

-RESEARCH ARTICLE-

DEVELOPING COST MANAGEMENT STRATEGIES AND PROFITABILITY IN MANUFACTURING SMES IN IRAQ: THE ROLE OF MARKET COMPETITION AS A MODERATING VARIABLE

Aqdas Hussein Hadi Al-Nasser*

College of Administration and Economics, University of Babylon, Babylon, Iraq

ORCID: <https://orcid.org/0000-0003-3398-7238>

Email: bus.aqdas.hussein@uobabylon.edu.iq

Mohammed Hazim Issmeil Al-Ghazali

Department of Accounting, College of Administration and Economics, University of Al Mosul, Mosul, Iraq

ORCID: <https://orcid.org/0000-0003-2781-8147>

Email: mhialgazale@uomosl.edu.iq

Abdulrasool Abdulabbas Sahib

College of Administration and Economics, University of Kerbala, Kerbala, Iraq

ORCID: <https://orcid.org/0000-0002-7198-3337>

Email: acc.rasool@upbanylon.edu.iq

Jasim Idan Barrak

College of Administration and Economics, University of Kerbala, Kerbala, Iraq

ORCID: <https://orcid.org/0000-0002-2035-3861>

Email: jasim.i@uokerbala.edu.iq

Amal Fadhil Akho Bashah Al Kaab

College of Administration and Economics, University of Babylon, Babylon, Iraq

ORCID: <https://orcid.org/0009-0003-3003-6215>

Email: amal.altamimy@uokerbala.edu.iq

Citation (APA): Al-Nasser, A. H. H., Al-Ghazali, M. H. I., Sahib, A. A., Barrak, J. I., Al-Kaab, A. F. A. B. (2024). Developing Cost Management Strategies and Profitability in Manufacturing SMES in Iraq: The Role of Market Competition as a Moderating Variable. *International Journal of eBusiness and eGovernment Studies*, 16(4), 273-289. doi:10.34109/ijebeg.2024160414

—Abstract—

Effective cost management strategies are essential for fostering profitability and ensuring the long-term sustainability of manufacturing SMEs, particularly within highly competitive and volatile environments such as Iraq. This study aims to investigate whether strategic cost control techniques—specifically cost-volume-profit analysis, activity-based costing, and lean management—confer measurable benefits to Iraqi manufacturing SMEs. Adopting a quantitative research design, data were gathered from 314 managers representing manufacturing SMEs across Iraq and analysed using Partial Least Squares Structural Equation Modelling (PLS-SEM). The results indicate that sound cost management practices significantly contribute to enhanced profitability ($\beta = 0.665$, $p < 0.001$). Furthermore, market competition was found to exert a positive moderating influence on this relationship ($\beta = 0.152$, $p = 0.008$), suggesting that the advantages of cost control are amplified in more competitive settings. These findings underscore the importance for Iraqi SMEs to implement customised cost management strategies responsive to prevailing market conditions. It is recommended that policymakers establish supportive frameworks that enable the wider adoption of such practices to promote financial resilience across the sector.

Keywords: Cost Management, Profitability, Market Competition, Iraq, PLS-SEM

INTRODUCTION

Cost management plays a crucial role in enabling firms to effectively monitor and reduce expenses, thereby fostering long-term profitability and improving overall financial stability (Alhasnawi et al., 2024). In response to rising operational expenditures, fluctuating global markets, and resource limitations, strategic cost management has become indispensable for manufacturing industries (Robinson & Umo, 2023). Manufacturing SMEs in Iraq, in particular, are confronted with unique obstacles stemming from economic instability, inconsistent resource availability, and volatile market conditions. In such environments, cost management strategies are not only beneficial but necessary, as they help streamline operations, control expenditures, and enhance competitiveness (Ghanbari et al., 2022). Key practices in this regard include cost-volume-profit (CVP) analysis, activity-based costing, and lean management approaches.

The manufacturing sector constitutes a significant component of Iraq's non-oil economy, contributing approximately 10% to national GDP and employing nearly 20% of the labour force, according to recent data (Ministry of Planning, 2023). Despite this economic importance, the sector is beset by substantial financial and operational hurdles, particularly for SMEs, which account for over 90% of manufacturing firms in the country. Insights from Integra LLC's Economic Impact Analysis for SMEs suggest that diminished economic growth is reducing profitability across industries, with nearly

40% of enterprises identifying cost-related challenges as the primary constraint on sustainable expansion. These challenges include erratic raw material prices, unreliable supply chains, and limited access to finance. Consequently, there is an urgent need for comprehensive cost control systems that optimise resource usage, minimise inefficiencies, and support agile responses to shifting market demands.

Achieving profitability remains a central objective for most manufacturing SMEs, yet many Iraqi firms continue to struggle due to elevated production costs resulting from labour market distortions, operational inefficiencies, and scaling difficulties. [Alarussi and Alhaderi \(2018\)](#), in their investigation of profitability determinants among Malaysian listed companies, highlighted the relevance of working capital management, asset turnover, and financial leverage—findings that hold considerable value for Iraqi SMEs facing similar constraints and aiming to improve financial outcomes. Additionally, studies by [Ghanbari et al. \(2022\)](#) and [Barclay \(2022\)](#) indicate that strategic cost management tools, including activity-based costing and lean methodologies, substantially influence financial performance by aligning resources with demand and enhancing operational efficiency. Iraqi SMEs aiming to realise these advantages must adopt and adapt such techniques to their specific operational contexts.

