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# Investigating the Effects of Cost Leadership Strategy and Product Differentiation on the Comparability of Financial Statements of Firms

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## Abstract

**Objectives:** This study aims to investigate the impact of cost leadership and product differentiation strategies on the comparability of financial statements among firms listed on the Tehran Stock Exchange (TSE). As two major strategic approaches, these methods are expected to reduce costs, diversify products, and enhance the evaluation of firms by users of financial information.

**Methodology/Design/Approach:** A sample of 142 firms listed on the TSE during the period 2014–2022 was analyzed. The research hypotheses were tested using multivariate regression and panel data methodology, implemented through EViews-13 software.

**Findings:** The empirical results reveal that both product differentiation and cost leadership strategies are positively and significantly associated with financial statement comparability. Specifically, product differentiation enhances comparability by emphasizing unique characteristics, while cost leadership improves comparability through systematic cost reduction.

**Innovation:** This study contributes to the accounting literature by demonstrating how strategic management choices influence financial reporting quality. The findings highlight that cost leadership and product differentiation strategies not only strengthen operational efficiency but also provide measurable benchmarks that facilitate comparability in financial statements.

**Keywords:** Comparability, Product Differentiation, Cost Leadership, Business Strategy, Financial Information.

# 1. Introduction

Accounting information constitutes the essence and core of the economic environment, serving two fundamental roles: informative and operational. The informative role arises from investors' demand for information to forecast future cash flows and assess associated risks. Today, managers, investors, and market participants rely on accounting information as a crucial source for decision-making. However, accounting information reported by economic entities is effective for investment decisions only when it is of high quality. Moreover, managerial decision quality depends to a significant extent—estimated at up to 80 percent—on the quality of information available to managers (Moghaddam et al., 2006).

Among the qualitative characteristics of accounting information, financial statement comparability is particularly valued by managers and investors. According to the Financial Accounting Standards Board (FASB), comparability is defined as "a qualitative characteristic that enables users to identify similarities and differences between two sets of economic phenomena" (FASB, 2008). As emphasized by De Franco et al. (2011), alongside relevance and reliability, comparability is one of the three key qualitative characteristics embedded in the conceptual framework of financial reporting. Essentially, the comparability of financial information is strongly emphasized by standard-setting bodies and is considered vital for enhancing the decision-usefulness of financial statements, thereby facilitating informed decision-making (Barth, 2013). Iranian accounting standards also recognize comparability as an important qualitative characteristic of useful financial information. In summary, comparability enhances financial information quality by enabling the identification of similarities and differences among firms, improving the assessment of their economic performance, and facilitating the optimal allocation of capital resources (Iranian Accounting Standards Board, 2010).

On the other hand, to achieve organizational objectives, firm managers must align goals with ongoing activities (Ansoff, 1965) and demonstrate proficiency in the effective utilization of resources. This capability constitutes a fundamental element in the successful implementation of organizational strategies (Goudarzi & Sheikhzadeh, 2006). To increase the likelihood of success and improve firm performance, managers frequently adopt product differentiation and cost leadership strategies (Azimiyancheshmeh et al., 2015).

Product differentiation and cost leadership strategies reflect the degree of variation in business environments and operational activities between a firm and its peers and, therefore, may influence the comparability of accounting information (Nalebuff & Stiglitz, 1983). From Porter's perspective (1985), firms must choose between minimizing production costs within an industry (cost leadership strategy) and offering a unique product (product differentiation strategy). Essentially, these strategies represent a critical dimension of market competition, affecting both the information available to investors and the mechanisms of managerial monitoring and discipline (Nalebuff & Stiglitz, 1983).

However, the effect of product differentiation and cost leadership strategies on accounting comparability remains ambiguous. Product market competition may increase the amount of information available to investors, potentially reducing their reliance on comparable accounting information. Moreover, because product market competition often requires information disclosure, some firms may be reluctant to fully reveal proprietary information, which can lead to lower comparability in reported financial information (Verrecchia, 1990). Consequently, it remains unclear whether product differentiation and cost leadership strategies significantly influence the comparability of accounting information.

Accordingly, this study seeks to address this gap by examining the impact of product differentiation and cost leadership strategies on accounting information comparability. In doing so, the study provides empirical evidence on how strategic positioning affects the comparability of financial reporting.

