

**EFFECTS OF BUSINESS STRATEGY ON
PERFORMANCE OF JORDANIAN SERVICE
COMPANIES: MEDIATING ROLES OF
ACCOUNTING INFORMATION SYSTEM (AIS)
AND INFORMATION QUALITY**

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ACCOUNTING INFORMATION SYSTEM (AIS)
AND INFORMATION QUALITY**

by

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**KESAN STRATEGI PERNIAGAAN KE ATAS PRESTASI TERHADAP
SYARIKAT PERKHIDMATAN DI JORDAN: DISEDERHANAKAN OLEH
PERANAN SISTEM MAKLUMAT PERAKAUNAN (AIS) DAN KUALITI
MAKLUMAT**

ABSTRAK

Kajian empirikal ini mengkaji hubungan di antara strategi perniagaan (kos kepimpinan dan perbezaan inovasi) dan kualiti maklumat dengan Sistem Maklumat Perakaunan (AIS) untuk meningkatkan prestasi firma dalam senarai awam firma perkhidmatan Jordan. Kajian semasa menyiasat kesan terhadap strategi perniagaan, AIS, kualiti maklumat ke atas prestasi firma. Kajian lalu telah mengkaji hubungan langsung terhadap strategi perniagaan dan AIS bagi meningkatkan prestasi firma. Walau bagaimanapun, kajian yang ditemui agak terhad di mana ia menyiasat bagaimana perkhidmatan firma dapat mencapai prestasi cemerlang dan menjamin daya saing melalui strategi perniagaan, kualiti maklumat dan AIS. Oleh itu, kajian ini memperkenalkan model bersepadu bagi firma perkhidmatan untuk mencapai prestasi cemerlang melalui strategi perniagaan kompetitif yang bersesuaian dan pembolehubah sederhana iaitu kualiti maklumat dan AIS. Bagi mencapai objektif kajian ini, pengumpulan data daripada 192 perkhidmatan firma yang tersenarai di Bursa Saham Jordan telah dilaksanakan di mana ia mewakili sebanyak 58% kadar tindak balas. Kajian ini menggunakan Pendekatan Kuasa Dua Terkecil Separa (PLS) bagi menganalisis konstruk dalam kajian tersebut. Dengan itu, keputusan menunjukkan bahawa strategi perniagaan memberi kesan ketara ke atas AIS. Manakala, AIS mempunyai kesan signifikan ke atas prestasi kewangan tetapi tidak mempunyai kesan ke atas prestasi bukan kewangan. Terdapat hubungan positif di antara AIS dan kualiti maklumat. Keputusan menunjukkan bahawa AIS mempunyai hubungan sederhana di antara strategi perniagaan dan prestasi kewangan serta kualiti maklumat bertindak sebagai penyederhana bagi perkaitan di antara AIS dan prestasi kewangan. Kajian ini membekalkan pengetahuan terbaharu terhadap firma

perkhidmatan bagi meningkatkan prestasi kewangan iaitu dengan penerapan AIS dan kualiti maklumat yang bertindak sebagai penyederhana bersama strategi perniagaan.

**EFFECTS OF BUSINESS STRATEGY ON PERFORMANCE OF
JORDANIAN SERVICE COMPANIES: MEDIATING ROLES OF
ACCOUNTING INFORMATION SYSTEM (AIS) AND INFORMATION
QUALITY**