Moreover, SMEs in Iraq's manufacturing sector operate within an increasingly saturated market characterised by intense competition from both domestic peers and foreign imports. Market rivalry compels firms to embrace more efficient practices, reduce operational costs, and improve the quality of products and services to remain viable. Strategic cost management has thus emerged as a critical priority for manufacturing firms operating in Iraq's fast-paced competitive landscape. For example, research by [Handoyo et al. \(2023\)](#) found that Indonesian firms leveraging proactive cost strategies within competitive environments reported improved operational performance. In Iraq, where SMEs are exposed to stringent market pressures, adopting disciplined cost control measures is vital ([Zeebaree & Siron, 2020](#)).

Given the cost pressures and high competition levels Iraqi SMEs face, maintaining long-term profitability and sustainability is increasingly difficult. Although literature has acknowledged the benefits of cost control, little empirical research has addressed the development of context-specific frameworks suited to the Iraqi manufacturing environment. As a result, many SMEs remain ill-equipped to handle competitive forces effectively, leading to financial instability and restricted growth. While this phenomenon has been documented in other transitional and developing economies, there remains a significant gap regarding the moderating role of market competition in Iraq's manufacturing sector. This study aims to bridge that gap by exploring how cost management strategies relate to profitability among Iraqi manufacturing SMEs, with a particular focus on how market competition influences this relationship. It offers valuable insights into how SMEs can utilise strategic cost management (SCM) to

address financial constraints and sustain competitiveness amid market pressures.

Despite prior research acknowledging the role of pricing and cost control in improving profitability, there has been limited investigation into these dynamics within Iraq's manufacturing SMEs and the specific moderating impact of market competition [Leong and Yang \(2020\)](#). This paper addresses this research gap by analysing the effects of CVP analysis, activity-based costing, and lean management on profitability in Iraqi SMEs. It also contributes to the broader academic discourse by providing empirical evidence on how competitive environments shape the application of cost control strategies, particularly under resource constraints. The findings not only extend existing scholarship on cost management but also offer practical implications for policymakers and investors seeking to improve financial performance through strategic cost optimisation in Iraqi manufacturing SMEs.

The remainder of this paper is organised as follows: Section 2 presents a comprehensive review of the literature concerning cost management strategies, profitability determinants, and the influence of market competition, with particular attention to SMEs. Section 3 outlines the research methodology employed in this study. Section 4 examines the interplay between cost management practices, profitability, and competitive market dynamics. In Section 5, the findings are analysed and discussed in relation to SME management within the context of Iraq's manufacturing sector. Finally, Section 6 concludes the study by summarising its key contributions, recognising its limitations, and suggesting directions for future research.

LITERATURE REVIEW

An extensive body of literature explores the relationship between cost management strategies and profitability among manufacturing SMEs, particularly in terms of how these approaches influence firms' competitive positioning under varying levels of market competition. Initial investigations into cost management primarily focused on enhancing operational efficiency through methods such as inventory control and lean practices. For instance, [Narayanapillai \(2010\)](#), in an exploratory study of Indian machine tool SMEs, demonstrated that efficient inventory and materials planning (IAMPs) contribute to cost reductions and enhanced performance, thereby offering a competitive advantage. Similarly, [Mazanai \(2012\)](#), examining South African SMEs, highlighted the value of just-in-time (JIT) inventory systems in increasing operational efficiency, flexibility, and quality. These studies collectively underscore the pivotal role of inventory management in improving profitability, especially in contexts where SMEs operate with constrained resources.

Subsequent research has evolved towards broader cost management approaches. [Maziotis et al. \(2013\)](#) and [Maziotis et al. \(2014\)](#) examined UK water companies, revealing that changes in productivity, price, and quality performance significantly

influence profitability. Their findings pointed to the importance of benchmarking and performance metric monitoring as crucial factors for successful financial outcomes. In the banking sector, [Gizaw et al. \(2015\)](#) found that effective credit risk management strategies positively affect profitability, indicating that accurate assessment and control mechanisms are crucial under volatile economic conditions. Further insights come from [Alarussi and Alhaderi \(2018\)](#), who investigated Malaysian-listed companies and found that firm size positively influences profitability. Their analysis of 120 firms revealed that smaller enterprises, operating with limited resources, must carefully manage factors such as working capital and asset turnover, while high leverage ratios can adversely impact returns. Within the Iraqi context, [Yaseen Zeebaree and Siron \(2017\)](#) and [Zeebaree and Siron \(2020\)](#) analysed how entrepreneurial orientation and governmental support affect SMEs' competitive advantage. Their structural equation modelling results demonstrated that entrepreneurial orientation significantly enhances competitiveness, especially when moderated by financial assistance and regulatory frameworks. These findings highlight the joint effect of internal capabilities and external policies on SME performance in competitive environments ([Hu et al., 2025](#)).