## 2. Literature Review and Hypothesis Development

Firms adopt strategies to increase their likelihood of success and enhance performance in domestic and international markets (Azimiyancheshmeh et al., 2015), to achieve organizational objectives (Namazi, 2013), and to respond effectively to organizational constraints and opportunities (Miles & Snow, 1978). Organizational strategy is generally implemented through two primary approaches—cost leadership and product differentiation—which firms employ to gain a competitive advantage. Under a cost leadership strategy, a firm seeks to capture a larger market share by offering products at lower prices than its competitors. In contrast, a product differentiation strategy involves securing a defined segment of the market by offering unique and distinctive products or services, thereby outperforming competitors (Porter, 1985).

Product differentiation strategies are typically associated with higher levels of risk (Jermias, 2008), whereas firms pursuing cost leadership strategies tend to experience more stable performance outcomes (Ganjizadeh & Daneshyar, 2021). Accordingly, firms can achieve success either by producing goods at lower costs than competitors or by delivering products that are distinct and unique (Deyanti-Dilami et al., 2015). This suggests that the choice between cost leadership and product differentiation strategies is directly linked to organizational success (Azimiyancheshmeh et al., 2015).

The cost leadership strategy represents a competitive context that is not easily attainable by all firms. Larger firms, benefiting from greater resource availability, often compete through cost leadership or attempt to differentiate their products and services from those of competitors. This strategy entails lower risk when a firm possesses strong financial capacity, advanced technologies, extensive distribution networks, access to low-cost raw materials, and favorable access to external resources. Within a cost leadership framework, managers place strong emphasis on productivity in both production and distribution processes (Wu et al., 2015).

The cost leadership strategy has been shown to significantly affect earnings management. Empirical evidence suggests a positive relationship between cost leadership and earnings management, indicating that firms adopting this strategy tend to engage in higher levels of real earnings management. Furthermore, as competitive pressure intensifies, the extent of earnings management associated with this strategy increases (Meshki Miyavqi et al., 2018). At the same time, cost leadership plays a critical role in enhancing economic value added, as managers seek to increase sales through cost reductions (Kordestani & Mohammadi, 2016). Firms pursuing this strategy aim to minimize production, distribution, and selling costs while increasing output volume and exploiting economies of scale to reduce unit costs and capture a larger market share. Generally, cost leadership strategies are more prevalent in markets characterized by high price sensitivity among customers (Rezaei & Azem, 2012). In addition to reducing production costs, factors such as procuring low-cost raw materials, improving operational capacity, eliminating excess machinery, and optimizing production processes also contribute significantly to cost efficiency (Esmaeili-Shahmirzadi, 2013).

Amini and Salar (2013) emphasize that the cost leadership strategy focuses on reducing production costs while delivering products that meet industry quality standards, thereby achieving a competitive advantage through the lowest feasible prices. In recent decades, as product quality has become increasingly critical in corporate strategy, sustaining a strong market position requires maintaining acceptable quality levels and offering products and services that meet established standards. Consequently, the primary objective of this strategy is to attain the position of a low-cost producer without sacrificing quality, ensuring market sustainability, and reducing risk exposure. Within this strategic orientation, innovation is not prioritized; rather, the emphasis is placed on offering competitively priced goods and services while

maintaining reasonable profitability and customer satisfaction. Firms adopting this strategy are generally better positioned to withstand competitive pressures, as customers are unable to find alternative products offering comparable quality at lower prices (DamanKeshan & Ameri-Siahui, 2021).

Product differentiation, by contrast, refers to the degree to which a firm's products are non-substitutable (Demsetz, 1997). When a firm exhibits lower levels of product differentiation, its products tend to be more similar to those of competitors and are therefore more easily substitutable (De Franco et al., 2011). Managers with a long-term orientation typically invest consistently in research and development, as such investments strengthen sustainable competitive advantage, enhance market positioning, and support corporate strategy over time (Nikkar et al., 2022). Moreover, in environments characterized by low differentiation, firms tend to be more similar to one another than in markets with high levels of product differentiation (De Franco et al., 2011).