ABSTRACT

This empirical study investigated the relationship between the business strategy (cost leadership and innovative differentiation) and information quality with the Accounting Information System (AIS) to enhance firm performance in Jordanian public listed service firms. Previous studies had investigated the direct relationship of Business strategy and AIS to enhance the firm performance. However, there are limited studies investigated on how service firms can achieve better performance and secure competitiveness through business strategy, information quality and AIS. This study thus introduced an integrated model for service firms to achieve better performance through appropriate competitive business strategy and mediating variables such as information quality and AIS. To achieve the objectives of this study, data were collected from 192 service firms listed in Jordanian Stock Exchange, which represents about 58.8% response rate. The partial least squares (PLS) statistical analysis tool had been used to analyze the constructs of this study. Result had revealed that businesses strategy significantly affect AIS. Whereas, AIS has a significant effect on financial performance but not significant on non-financial performance. There is a positive relationship between AIS and information quality. The result showed that AIS mediate the relationship between business strategy and financial performance, as well as, information quality mediate the relationship between AIS and financial performance. This study provides a new insight to the service firms to increase financial performance by applying AIS and information quality as mediators along with business strategy.

CHAPTER ONE

INTRODUCTION

Due to the rapid global growth of technology and globalization, firms are striving to secure a competitive advantage over one another and to enhance their performance levels. Information technology has revolutionized the processes, operations and structures in several sectors in both developed and developing countries (AlShibly & Al-Dmour, 2011; Shehadeh, Zu'bi, Abdallah & Maqableh, 2016). For example, Jordan, a developing country, has set the goal of “Jordan 2025” to represent Jordan as an industrial economy with ten years, as requested by His Majesty the King (The Jordan Times, 2015). But the contribution of this industry to the economy, as compared to the service sector, is far behind. In Jordan, industries other than service sectors contributed to 22% of the Gross Domestic Product (GDP) in 2014, whereas service sectors contributed to 69% of the GDP in the same year (The Jordan Times, 2015). Services sector contributes more than any other industry and the Jordanian government in recent years focuses more on this sector. Thus, this study attempts to provide a new model to the service firms in Jordan to enable them to be more competitive and profitable.

1.1 Background of the Study

Information and data related to accounting play a crucial role in the decision making process in any organization. Accounting information as an output of information systems has an impact on the administration in a firm, especially in planning,

operating and control activities. Undeniably, proper planning, control, and execution of economic activities require precise, consistent, and crucial information. Accounting Information Systems (AISs) capture and process accounting data and provide valuable information for decision makers. However, in a rapidly changing environment, continual management of the AIS is necessary for organizations to optimize performance outcomes (Prasad & Green, 2015). Issam (2011) has thus stated that an AIS should deliver precise and reliable information on time to aid the decision makers of a company. The accounting system must be effective enough to deliver crucial information to decision makers so that they can analyze the business scenario, take proper actions to meet the objectives, and develop and follow through on new plans. Issam adds that managers, who are a major group that use accounting information, should be qualified enough to interpret the data (Issam, 2011).

The universal revolution in information and communications technology (ICT) has increased the crucial importance of information systems, as well as human resources, in the efficient running of businesses and in providing the competitive edge in a rapidly globalized world of high competition (Al-Qudah, 2011). Information systems is a major field that has attracted the attention of researchers who are examining the relationship between information systems (IS) and the performance of organizations, as well as business strategies. The rising importance of IS has led most listed companies in Jordan to adopt the AIS. This is in line with the decision of the Amman Stock Exchange (ASE) to adopt and develop its IT

infrastructure, through which it has successfully launched the Internet Trading Service, which gives investors the advantage of being able to conduct trading regardless of their geographical location. With such a structure in place, investors are able to monitor lively trade details and follow the proceedings of trading session in real time; which helps them with making investment decisions on the spot, and enabling them to initiate buy/sell orders with the use of relevant software. In this system, the order enters the electronic trading system following the fulfillment of requirements for the order, which is then verified electronically by brokers' systems. This service allows investors to follow-up conveniently on the progress of their orders, and to manage their investment portfolios at any time or place (Amman Stock Exchange, 2011).

Hence, it is undeniable that the AIS plays a very important role in gathering, processing and disseminating vital information, from planning and controlling activities, to boosting organizational performance, especially in countries like Jordan.