More recently, research has begun to investigate the effectiveness of distinct cost management tools and their relevance to SMEs. [Okpala and Osanebi \(2020\)](#), focusing on Nigerian manufacturing SMEs, emphasised the utility of CVP analysis in guiding production and pricing decisions, asserting its importance in profit planning. In a similar vein, [Kumar et al. \(2020\)](#) investigated the influence of Lean Six Sigma practices on Indian MSMEs' competitiveness, finding that the integration of lean principles contributed to cost optimisation and waste minimisation, thereby improving overall quality and performance. Another dimension of cost management involves pricing strategies. [Johnson et al. \(2020\)](#) analysed strategic pricing within the airline and tourism sectors, finding that aligning pricing approaches with market indicators enhances revenue generation. Such findings are widely applicable across industries, reaffirming the critical role of pricing in profitability management. Similarly, [Nelson \(2020\)](#), while examining credit risk strategies at BGFI Bank Congo, observed that effective banking practices not only bolster profitability but also enable firms to remain resilient under intense market competition.

In the manufacturing context, strategic cost management has become increasingly prominent in recent scholarship. [Ghanbari et al. \(2022\)](#), through a moderated mediation study of firms listed on the Tehran Stock Exchange, found that strategic cost management positively affects financial performance, particularly when integrated with supply chain practices and top management support. This indicates that synergistic alignment between cost strategies and supply chain operations can enhance financial outcomes. Complementing this view, [Nikkeh et al. \(2022\)](#) investigated the effects of absorption and marginal costing techniques on the competitive advantage of financial firms in Iraq, finding that the adoption of strategic costing approaches significantly

contributes to cost reduction and improved market positioning. [Robinson and Umo \(2023\)](#) provided further sector-specific evidence from Nigerian cement firms, assessing throughput, lifecycle, target, and activity-based costing strategies. Their ex post facto analysis showed that all costing methods, with the exception of throughput costing, had a significant positive correlation with return on equity. Their findings support the notion that responsiveness to market demands—achieved through controlled output—is critical to enhancing profitability.

Additionally, [Handoyo et al. \(2023\)](#) evaluated the impact of business strategies and ownership structures on manufacturing firms in Indonesia. Their comparative analysis revealed that foreign-owned firms employing both proactive and defensive strategies demonstrated higher levels of operational efficiency and competitiveness. [Al-Hashimy \(2024\)](#) reinforced the importance of strategic cost management in the Iraqi context, examining how financial management strategies and accounting information systems (AIS) affect profitability in the construction industry. The study concluded that robust financial controls and well-implemented AIS are fundamental to strengthening the financial performance of large firms.

In summary, the reviewed literature illustrates that manufacturing SMEs can significantly improve profitability through the adoption of various cost management tools, including CVP analysis, Lean Six Sigma, and strategic pricing. In the current highly competitive market environment, SMEs must balance cost-efficiency with product or service differentiation to remain viable. Moreover, the moderating effect of market competition indicates that SMEs require adaptive and dual-focused strategies that allow them to both reduce costs and remain responsive to competitive pressures. This study integrates existing evidence and posits that strategic cost management—when supported by governmental policies, financial literacy, and organisational reforms—offers a comprehensive path for enhancing profitability among manufacturing SMEs in Iraq and other developing economies.

METHODOLOGY

This study adopts a quantitative research approach to investigate the relationship between cost management strategies, profitability, and the moderating influence of market competition among manufacturing SMEs in Iraq. The research population comprises 1,900 Iraqi manufacturing SMEs. Primary data were obtained from 314 managers employed within these firms, yielding a response rate of approximately 16.5%. Demographic information collected includes the respondents' age, gender, organisational position, and industry sector. A summary of these demographic characteristics is provided in [Table 1](#) to enhance understanding of the sample's structure and its relevance to the broader population.

Table 1: Demographic Data

Demographic Characteristic	Frequency	Percentage (%)
Age		
Under 30	50	15.9
30-40	120	38.2
41-50	90	28.6
51 and Above	54	17.1
Gender		
Male	280	89.2
Female	34	10.8
Position		
Manager	150	47.8
Assistant Manager	100	31.8
Others	64	20.4
Industry Segment		
Manufacturing	230	73.3
Food and Beverage	45	14.3
Other Sectors	39	12.4
Response Rate		
		16.5

Primary data were gathered through a structured questionnaire, a method proven to be reliable in numerous earlier studies (Zaidan et al., 2023). The instrument comprised three main sections: the first section focused on Cost Management Strategies, while the remaining sections addressed Profitability and Market Competition, respectively. Each thematic section included measurement items adapted from validated scales in the existing literature. Items assessing Cost Management Strategies were sourced from Sativaldiyeva et al. (2024), encompassing components such as cost control, resource optimisation, and operational efficiency.

To measure Profitability, five items were adopted from Mounia et al. (2024), which included metrics such as return on assets (ROA), profit margins, and overall financial performance. These indicators were tailored to small enterprises, concentrating on market positioning and operational risks to evaluate financial soundness. For Market Competition, five items adapted from Leong and Yang (2020) were utilised to assess the extent of competitive pressure and the influence of new market entrants on the business landscape for Iraqi SMEs. This construct was essential for evaluating the moderating role of competition in the relationship between cost management strategies and profitability. PLS-SEM was employed due to its suitability for analysing complex interactions among latent constructs, particularly when working with relatively small sample sizes. This technique was used to test the hypothesised relationships between cost management strategies, profitability, and market competition. The model incorporated three core constructs—CMS, Profitability (P), and Market Competition (MC)—with MC specified as a moderating variable in the CMS–Profitability relationship. Path coefficients and measurement models were assessed for reliability

and validity in accordance with the guidelines established by (Joseph F. Hair et al., 2019).