Low product differentiation, or high product substitutability, is expected to result in greater similarity in economic events and in the manner in which these events are reflected in accounting information (De Franco et al., 2011). Accordingly, it is reasonable to expect that a product differentiation strategy may reduce accounting comparability. In addition, product differentiation can influence financial reporting in general—and accounting comparability in particular—through its effect on product market competition. Such competition encompasses various dimensions, including product substitutability, market size, entry barriers, and market concentration (Raith, 2003). Product differentiation is fundamentally a marketing process that highlights the unique attributes of a product, creates value for customers, and generates competitive advantage. Consequently, low product differentiation intensifies market competition, which in turn affects investment-related information, managerial incentives, and financial reporting practices (Laxmana & Yang, 2014).

Organizations seeking competitive superiority—particularly in product development—require continuous innovation and creativity and are therefore inclined toward differentiation strategies. The primary objective of this strategy is to offer products that are distinct from those of competitors and appeal to relatively price-insensitive customers. This strategic approach allows for greater flexibility in production volume, improved adaptability to market changes, and reduced equipment maintenance costs (Haddadian et al., 2014).

In summary, cost leadership and product differentiation strategies may influence accounting comparability through the degree of similarity or dissimilarity in firms' products, business environments, and operational processes. The cost leadership strategy emphasizes cost reduction, which enhances profit margins and lowers the cost of goods sold, thereby facilitating clearer and more transparent financial information. This clarity assists analysts and investors in comparing financial performance across peer firms and enables more accurate forecasting of future performance, ultimately enhancing accounting comparability. Conversely, the product differentiation strategy emphasizes innovation and uniqueness, often resulting in higher selling prices and requiring firms to provide detailed and accurate information about new products and their capabilities. Such transparency in financial reporting can also enhance comparability by enabling analysts and stakeholders to make more informed evaluations of firm growth and performance. Based on these arguments, the research hypotheses are formulated as follows:

**H1:** Product differentiation strategy is significantly associated with the comparability of financial statements.

**H2:** Cost leadership strategy is significantly associated with the comparability of financial statements.

## 3. Research Methodology

This study adopts a quantitative approach and is ex post facto in nature, relying on actual firm-level data. From a purpose-oriented perspective, the research is

classified as applied. The data were collected and organized using Microsoft Excel, and the final econometric analyses were conducted using EViews 13.

The statistical population comprises all firms listed on the Tehran Stock Exchange (TSE) during the period 2014–2022 (corresponding to 1393–1401 in the Iranian calendar). Firms operating in the investment, holding, insurance, and banking sectors were excluded from the sample. In addition, only firms reporting positive operating profit were included in the analysis. Since financial information comparability is assessed at the industry level, only industries with a minimum of seven active firms throughout the study period were considered. Based on these criteria, a total of 142 firms were selected as the final research sample.

The required firm-level data were obtained from the Rahavard Novin software and the official website of the Securities and Exchange Organization of Iran. The variables employed in this study are defined as follows:

The dependent variable in this study is the **financial statement comparability.** The measure employed in this research is based on the premise that if the accounting systems of two firms report similar accounting numbers in response to a common set of economic events, they are considered more comparable (De Franco et al., 2011). Following De Franco et al. (2011), this study uses each firm's **reported accounting profit** as a representation of accounting numbers, while **returns** serve as a general proxy for economic events. In the De Franco et al. framework, two firms are deemed similar if they produce comparable financial reports (e.g., accounting profits) for the same set of economic events (e.g., returns). For each firm-year observation, to calculate comparability between firms *i* and *j*, **Model 1** is first estimated using quarterly data for the past four years (i.e., the previous 16 quarters) for each firm.

$$Earnings_{i,t} = \alpha_i + \beta i Return_{i,t} + \varepsilon_{i,t} \quad (1)$$

In the above model, $Earnings_{i,t}$ represents the firm's quarterly net income divided by the market value of equity at the beginning of the period, and $Return_{i,t}$ denotes the stock price return in quarter t. The estimated coefficients $*\alpha_i$ and $*\beta_i$ represent firm i's accounting system, linking the firm's economic events (stock returns) to accounting numbers (reported earnings). Similarly, for firm j, analogous to firm i's accounting system, the estimated coefficients $*\alpha j$ and $*\beta j$ capture the relationship between reported earnings and returns for firm j. The similarity between the accounting systems of firms i and j is then measured by comparing their accounting responses to the same set of economic events. Specifically, the predicted earnings of firms i and j are calculated using their respective accounting functions applied to the economic events of firm i.

