performance measures (Al-Malawi, 2015; Jusoh, 2008). As advanced by the previous scholars, the combination of financial and non-financial measures is regarded as the most effective way of assessing performance (Atkinson et al., 1997; Chenhall and Langfield-Smith, 2007; Hoque, Mia, and Alam, 2001; Kaplan and Norton, 1992; Pimentel and Major, 2014). Importantly, organizations are increasingly using non-financial measures in the contemporary time with the purpose of integrating it with conventional performance measures that are only financial. Therefore, this is regarded as part of the key factors being used to develop PMS (Eljido-Ten, 2010). Pimentel and Major (2014) recognized BSC as one of the most contemporaries holistic strategies being used to measure performance as originated by Kaplan and Norton in 1992. BSC is accepted globally, while Harvard Business Review acknowledged it to be amongst top 75 influential and effective strategies of performance measurement in the last decades (Niven, 2006). Furthermore, BSC is regarded as the most essential technique in the area of strategic cost management and management accounting (Jusoh, 2008; Malleret et al., 2015) as it helps to provide information for strategic decision-making. More importantly, the BSC encompasses three significant non-financial facets of customers, learning and growth, and internal operations of businesses (Kaplan and Norton, 2001).

In spite of the significance of BSC, empirical evidence that supports its ability to improve the performance of organization is still very limited while authors have not reached a conclusion about its findings (Jusoh, 2008). For instance, several studies have argued that BSC is important in improving organizational performance (Hogue and James 2000; Hoque, 2014; Sim and Koh, 2001) a number of others have however equally reported that BSC is not mostly relevant in many circumstances (Baumgartner, 2009; Chenhall, 2007; Erikson and Hansson, 2003; Feurer and Chaharbaghi, 1995; Hwang, 2005; Kalagnanam and Lindsey, 1998; Wang and Chan, 1995; Mia, 1993). This therefore implies that the findings of these studies are mixed and inconclusive and which calls for further studies in this respect. Aside, the study that holistically examines the mediating role of BSC (with special attention on financial and non-financial measures) on the relationship between political turbulence, intensity of competition and firm performance is rare. This study is not considering the dichotomy that exists

between financial and non-financial measures (Widener, 2006); its focus or objective is rather on the holistic effect of these factors on the performance of organization through the BSC.

In view of the above, the rest part of this study is structured as follows: The next section discusses literature review, and conceptual framework and development of hypotheses. The section that follows concludes and makes future research recommendation.

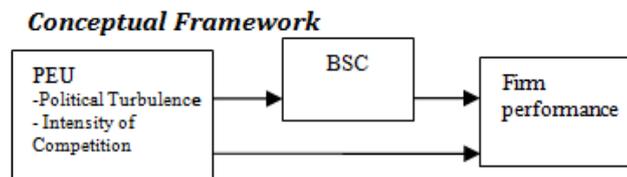


Fig. 1: Conceptual Framework

The framework of this study as conceptualized above (figure 1) indicates a relationship between perceived environmental uncertainty and firm performance. This relationship has been empirically tested by previous studies (Hoque, 2004; Jusoh, 2008). However, the results of these studies are inconsistent. While a number of these studies found significant positive relationship between PEU such as political turbulence and intensity of competition and firm performance (Al-Mawali, 2015; Hoque, 2004; 2005), others found insignificant or negative relationship (Jusoh, 2010; Khandwalla, 1972). In order to resolve the inconsistencies, this study has introduced BSC as a mediator in line with Baron and Kenny (1986). BSC has been widely researched (e.g. Chong and Chong, 1997; Jusoh, 2008; Mia and Clarke, 1999), but, according to the researchers' knowledge, no study has used it as a mediator between PEU and financial performance, especially in the Iraqi context. Using BSC as a mediator will holistically improve the relationship between PEU and financial performance since most previous studies adopted the narrow and traditional approach of measuring firm performance (Guidara and Khoufi, 2014).