FINDINGS

Table 2 summarises the measurement model, demonstrating strong reliability and construct validity across all variables. The convergent validity is robust, with factor loadings exceeding the recommended threshold of 0.7. Specifically, factor loadings for CMS range from 0.813 upwards, as detailed in Table 2. Additionally, the Cronbach's alpha for CMS is 0.866, while the composite reliability reaches 0.909, indicating a high degree of internal consistency and reliability consistent with (Joseph F. Hair et al., 2019). Similarly, the factor loadings for MC range between 0.836 and 0.897, with a Cronbach's alpha of 0.886 and composite reliability calculated at 0.913, reflecting strong alignment between the observed items and the latent construct.

Profitability (P) likewise demonstrates excellent reliability and validity, with all factor loadings above 0.875. Its Cronbach's alpha and composite reliability both register at 0.944, indicating very high internal consistency. Furthermore, the AVE values for CMS (0.714), MC (0.745), and P (0.781) all surpass the recommended threshold of 0.5, implying that a substantial proportion of the variance is explained by the retained indicators rather than measurement error, in line with (Fornell & Larcker, 1981). These findings corroborate prior research that asserts high AVE and reliability scores as crucial indicators of measurement robustness. Consequently, the elevated AVE values across all constructs confirm the measurement model's convergent validity, thereby supporting the accuracy of both the data and the research instruments utilised.

Table 2: Model Measurements

Items	Loading	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
CMS1	0.848	0.866	0.909	0.714
CMS3	0.819			
CMS4	0.813			
CMS5	0.896			
MC1	0.846			
MC2	0.836	0.886	0.921	0.745
MC3	0.897			
MC4	0.874			
P1	0.875			
P2	0.888	0.944	0.935	0.781
P3	0.878			
P4	0.886			
P5	0.891			
P6	0.884			

The structural relationships between CMS, MC, and P for Iraqi manufacturing SMEs are illustrated in [Figure 1](#). The data indicate a strong influence of CMS on profitability, with a significant path coefficient of $\beta = 0.944$. The CMS construct is supported by factor loadings ranging from 0.813 to 0.896 and a Cronbach's alpha demonstrating high internal consistency, reflecting the robustness of cost-cutting and resource optimisation practices that enhance operational output. Profitability also exhibits high reliability, with Cronbach's alpha of 0.944 and factor loadings between 0.875 and 0.944. These findings align with previous studies emphasising cost efficiency as a critical determinant of profitability, particularly for firms operating in less developed environments ([Sativaldiyeva et al., 2024](#)).

Furthermore, Market Competition significantly moderates the relationship between CMS and profitability. Factor loadings for MC range from 0.836 to 0.897, with a Cronbach's alpha of 0.886, indicating reliable measurement. This moderation effect suggests that the impact of cost management strategies on profitability intensifies in sectors characterised by heightened competition, compelling SMEs to adapt their practices to sustain competitiveness. The results imply that firms face stringent price competition and strong customer bargaining power, thereby necessitating improved internal cost management mechanisms to withstand external competitive pressures. Empirical evidence from [Leong and Yang \(2020\)](#) similarly highlights the significant influence of market characteristics on business performance. This strategic approach enables SMEs to survive and maintain profitability in highly competitive markets.

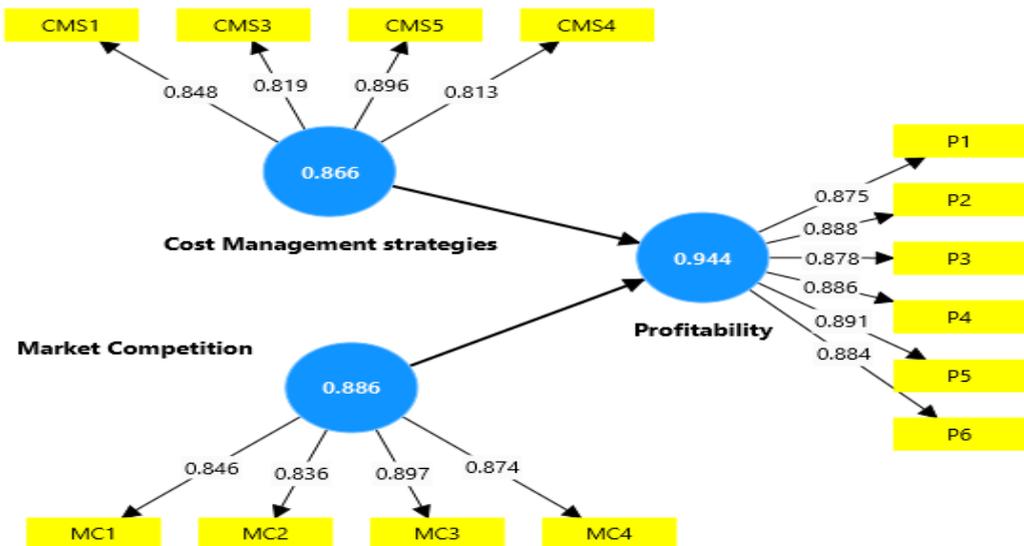


Figure 1: Structural Model of Cost Management, Market Competition, and Profitability