$$E(Earnings)_{i,i,t} = \alpha_i* + \beta_i*Return_{i,t} \quad (2)$$
$$E(Earnings)_{i,j,t} = \alpha_j* + \beta_j*Return_{i,t} \quad (3)$$

In the above relationships, $E(Earnings)_{i,\ i,t}$ represents the predicted earnings of firm i based on firm i's accounting function and its return in period t. Similarly, $E(Earnings)_{i,j,t}$ denotes the predicted earnings of firm j based on firm j's accounting function and the return of firm i in period t. The pairwise comparison between firms i and j ($CompAcct_{i,j,t}$) reflects the accounting comparability of the firms, defined as the negative absolute value of the difference between the predicted earnings using the accounting functions of firms i and j, as expressed below:

$$Compacct_{i,j,t} = -\left(\frac{1}{16}\right)\sum_{t-15}^{t} \left|E(Earnings)_{i;i;t} - E(Earnings)_{i;j;t}\right| \quad (4)$$

A smaller difference between $E(Earnings)_{i,\ i,t}$ and $E(Earnings)_{i,j,t}$ results in a higher $CompAcct_{i,j,t}$ indicating greater accounting comparability between firms i and j. Within each industry, similar to firm i, $CompAcct_{i,j,t}$ is estimated for every firm i /j pair (j = 1, …, J و $i \neq j$); this explicitly controls for similarities in

economic events across firms while isolating comparability of financial statements (De Franco et al., 2011). Finally, firm i's comparability index is calculated as the average $CompAcct_{i,j,t}$ of the 10 firms j with the highest comparability to firm i during year t ($CompAcct10_{i,t}$).

In other words, the comparability measure is constructed as follows: first, for firms i and j, adjusted earnings—calculated as the ratio of net income to market value of equity—are computed over the past 16 quarters. Next, regression is used to estimate the intercept and slope coefficients, which are then employed to calculate predicted earnings. Finally, the predicted earnings for firms i and j are subtracted from each other. Considering the period from t−15 to t, the resulting difference is divided by 16. In this manner, the comparability metric for the two firms is obtained.

The independent variables in this study are product differentiation strategy and cost leadership strategy. Following Chen et al. (2018), Yamakawa et al. (2011), and David et al. (2002), the product differentiation variable is measured using the ratio of research and development (R&D) expenses to total sales. This ratio reflects the firm's willingness to invest in marketing and sales efforts to differentiate its products from competitors and peers, as well as to enhance its brand image and after-sales services. Product differentiation is captured and revealed through innovation activities. A higher ratio indicates a greater likelihood that the firm pursues a differentiation strategy, either through service marketing, branding, or new product innovation and performance (David et al., 2002; Yamakawa et al., 2011). Firms pursuing a cost leadership strategy typically aim to achieve operational excellence by improving their processes and efficiency. In this study, the approach proposed by Wu et al. (2015) is employed to measure the cost leadership strategy. Wu et al. (2015) operationalized cost leadership using the following relationship:

Operating Turnover Ratio = Sales / Operating Assets (5)

However, Fernando (2016) argues that for a cost leadership strategy, firms must be able to meet their investment requirements in tangible and physical assets. Furthermore, previous studies in Iran indicate that listed firms on the Tehran Stock Exchange often face financial resource constraints (Setayesh et al., 2013; Rezaei et al., 2022). Accordingly, in this study, similar to the approach of Eghdami and Bani-Mehdi (2019), the cost leadership strategy is measured using the following equation:

Cost Leadership Strategy = Sales / Assets (6)