Literature Review and Hypotheses Development:

Firm Performance:

The mostly discussed topic in the contemporary time among practitioners and academic scholars is firm performance. The top executives of every organization seem to be seriously concerned about those factors that are influencing the success or otherwise of their entities. It is therefore important to note that this curiosity will help organization's management to identify necessary steps to be taken in order to initiate desired success. Importantly, conceptualizing of organizational performance is not an easy task as different scholars have different views of what performance is. As noted by Barney (1997) the contention about firm performance revolves around its definition as disagreement remains among scholars till date. This fact has also been supported by Anderson (2010) who contended that there is no universal definition of performance. Abu-Jarad, Yusof and Nikbin, (2010) also corroborated this position by arguing that the dichotomy that surrounds the definition of performance and how it should be measured constitutes the main challenge of this important concept.

Contingency theory in view of the above therefore suggests that the design and use of performance measurement importantly anchors on the environmental contexts of the organization (Hansen, Mowen, Senkow and Pollanen, 2004). With respect to accounting performance, contingency theory affirms that the strategy adopted should match the circumstances in which the firm is operating for the purpose of enhancing the performance (Al-Mawali, 2015). This therefore implies that the performance of organization will improve if there is no mismatch between the performance and the contextual variables. In essence, performance of organization can be improved by ensuring that BSC and corresponding contextual factors such as structure, external environment, culture technology, and so on are synchronized (Fisher, 1998; Sila, 2007). Such conception is in line with the positions of many other scholars who affirm that organisational performance depends on the 'fit' between an organisation's environment and use of performance measures in performance evaluation (Van de Ven and Drazin, 1985; Otley, 1980; Chapman, 1997). Therefore, PEU is a concept that is associated with contingency theories (Donaldson, 2001; Miles and Snow, 1978).

Hoque (2005) stated that non-financial performance measures are more likely to positively affect performance in situations of higher environmental uncertainty. Other researchers have equally argue that non-financial measures may assist managers to identify changes in the business environment, verify and evaluate the progression towards the attainment of objectives, and subsequent attainment of performance goals (Hoque, 2004). This is because non-financial measures are likely to facilitate firm decisions and actions that support strategies based on the needs of stakeholders, internal and external customers, regulatory bodies, managers, and employees (Atkinson et al., 1997; Hoque and James, 2000; Otley, 1999). It has also been suggested by Kaplan

and Norton (1996, 2001) that non-financial performance measures help managers to assess changes in their business environments, determine and evaluate progress towards the organization's goals, and afford firm achievement of performance. Similarly, Hoque and James (2000) used contingency theory to explore how firm performance can be affected by different uses of BSC in different settings, and they found that BSC is a main contributor to firm performance.

Importantly, this study investigates the relationship between the adoption of one of the most important strategic management accounting techniques such as BSC and firm performance. Previous studies have regarded BSC as an important segment of firm management control systems that reinforces the environment where the firm operates and consequently assist the firm towards achieving its objective (Otley, 1980). This is also in line with the contingency theory that affirms that PEU influences management accounting practices (Abdel-Kader and Luther, 2008). In this view, this study builds on the premise of the contingency theory taken into consideration other previous studies (Guidara and Khoufi 2014; Hoque and James 2000; Jusoh, 2008) to investigating the relationship between the stated variables as shown in figure 1 above. These previous studies have indicated that contingency is best suited to understand the relationships between PEU, BSC as mediator and firm performance.