Jordan's economy is considered to be a service-oriented economy, where the services sector contributes 69% of the GDP (The Jordan Times, 2015). Notwithstanding the benefits to the Jordanian economy as a result of the services sector, and the critical improvement in the Jordanian services industry, according to the Amman Stock Exchange Reports a decline in the performance of the services sector was observed over the years 2008-2014. Services firms listed in the Amman

Stock Exchange cover all service sectors, such as health care services, educational services, hotel and tourism, transportation, technology and communication, media, utilities and energy, and commercial services (Amman Stock Exchange, 2015). The performance measures of Return on Assets (ROA) and Return on Equity (ROE) showed a downward turn. According to the Amman Stock Exchange (presented in Table 1.1), ROA dropped from 5.33% in 2008, to 4.46% in the year 2014. A decline was also noted in ROE, from 8.62% in 2008, to 6.94% in 2014, with a small recovery in 2012 to 8.95%.

Table 1.1
Jordanian Service Sector ROA and ROE

Year	ROA	ROE
2014	4.46	6.94
2013	3.97	5.56
2012	5.23	8.95
2011	3.53	4.99
2010	5.31	8.77
2009	5.14	8.80
2008	5.33	8.62

Source: *Amman Stock Exchange*

The Jordanian services industry has continued to develop and is now comparable with those of the developed countries (Miani & Daradkah, 2008). This is a reflection of encouraging economic market activity, which has seen increased

trading volumes in various sectors, particularly in the first decade of the new millennium. During the period of 2000 to 2010, there has been a very substantial 74% growth in the financial sector, a 61% increase in volume growth of the services sector, and an equally impressive 50% increase in industrial trading volume (Nabulsi, Shihab, Soufan & Abdul-Khaliq, 2013).

Increasing local and global competition, globalization, technological advancements and increasingly demanding customers, have all contributed to environmental uncertainty within the services industry and have modified the characteristics of competition in the global context (Atkinson & Brown, 2001; Harris Mongiello, 2001), and, in particular, in the Jordanian marketplace (Dwairi, Bhuian & Jurkus, 2007).

In order to compete in the global and domestic markets, and to successfully introduce new technologies, project developments and capital investment, the conditions of the economy must be right. Toward this end, Jordan has intensified its efforts to embrace the most modern technology in the region in order to achieve higher economic performance levels, thus making the country a magnet for investors, both from the region and internationally. There are currently several industrial zones in different parts of Jordan (Saif, 2006).

The general objective of the majority of organizations is to provide customer satisfaction with product value and, to achieve this, they perform a range of primary and supporting actions (Zhang, Vonderembse, & Lim, 2003). An AIS makes

accurate and timely data available, and thus the value chain activities are performed at a maximum level of effectiveness and efficiency (Walters, Jiang, & Klein, 2003; Hüner, Schierning, Otto, & Österle, 2011). An AIS begins with the transaction processing system and builds up to the expert system. All these systems need to be integrated in order to obtain maximum efficiency and to allow for the realization of potential benefits.

The transaction processing system is incorporated into the fundamental structure of the accounting information system, where every economic event or transaction is recorded. These recordings can be maintained manually or on a computer. This system is able to manage business transactions categorized as follows (O'Brien, & Marakas, 2005; Scapens, & Jazayeri, 2003):

- Revenue,
- Expenditure,
- Production,
- Human resource management, and
- Reporting.

Enterprise Resource Planning (ERP) is an enterprise-wide information system that collects, stores, manages and interprets data from many business activities (Kharuddin, 2012; Laudon & Laudon, 2004; Malhotra, & Temponi, 2010; Ngai, Law, & Wat, 2008) ranging from various primary activities to other support activities.

It is a holistic system that integrates all business functions to provide real time information that is valuable for activities like product planning, cost and development, production or service delivery, marketing and sales, management of inventory, and transportation and payment. An efficient and effective ERP system can be the crucial basis of business for an organization as it can provide managers with a detailed and comprehensive picture of the procedures involved and accurate information that is needed for decision-making (Kharuddin, 2012; Malhotra, & Temponi, 2010).