[Table 3](#) presents evidence that the constructs of Cost Management Strategies, Market Competition, and Profitability exhibit acceptable discriminant validity, as assessed by

the Heterotrait-Monotrait (HTMT) ratio. The HTMT values reported are 0.817 between Cost Management Strategies and Market Competition, 0.847 between Cost Management Strategies and Profitability, and 0.734 between Market Competition and Profitability. All values fall below the widely accepted threshold of 0.90, which is considered indicative of adequate discriminant validity from a judgement perspective (Henseler et al., 2015). These findings confirm that each construct represents a distinct theoretical concept, thereby minimising overlap. Moreover, all values exceed the more stringent threshold of 0.85, further supporting the presence of discriminant validity in this study (Franke & Sarstedt, 2019). This concurs with Hair et al. (2019), who emphasise the critical importance of discriminant validity to ensure that constructs are not excessively correlated, which could otherwise confound the interpretation of results. By adhering to best practices in Structural Equation Modelling, the HTMT ratios in this study confirm the robustness and precision of the research model. Consequently, the relationships examined between Cost Management Strategies, Market Competition, and Profitability are grounded in distinct variables, thereby reducing multicollinearity and enhancing the reliability of the findings.

Table 3: Discriminant Validity HTMT

	Cost Management Strategies	Market Competition
Market Competition	0.817	
Profitability	0.847	0.734

Figure 2 depicts both the direct influence of CMS on P and the moderating role of MC within Iraqi manufacturing SMEs. The analysis reveals a statistically significant and positive direct effect of CMS on profitability ($\beta = 0.665$, $p < 0.001$), indicating that efficient cost control, optimal utilisation of resources, and enhanced operational efficiencies are pivotal determinants of financial performance in this sector. The CMS construct is supported by robust factor loadings ranging from 0.813 to 0.896, affirming the reliability and validity of these measures in line with prior studies (Sativaldiyeva et al., 2024). Similarly, the Profitability indicators exhibit satisfactory internal consistency, as reflected by a coefficient of 0.614 for items P1 through P6. These findings extend the body of empirical evidence linking strategic cost management practices to improved financial outcomes (Robinson & Umo, 2023).

Additionally, the model highlights a significant moderating effect of Market Competition ($\beta = 0.152$, $p < 0.01$) on the relationship between CMS and profitability. This suggests that in environments characterised by intense competitive pressures, the effectiveness of cost management strategies is amplified, enabling firms to refine internal processes and sustain profitability despite market challenges. The Market Competition construct, with factor loadings between 0.836 and 0.897, demonstrates high reliability. These results resonate with the theoretical framework proposed by Leong and Yang (2020) and related literature, which contend that firms operating under

heightened competitive tension must rigorously manage costs to maintain returns on invested capital (ROIC). The moderation effect further implies that, under severe competition, financial indicators tend to decline due to suppressed demand and increased operational challenges; however, this scenario also magnifies the beneficial impact of cost management by compelling firms to adapt more effectively to market dynamics.

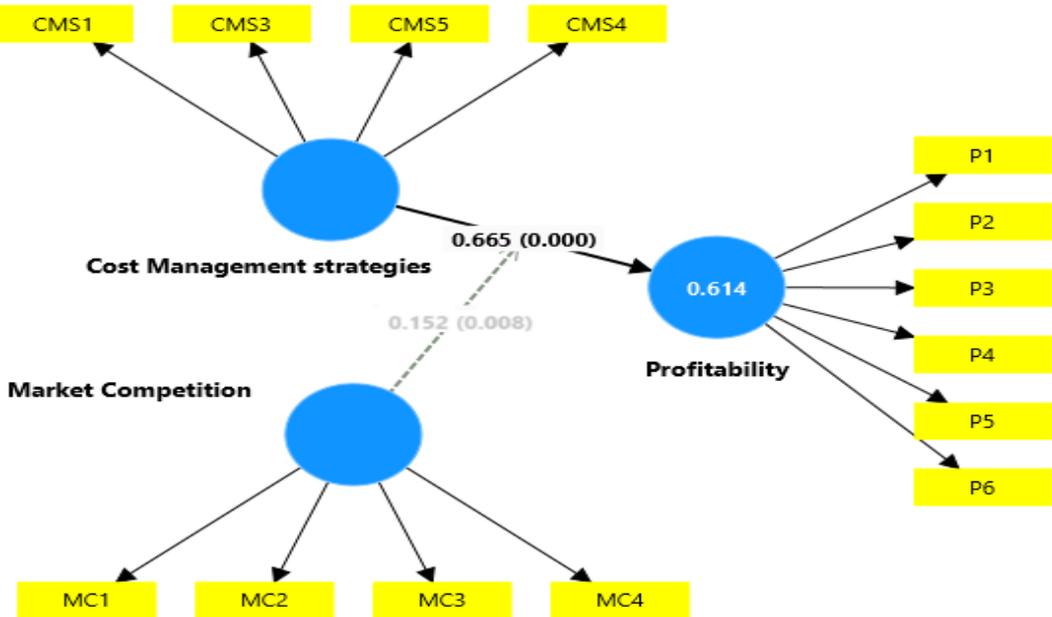


Figure 2: Moderating Effect of Market Competition on the Relationship Between Cost Management and Profitability

As presented in [Table 4](#), Cost Management Strategies exert a significantly positive impact on Profitability, with Market Competition serving as a moderator in this relationship. The direct path from Cost Management Strategies to Profitability exhibits the strongest effect, with a beta coefficient of 0.665 and a t-statistic of 6.619 ($p < 0.001$). This substantial positive association indicates that effective cost management considerably enhances profitability levels among manufacturing SMEs in Iraq. These findings corroborate earlier research emphasising the critical role of strategic cost management practices in driving improved financial performance ([Sativaldiyeva et al., 2024](#)). The relatively high beta value underscores the potential for marked profitability gains attributable to cost management initiatives, highlighting their particular importance for smaller firms striving to sustain or improve their earnings and long-term viability.