Balanced Scorecard (BSC):

In the field of Management accounting, BSC is most referred top concept in the contemporary time (Jusoh, 2008). In fact many academics and practitioners have continually recognized the need to employ BSC for the purpose of improving organizational performance (Hoque, 2014) as previous traditional methods of financial measures have been found to be too aggregated, imperfect, insufficient and mostly applicable in a stabilized environment (Guidara and Khoufi, 2014; Otley, 2001) . This weakness in the traditional method made Kaplan and Norton (1992) to propose a multidimensional performance measure that is popularly known as Balanced Scorecard. The BSC has evolved from the performance measurement tool (Kaplan and Norton, 1992), to a tool that can be used to implement strategies (Kaplan and Norton, 1996) and a guide towards determining how human resource, information and capital of organizations can be aligned with their strategies (Kaplan and Norton, 2004a). In the recent past Towers Perrin Consulting organizational advanced a lot of arguments in favor of the usage of BSC (Hoque and James, 2000; Hoque et al., 2001; Widener, 2006). This is also in line with recent views of Kartalis, Veentzaz and Broni (2013) who maintain that that any firms that implement BSC that are balanced in respect of non-financial and financial indicators will have advantage over their competitors. And based on the composition of BSC, its implication is that firms employing it must consider both long term and short term financial and non-financial objectives. BSC importantly has four perspectives which include; innovation and learning perspective, business perspective, customers' perspective, and financial perspective (Kaplan and Norton, 1992, 1996a). These perspectives are the core measures which organizations can use to holistically measure their performance while staying on course. Given the significance of BSC, there is a serious need for extensive research especially in the field of accounting but experience has shown that empirical support in this perspective is very limited thereby indicating an ongoing research (Jusoh, 2008).

Financial perspective:

The first perspective, known as financial perspective is basically the traditional and most common perspective for measuring success of organizations. Financial perspective involves profitability, revenue enhancement, growth in sales, and revenue per customer per visit. Despite the fact that BSC enforces the need to inculcate several measures for determining success, yet financial measures are given top priority for the achievement of success (Niven, 2002; Farooq and Hussain, 2011).

Customer Perspective:

Choosing measures from the perspective of customers, balance score card adoption is dependent on the type of customers and their desires in response to the value that the organisation is providing to them (Niven, 2002; Farooq and Hussain, 2011). The basic purpose is to focus on the target customers of the organizations. This helps the organizations to develop the strategies in accordance with the desires of the customer to satisfy them (Farooq and Hussain, 2011).

Internal Business Process Perspective:

The Internal perspective of BSC helps the manufacturers to identify the procedures that should be adopted by them to gain success. Elements like order processing, manufacturing, delivery, and product development are those where the organizations must concentrate (Niven, 2002; Farooq and Hussain, 2011). The main focus of this perspective is to satisfy the customer because organizations need to focus on customers to gain competitive edge over their competitors.

Innovation and learning Perspective:

The perspective of learning and growth is considered as the backbone of successful implementation of BSC, as it helps the employees to learn new skills and information systems (Kaplan and Norton, 1996b). If employees are satisfied with their jobs, their productivity is demonstrated to increase, thus, affecting the perspective of customers, perspective of internal procedures, and ultimately financial measures of an organization (Appelbaum, Deguire, and Lay, 2005).

Perceived Environment Uncertainty (PEU):

“Uncertainty” is currently one of the most important research areas in the management accounting and entrepreneurship literature (Ghosh, Bhowmick, and Guwin, 2014; Verdu et al., 2012). In particular, it investigates the possible role of the political and competitive uncertainty, which is dominating the Arab world (Shurafa and Mohamed, 2016), as it limits the entrepreneurs from taking decisions for instance in the areas of new product development, gaining entrance into new territory, etc. (McMullen and Shepherd, 2006). Perceived environmental uncertainty importantly is regarded as the thrust of contingency theory and the most essential factor influencing management accounting techniques (Al-Mawali, 2015). Strategic management accounting literature is replete with studies that focus on developed economy, few studies give attention to strategic management accounting in the context of a developing economy (Shurafa and Mohamed, 2016). Given the nature of developing countries however, condensed review of relevant literature has shown that that environmental uncertainty is positively correlated with design of management accounting and control systems. The literature in the area of management accounting and control systems argued that managers that realize the importance of environmental uncertainty give greater importance to management accounting systems (Al Malawi, 2015; Hoque, 2004). The information received by management accounting systems assists managers in understanding the ambiguous environment (Mia, 1993). Research on strategic management accounting information influenced by uncertainty of environment has shown that financial controls are used to a lesser extent during high uncertainty level (Macintosh and Daft, 1987; cited in Abernethy and Stoelwinder, 1991). In highly uncertain environment, management must also utilize non-financial measures to cope with external uncertainty (Chenhall and Morris, 1986; Chenhall, 2003). Importantly, PEU has two important dimensions which most previous literature especially in managing accounting have largely ignored while majority of past studies have largely focused on business strategies, firm size and ignored PEU as a significant variable that can influence firm performance within the realm of management accounting (Al-Malawi, 2015). These two dimensions which include political turbulence and intensity of competition have been narrowly researched and need to be further explored by management accounting researchers for the purpose of understanding organizational performance (Al-Mawali, 2015; Ghosh et al., 2014).