Previous studies indicate that firm-specific characteristics may influence a firm's accounting choices. Following Daske et al. (2008), Lang et al. (2010), and Cheng (2021), firm size (Size), growth opportunities (MTB), financial leverage (Lev), and stock return volatility (Volat) were included as control variables. Firm size (size) is measured as the natural logarithm of the firm's total sales at the end of the year. Growth opportunities (MTB) are measured by the market-to-book ratio of equity. Financial leverage (Lev) is defined as the ratio of total debt to total assets, while stock return volatility (Volat) is calculated as the standard deviation of monthly stock returns over the past 60 months. For data analysis, both descriptive statistics (including central tendency and dispersion measures) and inferential statistics were employed. Inferential analysis was conducted using a multivariate linear regression model based on panel data. To test the first and second hypotheses of the study, the following regression models were applied:

$$AC_{it} = \alpha_0 + \beta_1 PDS_{it} + \beta_2 Size_{it} + \beta_3 Lev_{it} + \beta_4 MTB_{it} + \beta_5 Volat_{it} + \varepsilon_{it} \quad (7)$$

$$AC_{it} = \alpha_0 + \beta_1 CLS_{it} + \beta_2 Size_{it} + \beta_3 Lev_{it} + \beta_4 MTB_{it} + \beta_5 Volat_{it} + \varepsilon_{it} \quad (8)$$

In the above model, AC represents the accounting comparability measure, CLS denotes the cost leadership strategy, and PDS indicates the product differentiation strategy. Size refers to firm size, MTB

represents growth opportunities, Lev denotes financial leverage, and Volat indicates stock return volatility.

## 4. Findings

Table 1 reports the descriptive statistics of the study variables for a sample of 142 firms over the period 2014–2022 (corresponding to 1393–1401 in the Iranian calendar). The accounting comparability measure (AC), which reflects the extent to which firms' performance can be compared with one another, has a mean value of 0.037 and a standard deviation of 0.005. These results indicate relatively low dispersion and suggest that firms exhibit a fairly homogeneous level of comparability. Such stability enhances the ability of analysts and investors to conduct cross-firm performance evaluations and make more informed investment decisions.

The cost leadership strategy (CLS) variable captures firms' emphasis on cost reduction and resource optimization. The mean value of 0.980 and the relatively high standard deviation of 0.940 reveal substantial variation across firms. This dispersion suggests that while some firms have been highly successful in implementing cost leadership strategies, others have achieved more limited outcomes, potentially reflecting differences in managerial capabilities and strategic orientations. From an accounting perspective, effective cost leadership can contribute to cost control and margin improvement, thereby enhancing overall financial performance.

Product differentiation reflects a firm's ability to offer unique and distinctive products in the market. The mean of 0.500 and the standard deviation of 0.290 indicate moderate variability, implying that some firms have successfully increased their competitive advantage and market share through differentiation strategies, whereas others have been less effective. From an accounting standpoint, product differentiation can generate additional value and enable firms to charge premium prices, positively affecting profitability.

Growth opportunities represent firms' potential for expansion and future development. This variable exhibits a mean of 10.470 and a notably high standard deviation of 74.151, indicating considerable heterogeneity among firms. The wide dispersion suggests that while certain firms have been successful in identifying and exploiting growth opportunities, others face substantial constraints. From an accounting perspective, the recognition of growth opportunities supports strategic planning and efficient resource allocation, ultimately contributing to firm value enhancement and investor attraction.

Stock return volatility measures fluctuations in firms' stock prices. The mean value of 0.068 and the standard deviation of 0.542 reflect significant variability, which may be driven by macroeconomic conditions, political factors, and firm-specific risks. From an accounting perspective, higher volatility signals increased investment risk and underscores the importance of effective risk management practices.

Firm size, which reflects firms' financial capacity and resource availability, has a mean of 13.842 and a standard deviation of 0.675. These statistics indicate noticeable variation in firm size across the sample. Larger firms typically benefit from greater access to resources and economies of scale, which may enhance operational efficiency and reduce unit costs.

Finally, financial leverage shows a mean value of 0.674 and a standard deviation of 0.136, suggesting differences in capital structure choices among firms. The negative skewness of this variable indicates an asymmetric distribution, with a higher concentration of firms exhibiting lower leverage levels. From an accounting perspective, while leverage can amplify returns on investment, it also increases exposure to financial risk and debt-related obligations.

The following section presents the results of the hypothesis tests. Table 2 reports the results related to the first hypothesis. Since the Chow test yielded a significance level below 5%, a panel data approach was employed. Moreover, the Hausman test also produced a significance level below 5% for this model, indicating that the fixed effects model is appropriate. The F-statistic reported in Table 2 for the full sample (23.224) confirms that the model is statistically

significant at the 95% confidence level. In addition, the Durbin–Watson statistic reported for all firms is 2.135, suggesting that serial correlation in the regression residuals can be rejected.