However, the literature on ERP adoption and its success rate in developing countries has revealed only a modest level of proliferation and very low implementation success (Hawari, & Heeks, 2010; Ngai, Law, & Wat, 2008). In the case of low ERP adoption and proliferation, various studies (Al-Rfou, 2012) have supported an infancy level of ERP adoption in many Jordanian organizations. The companies have very few years of ERP experience. ERP adoption failure in Jordanian service sectors thus can be one of the reasons of the slump in the financial performance. Managers were not able to get the appropriate information from ERP systems to make decisions for the organization. An AIS is a part of the ERP system. If ERP adoption fails, then it is obvious that the AIS will also fail. Based on the discussion above, it has been observed that the adoption rate of the ERP system is low in developing countries.

The ERP system is a complex and holistic integrated system and is able to process all business functions by sharing the same database. This evolution of the ERP makes the AIS in an organization richer than ever before. Several studies have investigated ERP and AIS to determine the firm's performance. Organizations using the ERP system, in this modern era of technology, will find the system to be integrated with an AIS. Modern AISs have great potential to influence business performance (Daoud & Triki, 2013; Kharuddin, 2012).

An information system, especially an AIS, can assist an organization to remain competitive by enhancing efficiency through reducing costs, facilitating the execution of business strategies, and the identification of potential business process improvements that will yield the greatest returns (Onaolapo & Odetayo, 2012; Sajady, Dastgir & Nejad, 2008). The system can provide information not only about the value chain, but also that of the value system. Hence, an efficient AIS helps management to identify whether the value of a business process or activity is cost effective, and whether the process can be expanded, abandoned, or outsourced to minimize cost and maximize returns. Additionally, it may help management to make decisions for product launches or otherwise, to improve customer relationships and loyalty, and to improve processes for cost effectiveness (Sumritsakun, 2012; Williams & Seaman, 2002; Sajady, Dastgir, & Nejad, 2008).

The existing research in accounting claims that strategic success in business is actually a product of proper AIS (Langfield-Smith, 1997). Many researchers have

looked into the effect an AIS has on strategic management by examining the characteristics of an AIS with respect to several strategic priorities (Ittner & Larcker, 1997; Bouwens & Abernethy, 2000). Some others have looked into the influence of interaction among different business strategies and different types of AISs (e.g. different techniques and information).

Chenhall (2003) found that the proper AIS can contribute to the realization of a business strategy so that the performance of an organization is enhanced. In cases when the uncertainty in the environment demonstrates a specific fluctuation, the decision-makers of a firm may decide to reanalyze the goals and strategies adopted by their company. This is expected to enable the company to handle the changes both externally and internally. This means that the top management requires an Accounting Information System (AIS) that is capable of helping the company meet its goals. To address this demand for effective and custom-tailored IS, AISs are now available in a range of different forms, from the simpler and more traditional kinds to the very complicated control system types. Usually, the higher the level of complexity of an AIS, the better is its expected performance, and the more it can help a company to improve its performance. The AIS has evolved greatly and its contributions to business processes have sparked much interest over the past decades. Hence, it is not surprising that its impact on business processes and performance has been widely researched since the 1980s.

1.2 Problem Statement

The Amman Stock Exchange has also been adversely impacted by the global financial crisis of 2008 (Al-khatib & Al-Horani, 2012). Despite a dramatic increase in public company listings prior to the financial crisis, the post-crisis period proved to be a very difficult time for many companies. From 2008 onwards, the loss of confidence in investment activity and the poor performance of the economy led to declines in the share values of public companies in Jordan (Brach & Loewe, 2010). In light of this experience, it appears that there is an urgent need to determine the business model for the service firms that can be used for greater reliability and accuracy to increase firm performance.