Political Turbulence:

Political turbulence is one of the significant dimensions of environment uncertainty. The implication of this is that in the contemporary, organizational environment is changing as a result of sudden twists being engineered by political factors. The dynamism in the environment makes the works of the management to become challenging and complex while traditional methods of resolving issues are becoming grossly insufficient (Hwang, 2005). In this kind of environment, organizations face the possibility of losing their customers, profitability reduction, or in extreme cases collapse of the business venture (Hwang, 2005). Based on the argument of Chenhall (2007) external environment is most regarded as a very turbulent and hostile one and which brings about higher level of reliance on formal controls and traditional budgets.

It is therefore essential for the management of any organization to put a strategic plan in place in order to survive in the ever volatile and growing environment, as this would help to reduce the negative effects which normally arise from inadequate, poor and in few cases incongruous information that may be obtained from the dynamic environment. Moreover, it is very essential for managers to demonstrate entrepreneurial skills in managing the environment because the traditional ways of management quickly becomes obsolete as the environment changes rapidly. It is therefore vigorous for the managers to take calculated risk while facing the challenges in the environment (Khandwalla, 1977).

The opposite of a turbulent environment is however a stable environment which gives room for calculated risks as management must pay high level attention to decision making concerning economic, competitive, technological political, and global environment (Wang and Chan, 1995). Unfamiliar and asymmetric trends are the major features of a very volatile environment which top level management faces. This continuous change is often regarded as high level of dynamism and which requires the top executives to take decisions with information that is abstruse and not clear.

Importantly, previous researchers have suggested that novelty, complexity, fatly changing environment and visibility of the environment are the important characteristics of turbulent environment (Ansoff and McDonnell 1990; Wang and Chan 1995). For instance, Ansoff and McDonnell (1990) while elucidating the four contexts, referred complexity as diversity of issues. It is very essential therefore for management to critically consider

these issues while taking decision concerning innovative strategies which are purposively developed to manage the challenges which are inherent in environment that the organization faces.

Given the issues considered so far, several incidents can cause the turbulence in the environment (Khandwalla, 1972), and political factors is seen as one of the paramount factors (Kattan et al., 2007). For instance, in an environment where there are large and series of economic activities and a rapidly growing industry, turbulence is likely to be looming. Decision makers can equally regard an environment to be turbulent when there are rapid changes in sociocultural activities, changes in the need of customers, or unpredictable shifts in policies of government (Khandawlla, 1972). Alawattage, Hooper and Wichramashinghe (2007) in this regard also advocated that management accounting researchers from developing countries should also critically consider issues that are related to political uncertainty and instability, poverty, corruption, business culture and ethics, and such other evils that influence performance of business.