The adjusted $R^2$ value is 0.093, indicating that approximately 9% of the variation in accounting comparability is explained by the product differentiation strategy and the control variables included in the model. According to the results presented in Table 2, the first hypothesis of the study is supported. Specifically, there is a positive and statistically significant relationship between the product differentiation strategy and accounting comparability at the 95% confidence level.

Furthermore, firm size and stock return volatility also exhibit positive and statistically significant relationships with accounting comparability at the 95% confidence level. In other words, with 95% confidence, it can be concluded that firm size, stock return volatility, and product differentiation jointly explain variations in accounting comparability and can be utilized in the analysis and prediction of firms' financial reporting characteristics. These findings indicate that firms implementing product differentiation strategies tend to present their financial statements more comparably, thereby enhancing transparency and facilitating performance evaluation across firms.

**Table 1: Descriptive Statistics**

| Variable | Mean | Median | Minimum | Maximum | Std. Dev. | Skewness | Kurtosis |
|---|---|---|---|---|---|---|---|
| Comparability (AC) | 0.037 | 0.035 | 0.025 | 0.065 | 0.005 | 1.200 | 4.880 |
| Cost Leadership (CLS) | 0.980 | 0.804 | 0.002 | 18.500 | 0.940 | 8.590 | 130.700 |
| Product Differentiation (PDS) | 0.500 | 0.496 | 0.012 | 7.730 | 0.290 | 12.210 | 301.680 |
| Growth Opportunities (MTB) | 10.470 | 4.980 | -288.890 | 255.215 | 74.151 | 32.056 | 1093.067 |
| Stock Return Volatility (Volat) | 0.068 | 0.052 | 0.042 | 0.085 | 0.542 | 0.720 | 2.810 |
| Firm Size (Size) | 13.842 | 6.620 | 12.223 | 17.023 | 0.675 | 0.760 | 3.420 |
| Financial Leverage (Lev) | 0.674 | 0.561 | 0.153 | 1.965 | 0.136 | -0.320 | 2.330 |

**Table 2: Summary of Regression Coefficients for the H1**

| Variable | Coefficient | Std. Error | t-Statistic | Significance |
|---|---|---|---|---|
| Constant | 0.011 | 1.029 | 3.580 | 0.020 |
| Product Differentiation Strategy (PDS) | 0.971 | 0.202 | 3.194 | 0.002 |
| Firm Size (Size) | 0.615 | 0.280 | 2.081 | 0.029 |
| Stock Return Volatility (Volat) | 0.186 | 0.028 | 2.751 | 0.017 |
| Financial Leverage (Lev) | -0.110 | 0.029 | -0.035 | 0.721 |
| Growth Opportunities (MTB) | 0.142 | 0.097 | 1.450 | 0.145 |
| $R^2$ | Adjusted $R^2$ | Durbin-Watson | F-statistic | Significance (F) |
| 0.101 | 0.093 | 2.135 | 23.224 | 0.000 |
| Test | **Chow Test (F)** | | **Hausman Test (Chi-square)** | |
| | Statistic | Significance | Statistic | Significance |
| | 4.280 | 0.000 | 32.233 | 0.000 |

Table 3 presents the results of testing the second hypothesis. Since the Chow test yielded a significance level below 5% for this model, a panel data approach was employed. In addition, the Hausman test also produced a significance level below 5%, indicating that the fixed effects model is appropriate. The F-statistic reported in Table 3 for the full sample (21.142) confirms that the model is statistically significant at the 95% confidence level. Moreover, the Durbin–Watson statistic for all firms, reported as

2.623, suggests the absence of serial correlation in the regression residuals. The adjusted $R^2$ value of 0.413 indicates that approximately 41.3% of the variation in accounting comparability is explained by the cost leadership strategy and the control variables included in the model. Table 3 also reports the estimated regression coefficients along with their corresponding significance levels for testing the second hypothesis.

According to the results presented in Table 3, there is a positive and statistically significant relationship between the cost leadership strategy and accounting comparability at the 95% confidence level. In addition, the findings related to the control variables reveal that firm size and growth opportunities have significant relationships with accounting comparability. Based on these results, it can be concluded that the cost leadership strategy has a positive and significant effect on the comparability of financial statements. This finding implies that firms adopting a cost leadership strategy tend to present their financial information more comparably. Furthermore, the results demonstrate that control variables such as firm size and growth opportunities also exhibit positive and significant associations with accounting comparability. These findings provide useful insights for investors, financial analysts, managers, and other decision-makers in selecting effective strategies to enhance the comparability and analytical usefulness of financial statements.