To increase firm performance, most of the research dealing with the strategic use of IT focuses on business and IT alignment (Chan & Reich, 2007). This approach omits an IT/IS strategy perspective and consequently ignores the alignment's dynamic nature. Existing research fails to respond to basic questions, such as what are the advantages and problems for IT innovators and how does the information system strategy interact with core activities and the business strategy.

Information systems can enhance efficiency by reducing costs, enhancing competitive advantage through the provision of new services, and enhancing the provision of improved services to customers (Legris, Ingham & Collerette, 2003; Fichman & Kemerer, 1997; Igbaria & Tan, 1997). The rate of success of ERP and AIS implementation in developing countries like Jordan is very low, and the

experience of AISs or ERP systems is in its infancy (Al-Rfou, 2012; Hawari & Heeks, 2010; Ngai, Law & Wat, 2008; Rabaa'i, 2009). In the case of adoption and proliferation, various studies (Al-Rfou, 2012; Mazzawi, 2014) have found low ERP success rates. A low success rate of AIS in Jordanian service sectors can thus be considered as one of the reasons of the slump in the financial performance. Managers were not able to get the appropriate information from ERP systems to make decisions for the organization.

Due to the increasing significance of innovation strategies toward the superior performance attainment and competitive advantage, numerous empirical researches were conducted to test the connection between innovation strategy and organizational performance from various business fields (Rosli & Sidek, 2013; Prajogo & Ahmed, 2006). However, empirical studies that highlight the association of innovative differentiation which can enhance performance are still limited within the context of the service industry (Prajogo & Ahmed, 2006), and particularly in Jordan.

This means that more studies need to be done on the topic of innovation in AISs in Jordan to determine the factors that may play a role in innovation improvement, in general, and service innovation, in particular (Al-Hyari & Djebarni, 2008). Additionally, an extensive review of the literature on the barriers that form in developing economies shows a scarcity of comprehensive research on this subject (Al-Hyari, Al-Weshah & Alnsour, 2012).

An AIS influences a firm's performance because product (in this study the context is service) and service quality have been proven to be a crucial factor that determines the long-term success of businesses (Anderson & Zeithaml, 1984; Gorla, Somers & Wong, 2010). An AIS also applies to information quality as its priority is the organizational and socio-behavioral aspects in improving quality. Nevertheless, there is a lack of an integrated approach to the application of AIS techniques in the information quality context, and there less attention has been paid to the application of AISs to improve information and service quality. Despite their significance, information quality issues have not received sufficient attention from IS researchers (Gorla, Somers & Wong, 2010; Nelson et al., 2005). Poor information quality and irrelevant information continues to burden managers today (Grudin, 2006; Ladley, 2010; Razmerita, Angehrn, & Maedche, 2003).

Accounting theory claims that, in the context of contingency, the AIS must be in line with the functional strategy if performance is to be achieved (Simons, 1987; Chenhall & Langfield-Smith, 1998; Soudani, 2012). As the number of studies investigating this important relationship has been scarce, it limits awareness and knowledge about the relationship between AISs and strategy (Langfield-Smith, 1997; Shaw, Dalrymple & Brossard, 2012). This lack of studies in this area is unexpected as such a relationship, as well as business strategy, is deemed to be important new literature on contingency studies (Chenhall, 2003; Hsieh, Tsai, & Hultink, 2006). Unsuitable and wrong designs, and poor information with regard to

the implementation of the AIS, have proven to be costly in terms of time and money lost, and this calls for urgent research to be done to carefully scrutinize the relationship between strategy and the AIS (Hsieh, Tsai & Hultink, 2006).

However, the misfit between strategy and the AIS can lead to a new business model that, in this study, is defined as innovative differentiation strategy. Innovation has been conceptualized multiple ways in the literature and still remains a fuzzy concept (Mithas & Arora, 2015; Srivastava et al., 2013). Innovation can mean many different things depending on the firm's unique perspective, and regardless of the implication of the introduction of new products. However, it also signifies the introduction of a new business model, offering a process or channel to enhance the performance of a firm (Sawhney et al., 2006; Srivastava, 2015). This study intends to provide a unique integrated business model to the service firms to enable them to compete in the market and to enhance performance levels better than before.