Importantly, many previous studies have supported positive link between environmental uncertainty such as political turbulence and accounting control systems. These studies have advocated that when environmental uncertainty is high on the organizational performance, greater emphasis is being attached to the management accounting systems with respect to information that may be required to solve the problem at hand. This has been buttressed by previous studies that suggest that management accounting systems information may help the management to better understand the business environments uncertainty. In this perspective, a number of scholars have also supported that financial measures such as budgets for performance evaluation are not used frequently when the business environment uncertainties are somehow high (Macintosh and Daft, 1987; cited in Abernethy and Stoelwinder, 1991). Chenhall and Morris (1986) also corroborated this position by asserting that firms tend not to employ non-financial management accounting systems information to a greater extent with the purpose of effectively coping with uncertainty in the external environmental. Similarly, the study of Brownell (1987) revealed a positive relationship between environment uncertainty and accounting performance measurements while that of Ezzamel (1990) argued that PEU have positive effect on budget system features. Based on this, the following hypotheses are hereby formulated.

H1a: Political Turbulence negatively influences firm performance

H1b: Political Turbulence positively influences Balanced Scorecard

Intensity of Competition:

The need to conduct research on the intensity of competition has been advocated by many researchers (e.g., Hwang, 2005; Huang, Tayles and Luther, 2010). Given the fact that firms must compete for raw materials, channels of distribution product diversity, quality, price, and selling (Khandwalla, 1977) competition arises. As a result of increasing in the rate of competition, many organizations today are laying emphasis on the need to achieve competitive advantage regarding their performance (Kalagnanam and Lindsey, 1998). Yasai-Ardekani and Haug (1997) while buttressing this argument, highlighted that organizations must be able to forecast their environment with the purpose of staying ahead of competitors. This points to the fact that having information about environmental issues is a must for organizations to be able to compete favourably in the market. In this kind of situations, management must be able to fast track their decision making process in order to be aligned with the happenings in the environment (Yasai-Ardekani and Haug, 1997).

One of the possible determinants of quick decision making in this regard is the adoption of multiple performance measures. Scholars have in this instance made suggestion that working in a volatile environment requires firms to quickly modify their control systems (Libby and Waterhouse 1996). Therefore, it is imperative for organizations to consider issue of performance very seriously in order to survive in a tensed competitive environment. This point has been driven home by Neely (1999) when the author argues that increase in competition in the business environment had an important impact on BSC. Importantly, it is expedient for organizations to distinguish their operations from those of competitors through provision of quality products and services. This can be achieved by employing customization, innovative capabilities, and instant responsiveness. Additionally, experience has also shown that organisations are reshaping their BSC with the purpose of meeting the challenges in the competitive and global business (Libby and Waterhouse, 1996). In 1972, Khandwalla also advocated that organization that has the objective of becoming market leader must be in the fore front of providing customers with value for money. This ensures that the organization combines and synchronizes its efforts in order to be effective through the use of control systems.

Accordingly, Feurer and Chaharbaghi (1995) and Khandwalla (1972) argued that organizational control system and competitive intensiveness are closely related. It is on this premise that Hoque and James (2000) argued that every firm that has a strong market position must communicate internally and therefore, place greater emphasis must be placed on design and appropriate use of BSC (Ong and Teh, 2008). Therefore, it is not ambiguous to state that organizations must take into consideration a number of market forces in order to gain competitive edge. Such BSC that help organization to track financial and non-financial performance measures are essential going forward.

Invariably, extant studies have advocated that intensity of competition has significant impact on the performance of firm with respect to management accounting system as a result of increase in the rate of privatization, competition, modern manufacturing facilities, and deregulation of economies (Bromwich, 1990). As a result of changes in the business environment, there is dire need for management accounting (Bromwich, 1990; Mia and Clarke, 1999). Even though Khandwalla's (1972) considered only product, price, and distribution channels as determinants of firm profitability, it is important to note that these are not the only factors that can cause competition as other factors such as competitors, technology, and regulations can also have an important influence. These are simultaneous factors that should be studied concurrently in order to understand competition (Porter, 1979). Various subjective evidences have also been used to support the nature of competition (Mia & Clarke, 1999). Based on the discussion mentioned above, the following hypothesis has been derived:

H2a: There is a positive relationship between intensity of competition and firm performance.

H2b: There is a positive relationship between intensity of competition and Balance Scorecard.