Similarly, the interaction effect between Market Competition and Cost Management Strategies is also positively and significantly related to Profitability ($\beta = 0.152$; $t = 5.067$; $p = 0.008$). This suggests that competitive market conditions amplify the benefits

of cost management efforts on profitability. In other words, SMEs operating within highly competitive markets experience greater profitability enhancements when deploying effective cost management strategies. This moderating effect aligns with the arguments of [Leong and Yang \(2020\)](#), who contend that heightened competitive pressure compels firms to adopt more refined cost management practices to remain viable and profitable in the marketplace. Consequently, the influence of cost management on financial outcomes is contingent upon the intensity of market competition, implying that SMEs must not only establish robust cost control mechanisms but also dynamically adapt these mechanisms in response to evolving external environmental conditions.

Table 4: Paths Test

Paths	Beta	SD	T Statistics	P Values
Cost Management Strategies -> Profitability	0.665	0.100	6.619	0.000
Market Competition x Cost Management Strategies -> Profitability	0.152	0.030	5.067	0.008

DISCUSSION

The findings of this study diverge from the conceptual framework proposed by [Kajal et al. \(2021\)](#), which questioned the validity of cost management strategies as indicators for enhancing SMEs' profitability within the manufacturing sector. Contrary to their assertions, the present results demonstrate a clear and significant positive relationship between Cost Management Strategies and Profitability ($\beta = 0.665$, $p < 0.001$), underscoring the direct financial benefits of strategic cost management and optimisation across the manufacturing industry. This aligns with the conclusions of [Robinson and Umo \(2023\)](#), who identified cost control as a critical determinant of profitability in manufacturing firms. Furthermore, the pronounced influence of cost management on profitability substantiates the claims of [Ghanbari et al. \(2022\)](#), who argue that effective cost strategies constitute an essential mechanism for maintaining competitive advantage and securing the financial well-being of SMEs. These outcomes reinforce the notion that strategic cost management serves as a foundational pillar for financial success, particularly within resource-constrained environments typical of SMEs, either as a standalone approach or as part of a broader framework.

[Table 3](#) further illustrates the moderating role of Market Competition on the nexus between Cost Management Strategies and Profitability ($\beta = 0.152$, $p = 0.008$), indicating that the positive impact of cost management on profitability is accentuated under conditions of intense market competition. This moderation effect is consistent with extant literature, which posits that competitive pressures compel firms to enforce more rigorous cost management practices to ensure survival ([Babar & Habib, 2021](#)). The heightened prominence of cost management amidst strong competition necessitates that SMEs not only manage costs efficiently but also continuously recalibrate these

strategies to remain aligned with rapidly evolving market dynamics. This finding contributes theoretically by elucidating how external competitive forces interrelate with internal management practices to collectively influence financial performance, as discussed by [Tursunpulatovna \(2022\)](#). It highlights the critical importance of organisational agility and adaptability in enabling SMEs to effectively implement cost management initiatives and sustain profitability in fluctuating market environments.

Although the moderating role of MC in the model was statistically significant ($p < 0.001$), its impact was comparatively less pronounced than that of Cost Management Strategies on profitability. This outcome is unsurprising given the stronger direct effect of cost management on financial performance. It suggests that while competition enhances the advantages of effective cost management, the primary driver of profitability remains the internal management process itself. [Dai et al. \(2023\)](#) similarly observed that internal management practices exert a more substantial influence on financial outcomes than external environmental factors. This finding highlights the critical importance for SMEs, even in less competitive markets, to uphold robust internal cost management controls. Furthermore, the consistent positive effect of cost containment across varying levels of market competition indicates that sound cost strategies confer universal benefits irrespective of market intensity. This predictability reinforces the centrality of effective cost management as the cornerstone for sustaining profitability across diverse market contexts.

These findings carry significant implications for the strategic decision-making of managers within Iraqi manufacturing SMEs as well as for policymakers. Enhancing cost management techniques represents a vital approach to improving profitability, particularly within highly competitive environments. [Almashhadani and Almashhadani \(2022\)](#) argue that the efficacy of cost strategies is contingent upon alignment between ownership structures and managerial decision-making, alongside an adaptive utilisation of skill-based specificities. Moreover, the study emphasises the necessity of continuous market monitoring to enable proactive adjustments in cost management practices, thereby fostering superior financial performance over time. Should policymakers succeed in fostering an enabling environment that facilitates the adoption of advanced cost management approaches by SMEs, this could substantially enhance the sector's competitiveness and economic resilience. Future research might explore additional moderating variables, such as technological innovation or supply chain dynamics, to gain deeper insights into the interplay between internal strategic initiatives and external market forces. Expanding the current study in this manner would contribute to a more comprehensive understanding of profitability determinants in SMEs, ultimately informing more effective managerial frameworks and policy interventions.