1.3 Objectives of the Study

As discussed in the problem statement section, the present study aims to look into the effects of business strategies, an AIS, and information quality on firm performance. Thus, the objectives of the present study are:

1. To examine the mediating effect of an AIS on the relationship between cost leadership strategy and financial performance.
2. To examine the mediating effect of an AIS on the relationship between cost leadership strategy and non-financial performance.

3. To examine the mediating effect of an AIS on the relationship between innovative differentiation strategy and financial performance.
4. To examine the mediating effect of an AIS on the relationship between innovative differentiation strategy and non-financial performance.
5. To investigate the mediating effect of information quality on the relationship between an AIS and financial performance.
6. To investigate the mediating effect of information quality on the relationship between an AIS and non-financial performance.

1.4 Research Questions

Based on the above objectives, the present study addressed the following research questions:

1. Does an AIS mediate the relationship between cost leadership strategy and financial performance?
2. Does an AIS mediate the relationship between cost leadership strategy and non-financial performance?
3. Does an AIS mediate the relationship between innovative differentiation strategy and financial performance?
4. Does an AIS mediate the relationship between innovative differentiation strategy and non-financial performance?
5. Does information quality mediate the relationship between an AIS and financial performance?

6. Does information quality mediate the relationship between an AIS and non-financial performance?

1.5 Significance of the Study

The research study attempts to provide practical and theoretical contributions to the field of the AIS and business strategy from the contingency theory perspective in Jordan. With regard to the theoretical contributions, this research seeks to shed light on the role of business strategy on firm performance. Findings from the current study offer a deeper understanding of how business strategy influences firm performance by employing an AIS (as the intervening variable) to investigate indirect relations between business strategy and firm performance. The critical success factors of a firm determine the fit between the information needed and the information supplied by an AIS (Shuhidan, & Nori, 2015). This study seeks to fill the gap in literature by investigating the fit between business strategy, the AIS and information quality within the context of firm performance.

Moreover, the study seeks to shed some light on the role of AISs towards firm performance. Findings from this study specifically provide an additional understanding on how an AIS influences firm performance by using information quality as the intervening variable to investigating the indirect relationship between an AIS and firm performance.

With regard to practical contributions, the results of this research may help Chief Finance Officers (CFOs), Chief Executive Officers (CEOs), and policy

decision makers to enhance firm performance through business strategy. Moreover, findings of this study will provide an integrated model that can achieve better performance for service sectors by applying appropriate strategies and quality information through the AIS. Thus, firms can achieve better performance than before. Additionally, due to the limited empirical research on AISs, business strategy and information quality in the Jordanian services sector, the results of this study may create the atmosphere to encourage and provide a wider avenue for future studies in this field.

1.6 Scope of the study

The research study adopts an empirical, cross-sectional research design. The organization is the unit of analysis for this study. The selected institutions and/or organizations are public listed service firms in the Amman Stock Exchange (ASE). The data collected for this research is taken either from the Chief Finance Officers (CFOs) or from the Chief Executive Officers (CEOs) of service companies.

The research concentrates on the contingent effects of business strategy, AIS and information quality on firm performance. Firm performance was conceived as the dependent variable (DV), business strategy as the independent variable (IV), and the AIS and information quality were the mediating variables.

1.7 Definition of Key Terms

The followings are the definitions adopted for the respective variables of this study:

1.7.1 Firm Performance

Firm performance refers to the extent to which the organization is successful in achieving its planned targets (Mia & Clarke, 1999). Two dimensions of firm performance in this study are financial performance and non-financial performance, and are defined as follows:

1.7.1(a) Financial Performance

Financial performance is viewed as an operational measurement of the firm's efficiency (Dess & Robinson, 1984). It can also be regarded as the ratio between sales and accounting profits, analogous to the ratio of return on sales where the profits variable can be expounded as an operating income involving those associated with financial operations (Coad, Segarra & Teruel, 2013). This reflects how successfully any institution or organization expands its domain of product-market (Dess & Robinson, 1984). The financial performance of an organization is determined based on short and long-term debt ratios (Coad, Segarra & Teruel, 2013).