The Mediating Effect of Balanced Scorecard between Perceived Environmental Uncertainty and Firm Performance:

Importance of management accounting systems has been emphasized by previous scholars who assert that it helps organization to monitor and benchmark competitors (Mia and Clarke 1999). In this regard, organizations that employ multiple measures are usually faced with higher PEU than those that employed traditional measures. As argued by Norreklit, (2000) and Otley, (2001) financial information is very narrow as it mainly centers on financial perspectives while many important successful variables are ignored. Taking this into consideration, BSC has availed organizations with multiple performance measures with the objective of providing internal and external broad-based information. Hence, BSC helps organizations to translate their mission and strategy to holistic set of performance measures that will serve as a guide and beacon light towards achieving long and short term objective of the organization (Kaplan and Norton, 1996). As discussed earlier, BSC has four basic perspectives of financial, customer, internal business process and innovation and learning perspectives.

Notably, previous studies had closely examined BSC measures as a mediating variable (Gul and Chia 1994; Chong and Chong 1997; Mia 1993; Mia and Clarke 1999; Widener 2006). Importantly, series of these studies seem to have established a relationship between PEU and performance, and equally found indirect influence of the degree to which firms employ multiple performance measures in the course of evaluating their performance through BSC measures. Accordingly, a number of studies have also discussed the correlation between changes in the business environment in performance measurement systems. A study by Gordon and Narayanan (1984) discussed a number of organizations in America that employed multiple measures for analyzing performance while facing intense competition. The Abdel-Maksoud, Dugdale and Luther, (2005) also argued that British industrial organizations that faced tough competition also employed multiple measures of performance. This has been initially discussed by Sohn, You, Lee and Lee (2003) by asserting that adoption of BSC in Korea was considered because of heterogeneity and dynamism in the business environment. Similarly, managers of industries in New Zealand employed BSC in order to control dynamism in the business environment and the purpose sustainability (Hoque et al., 2001). Based on these arguments, the following hypothesis is hereby formulated:

H3: BSC mediates between PEU and firm Performance

H3a: BSC mediates between political turbulence and firm performance

H3b: BSC mediates between intensity of competition and firm performance

Conclusion and Future Research Recommendation:

The objectives of the study were to examine: 1) the relationship between the PEU (i.e., political turbulence and intensity of competition) and adoption of the BSC; 2) the relationship between the use of the BSC and firm performance; and 3) the mediating role of adoption of the BSC measures in the relationship between the PEU (i.e., political turbulence and intensity of competition) and firm performance. Thus, it is important to agree with the Iraqi Federal Board and Supreme Audit which emphasized in April 2014 that there was a need to pay attention to the industrial sector and to increase the effectiveness of its role in supporting the Iraqi economy. Based on the literature review, this study has established that the performance of an organization is influenced by various factors and there is no conclusive evidence among the scholars about the specific factors influencing such performance.

Based on this, this study has introduced the mediating role of BSC to resolve the conflict with the hope that such performance will be enhanced taking into consideration other factors that have been discussed in this study. The current study also observed the gap in the literature which confirmed that there are a few studies that discussed the influence of contingent factors on firm performance through BSC. By considering the above significant independent variables, it is argued that the performance of industrial firms in Iraq can be improved to

be in the same par of the developed countries or at least what the developing countries have. This study is very important because one of the major priorities of the Ministry of Industry in Iraq is developing the firm performance in the Iraqi Industrial sector. This is a conceptual paper; thus, its framework needs to be tested empirically by future researchers in order to examine the ability of the BSC to enhance firms' performance under such political turbulence that dominates the Arab World in general and Iraq in particular. Thus, Academician and practitioners should be aware to the importance of such strategic uncertainties on the firm's performance and the advantage behind using the BSC in order to take sound decision. Researchers in the field of strategic management accounting need to examine the impact of such uncertainty on BSC, since it may lead to different kinds of strategic uncertainties.

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