CONCLUSION

This study clearly demonstrates the crucial role of cost management strategies in enhancing the profitability of Iraqi manufacturing SMEs. The strong positive link

between cost management and profitability underscores the importance of strategic cost reduction, resource optimisation, and operational efficiency in sustaining financial health. The findings validate the theoretical framework that cost strategies are essential for maintaining competitive advantage and long-term profitability in resource-constrained environments. Furthermore, the study highlights the moderating effect of market competition on this relationship, revealing that cost management alone is insufficient in highly competitive industries. SMEs must not only implement robust cost controls but also remain agile to respond effectively to changing market demands. This interaction provides valuable insight into how external competitive pressures influence the efficacy of internal management practices and suggests that over-reliance on cost management may be less effective if market conditions are not favourable.

Practically, these results offer important guidance for Iraqi manufacturing managers and policymakers. Managers are encouraged to prioritise cost control as a primary lever for profitability, especially in competitive contexts, while policymakers should foster environments that support the adoption of advanced cost management techniques. Ongoing market monitoring is also recommended to enable SMEs to adapt their strategies in response to evolving competition. Limitations include the study's focus on the Iraqi market and potential differences in cost management practices. Future research should consider additional moderating factors, such as technological innovation and supply chain dynamics, to better understand profitability drivers in emerging economies.

REFERENCES

- Al-Hashimy, H. N. H. (2024). A review of the relationship between financial management strategies and firm financial performance: accounting information system as a moderator. *The Journal of Economics, Finance and Innovation*, 3(5), 1–19. <https://sbtsuejournals.uz/index.php/EFI/article/view/374>
- Alarussi, A. S., & Alhaderi, S. M. (2018). Factors affecting profitability in Malaysia. *Journal of Economic Studies*, 45(3), 442–458. <https://doi.org/10.1108/JES-05-2017-0124>
- Alhasnawi, M. Y., Said, R. M., Alshdaifat, S. M., Elorabi, K. A., Al-Hasnawi, M. H., & Khudhair, A. H. (2024). How does budget participation affect managerial performance in the higher education sector? A mediated-moderated model. *Asian Journal of Accounting Research*(ahead-of-print). <https://doi.org/10.1108/AJAR-12-2023-0405>
- Almashhadani, M., & Almashhadani, H. (2022). The impact of ownership on profitability: An conceptual study. *International Journal of Business and Management Invention*, 11(6), 01–06. <https://doi.org/10.35629/8028-1106030106>
- Babar, M., & Habib, A. (2021). Product market competition in accounting, finance, and

- corporate governance: A review of the literature. *International Review of Financial Analysis*, 73, 101607. <https://doi.org/10.1016/j.irfa.2020.101607>
- Barclay, J. (2022). Determining critical success factors for lean implementation. *Production Planning & Control*. Retrieved from. <https://doi.org/10.1080/14783363.2021.1894919>
- Dai, J., Hu, N., Huang, R., & Yan, Y. (2023). How does credit risk affect cost management strategies? Evidence on the initiation of credit default swap and sticky cost behavior. *Journal of Corporate Finance*, 80, 102401. <https://doi.org/10.1016/j.jcorpfin.2023.102401>
- Fornell, C., & Larcker, D. F. (1981). Evaluating structural equation models with unobservable variables and measurement error. *Journal of Marketing Research*, 18(1), 39–50. <https://doi.org/10.1177/002224378101800104>
- Franke, G. R., & Sarstedt, M. (2019). Heuristics versus statistics in discriminant validity testing: A comparison of four procedures. *Internet Research*, 29(3), 430–447. <https://doi.org/10.1108/INTR-12-2017-0515>
- Ghanbari, J., Abbasi, E., Didekhani, H., & Ashrafi, M. (2022). The impact of strategic cost management on the relationship between supply chain practices, top management support and financial performance improvement. *Journal of applied research on industrial engineering*, 9(1), 32–49. <https://doi.org/10.22105/jarie.2021.294904.1364>
- Gizaw, M., Kebede, M., & Selvaraj, S. (2015). The impact of credit risk on profitability performance of commercial banks in Ethiopia. *African journal of business management*, 9(2), 59. <http://dx.doi.org/10.5897/AJBM2013.7171>
- Handoyo, S., Suharman, H., Ghani, E. K., & Soedarsono, S. (2023). A business strategy, operational efficiency, ownership structure, and manufacturing performance: The moderating role of market uncertainty and competition intensity and its implication on open innovation. *Journal of Open Innovation: Technology, Market, and Complexity*, 9(2), 100039. <https://doi.org/10.1016/j.joitmc.2023.100039>
- Henseler, J., Ringle, C. M., & Sarstedt, M. (2015). A new criterion for assessing discriminant validity in variance-based structural equation modeling. *Journal of the Academy of Marketing Science*, 43(1), 115–135. <https://doi.org/10.1007/s11747-014-0403-8>
- Hu, G., Muhamad, H., Mustafa, H., & Alhasnawi, M. Y. (2025). Accounting education from 1960 to 2023: a bibliometric review. *Int J Eval & Res Educ*, 14(2), 849–861. <https://doi.org/10.11591/ijere.v14i2.30486>
- Joseph F. Hair, J., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2019). *A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM)* (2nd ed.). <http://lccn.loc.gov/2016005380>
- Johnson, G. A., Shriver, S. K., & Du, S. Y. (2020). Consumer privacy choice in online advertising: Who opts out and at what cost to industry? *Marketing Science*, 39(1), 33–51. <https://doi.org/10.1287/mksc.2019.1198>