1.7.1(b) Non-financial Performance

Non-financial performance in this study refers to the profitability level of the firm pertinent to non-financial competitors over the last three years. The following indicators were used in this study of current non-financial performance: customer's satisfaction index, complaining customers, and market share (Hoque and James, 2000).

1.7.2 Business Strategy

Business strategy refers to any plan devoted to steering an organization towards accomplishing its goals. This guideline plan mainly concentrates on enhancing the competition ability of any firm's services and products, which serves as a specific industry or market segment (Croteau & Bergeron, 2001). The two dimensions of business strategy are defined as follows:

1.7.2(a) Cost Leadership Strategy

Cost leadership strategy deals with the level of a company's emphasis on strategic priorities with respect to low production costs, low priced product, and unremitting cost reduction with the purpose of becoming the producer with the lowest possible cost within the industry (Porter, 1985).

1.7.2(b) Innovative Differentiation Strategy

Innovative differentiation strategy deals with the level of a company's emphasis on strategic priorities with respect to product uniqueness, high quality products, reliable delivery, unremitting research and development (R&D), effective post sale services, products availability, and product customization towards seeking uniqueness in its industry (Porter, 1985).

1.7.3 Accounting Information System (AIS)

The AIS refers to different systems that operate certain functions. Some of these functions include: data processing, gathering, categorizing and reporting financial matters in order to provide relevant rigorous information and for score-keeping purposes, attention directing, and decision making (Bodnar & Hopwood, 2010; Boockholdt, 1999). The AIS encompasses four dimensions that are defined below.

1.7.3(a) Scope of AIS

Scope refers to the domain of focus, time horizon, and quantification (Chenhall & Morris, 1986). Narrow-scope information is based on the internal events of any organization and maintains historic and financial data, whereas broad-scope information includes non-financial, external, and future-oriented material (Chang, Chang, Chang & Paper, 2003).

1.7.3(b) Aggregation of AIS

Aggregation refers to a variety of ways to gather or sum up the data within certain periods of time or spots of interest (Choe, 1998).

1.7.3(c) Integration of AIS

Integration refers to a particular design state where the system in its implemented form can provide output information that may be effectively used to address organizational coordination and control (OCC), problems and requirements (Nicolaou, 2000).

1.7.3(d) Timeliness of AIS

Timeliness refers to the ability to provide information on request and the frequency of reporting systematically collected information (Choe, 1998).

1.7.4 Information Quality

Information quality is defined as the ability of some information to reliably provide quality information that is accurate, relevant, timely, and complete (Parssian, 2006). An element of AISQ is the integration of the IS to assist information users to enhance strategic management and decision-making. Reliability implies that perceived users obtain information that is accurate, relevant, timely, and complete. It

is used in management functions (Schwartz & Mayne, 2005) such as reliability and in the delivery of products to customers (Radjou, 2003).

1.8 Summary and Organization of the Remaining Chapters

This study consists of six chapters. Chapter One provides background information with regard to the phenomenon of the question, the problem statement, the objectives of the study, the research questions, the significance and scope of the study, and definitions of the terms. Chapter Two provides information regarding the Jordanian economy, Accounting Information Systems (AISs), and Enterprise Resource Planning (ERP). Chapter Three is oriented towards shedding light on the previous research on business strategy, firm performance, information quality and AISs. Furthermore, it presents and discusses the theoretical foundations and located gaps in the reviewed literature, and presents a theoretical framework and poses hypotheses in an attempt to fill the gaps located in the previous research. Chapter Four outlines the research design, population and sampling procedures, methods of data collection, and research instruments. The statistical analysis is briefly presented in a summary in the last section of the chapter. Chapter Five presents the results of the research findings. Finally, Chapter Six provides the discussion, conclusion, and recommendations for future study.