- Kajal, Z. A., Sikder, M., & Panhwar, P. (2021). The role of cost management strategies for SME business: A conceptual framework. *International Journal of Small and Medium Enterprises*, 4(1), 35–58. <http://dx.doi.org/10.46281/ijsmes.v4i1.1559>
- Kumar, M., Antony, J., Singh, R. K., Tiwari, M. K., & Perry, D. (2020). Implementing the Lean Six Sigma framework in an Indian SME: A case study. *Production Planning & Control*, 31(1), 44–57. <https://doi.org/10.1080/09537287.2019.1627276>
- Leong, C. K., & Yang, Y. C. (2020). Market competition and firms' social performance. *Economic Modelling*, 91, 601–612. <https://doi.org/10.1016/j.econmod.2019.12.002>
- Mazanai, M. (2012). Impact of just-in-time (JIT) inventory system on efficiency, quality and flexibility among manufacturing sector, small and medium enterprise (SMEs) in South Africa. *African journal of business management*, 6(17), 5786. <https://doi.org/10.5897/AJBM12.148>
- Maziotis, A., Saal, D. S., & Thanassoulis, E. (2013). Profit, Productivity, Price and Quality Performance Changes in the English and Welsh Water and Sewerage Companies. <https://services.bepress.com/feem/paper766>
- Maziotis, A., Saal, D. S., Thanassoulis, E., & Molinos-Senante, M. (2014). Profit, productivity and price performance changes in the water and sewerage industry: an empirical application for England and Wales. *Clean Technologies and Environmental Policy*, 17, 1005–1018. <https://doi.org/10.1007/s10098-014-0852-2>
- Ministry of Planning. (2023). *Annual Statistical Report on Industrial Development in Iraq*. Iraq Ministry of Planning. Retrieved from <https://mop.gov.iq/en>
- Mounia, A., Yassine, H., & Hocine, I. Z. H. (2024). Literature Review on Cost Management and Profitability in E-Supply Chain: Current Trends and Future Perspectives. 2024 IEEE 15th International Colloquium on Logistics and Supply Chain Management (LOGISTIQUA), <https://doi.org/10.1109/LOGISTIQUA61063.2024.10571529>
- Narayanapillai, R. (2010). An evaluation of inventory management and performance in Indian machine tool SMEs: an exploratory study. *International Journal of Innovation and Technology Management*, 7(04), 405–422. <https://doi.org/10.1142/S0219877010002070>
- Nelson, O. N. F. (2020). The Impact of credit risk management on the profitability of a commercial bank: The case of BGF bank Congo. *International Journal of Economics and Finance*, 12(3), 21. <https://doi.org/10.5539/ijef.v12n3p21>
- Nikkeh, N. S., Hasan, S. I., Saeed, H. S., & Flayyih, H. H. (2022). The role of costing techniques in reduction of cost and achieving competitive advantage in iraqi financial institutions. *International Journal of Economics and Finance Studies*, 14(4), 62–79. <http://dx.doi.org/10.34111/ijefs.20220104>
- Okpala, K. E., & Osanebi, C. (2020). Cost volume profit analysis and profit planning in

- manufacturing SMEs in Nigeria. *Asia-Pacific Management Accounting Journal*, 15(2), 207–240. <https://ir.uitm.edu.my/id/eprint/65614>
- Robinson, A. G., & Umo, U. P. (2023). Cost Management Strategies and Profitability of Quoted Cement Manufacturing Firms in Nigeria. *Srusti Management Review*, 16(2). <https://www.irejournals.com/formatedpaper/1705048.pdf>
- Sativaldiyeva, D. A., Khaydarova, N. A., & Tursunaliyev, I. U. (2024). The Importance of Strategic Cost Management and Its Implementation in Manufacturing Industries: A Case Study of Metal Producing Industries in Uzbekistan. *Emerald Publishing Limited*, 41–46. <https://doi.org/10.1108/S1877-63612024000033B006>
- Tursunpulatovna, N. N. (2022). Theoretical analysis of the content and characteristics of market competition. *International Journal Of Research In Commerce, it, engineering and social sciences* ISSN: 2349-7793 *Impact Factor: 6.876*, 16(4), 79–85. [file:///C:/Users/Dell/Downloads/Vol_16_N_04_15%20\(1\).pdf](file:///C:/Users/Dell/Downloads/Vol_16_N_04_15%20(1).pdf)
- Yaseen Zeebaree, M. R., & Siron, R. B. (2017). The impact of entrepreneurial orientation on competitive advantage moderated by financing support in SMEs. *International Review of Management and Marketing*, 7(1), 43–52. <https://www.researchgate.net/publication/323113785>
- Zaidan, A. S., Alshammary, K. M., Khaw, K. W., Yousif, M., & Chew, X. (2023). Investigating behavior of using metaverse by integrating UTAUT2 and self-efficacy. *International Multi-Disciplinary Conference-Integrated Sciences and Technologies*, https://doi.org/10.1007/978-3-031-51716-7_6
- Zeebaree, M. R. Y., & Siron, R. B. (2020). The effect of government support on market differentiation in Iraqi small and medium-sized enterprises. *International Journal of Management and Enterprise Development*, 19(2), 89–108. <http://dx.doi.org/10.1504/IJMED.2020.10029628>