CHAPTER TWO

**JORDANIAN ECONOMY, ACCOUNTING INFORMATION
SYSTEM (AIS) AND ENTERPRISE RESOURCE PLANNING
(ERP)**

2.1 Introduction

This chapter presents the general description of Jordan's economy. It begins with an ERP adoption in developing countries, with particular emphasis on Jordan. This chapter presents the general description of the AIS and ERP. Following this, there is a description of the role of the AIS in the value chain. This is followed by a description of the AIS and Enterprise ERP, and, finally, the difference between the AIS and ERP.

2.2 Jordanian Economy

Jordan is a small, low-middle income country with a population of 6 million people, with an anticipated average population growth rate of 2.1% for the period from 2000 to 2015. The Jordanian economy is an open economy, but highly dependent on services and remittances from Jordanians working abroad, especially in the Arabian Gulf countries. It is not an oil-based economy (El-Sakka, 2005). According to the Central Bank of Jordan's Report (2010),, remittances from Jordanians working

overseas rose by 1.2% to JD2.584 billion (USD3.6 billion) in 2009. Water, and other natural resources in Jordan are insufficient to the people. The monetary strategy is formally geared in the direction of inflation targeting, although maintaining the exchange rate peg is the likely reason behind this. The Jordanian dinar is effectively pegged to the dollar (USD 1 \approx 0.709 JD). This policy has been significant in attracting foreign capital in recent years (Ministry of Finance of Jordan, 2010).

Jordan's economy is considered to be a service-oriented economy, where the services sector contributes to 69% of the GDP (The Jordan Times, 2015). In 2007, the Jordanian economy was on a steady decline, and GDP growth rates indicated at more than 6%, compared to 6.3%, as indicated in 2006. This was partly due to the decision of the Jordanian government to open the economy and control public debt, boost FDI, and raise the level of privatization. Growth was maintained in 2008, but at a slower rate. The GDP, at both constant and current market prices, increased by 6.7%, compared to 7.4% the year before. This was guided by strong development in the services sectors, with continuous gains on overall productivity. Buoyant FDI and investment in equity markets, superior grants, and a substantial increase in unidentified inflows improved global reserves, and the stock market indicator achieved a new high (Ministry of Finance of Jordan, 2010).

However, during 2008, Jordan's economy faced several challenges related to increasing inflation and the impact of the global financial crisis. In February 2008, Jordan upped most of its oil subsidies, and in three months, several price hikes

pushed the oil price up by about 100%; but they have since dropped, in line with global prices. Also, the prices of food and basic commodities went up in 2008. Reduced oil and goods prices, due to the decline in global demand, was the most important factor influencing the declining trend in the price level, which somewhat eased the pressure on the economy's trade and financial shortage.

In spite of these various global declines, the Jordanian economy showed hard growth in 2008 and, on average, the GDP growth stood at 5.6%. As is the case with many of the economies of the region, the global financial crisis is yet to adversely impact Jordan in a significant way, but the ripple effect can be expected. However, a few crucial effects of the crisis can be seen. The Amman Stock Exchange has declined by more than 40% since the beginning of the crisis, but the banking system appears to be healthy due to its limited exposure to international financial markets. Contrary to expectations, reserves have gone up since September 2008, while the Government's policy assurance act to cover bank deposits has supported depositor confidence. At the same time, the monetary authorities intensified their monitoring of key economic and financial indicators to give early warnings of any imminent pressures affecting the economy (Amman Stock Exchange Repo, 2008).

In general, the economic outlook appears encouraging, but in the short term there is a significant level of uncertainty. On the basis of an International Monetary Fund (IMF) report, growth was expected to decline slightly below 5% in 2009, with the prices of goods appearing to be in progress, causing a slowdown in the