The regression results also indicate that some control variables are not statistically significant, which may be attributable to several factors. First, financial leverage and stock return volatility, with coefficients of −0.789 and 0.576, respectively, do not show a significant impact on the dependent variable. This lack of significance may stem from the fact that these variables do not directly influence accounting comparability, or that their effects are mediated by other explanatory variables included in the model. Second, financial leverage may fail to exhibit a direct effect due to potential multicollinearity with other variables, such as cost leadership or product differentiation strategies, which could weaken the observable impact of leverage in the regression model. Third, stock return volatility is often affected by external and uncontrollable factors, including market-wide conditions and macroeconomic fluctuations, which may reduce its explanatory power in predicting accounting comparability.

**Table 3: Summary of Regression Coefficients for the H2**

| Variable | Coefficient | Std. Error | t-Statistic | Significance |
|---|---|---|---|---|
| Constant | 0.032 | 1.061 | 0.071 | 0.923 |
| Cost Leadership Strategy (CLS) | 0.213 | 0.094 | 2.295 | 0.025 |
| Firm Size (Size) | 0.185 | 0.017 | 2.751 | 0.017 |
| Growth Opportunities (MTB) | 0.971 | 0.202 | 3.194 | 0.002 |
| Financial Leverage (Lev) | -0.007 | 0.029 | -0.026 | 0.789 |
| Stock Return Volatility (Volat) | 0.049 | 0.088 | 0.558 | 0.576 |
| $R^2$ | Adjusted $R^2$ | Durbin-Watson | F-statistic | Significance (F) |
| 0.421 | 0.413 | 2.623 | 21.142 | 0.000 |
| **Test** | **Chow Test (F)** | | **Hausman Test (Chi-square)** | |
| | **Statistic** | **Significance** | **Statistic** | **Significance** |
| | 2.064 | 0.000 | 28.316 | 0.000 |

## 5. Results and Recommendations

The objective of this study is to examine the relationship between cost leadership and product differentiation strategies and the comparability of financial statements. Based on the results of testing the first hypothesis, it can be concluded that the product differentiation strategy is positively and significantly associated with financial statement comparability. This

finding implies that the adoption or intensification of product differentiation strategies enhances the degree of comparability in financial reporting. Prior empirical evidence also supports this relationship in practice (Cheng, 2021).

Furthermore, the results of testing the second hypothesis indicate a positive and significant relationship between the cost leadership strategy and financial statement comparability. This finding suggests that as firms increasingly rely on cost leadership strategies, the comparability of their financial statements improves accordingly, confirming a meaningful and positive association between the two variables.

Given that improvements in financial reporting quality enhance investors' awareness of firm operations, the role of comparability becomes increasingly critical in the decision-making process. Investors and creditors consistently seek to evaluate firms' financial and operational conditions and to benchmark them against competitors in order to make optimal decisions. In this context, comparability serves as one of the most effective informational attributes. Accordingly, investors demand higher levels of comparability, as enhanced comparability can increase firms' incentives to adopt effective and transparent strategies.

With respect to the cost leadership strategy, the emphasis on reducing unnecessary expenditures and efficiently allocating resources leads to process simplification and improved operational performance, which, in turn, enhances financial statement comparability. Regarding the product differentiation strategy, the focus on innovation and research, and development provides a structured basis for assessing similarities and differences among products and services, thereby making financial information more transparent and reinforcing comparability.

Based on these findings, it is recommended that investors consider corporate strategies as critical determinants of financial statement comparability. In addition, it is suggested that the Stock Exchange Organization and regulatory authorities establish disclosure requirements related to firms' internal operations and strategic orientations to further promote comparability. Such initiatives can significantly enhance comparability and improve the overall quality of financial information. Access to relevant, transparent, and comparable information enables investors and other stakeholders to make more effective and well-informed decisions. These practices not only benefit investors but also contribute to the stability and integrity of the capital market.

To further advance understanding in this area, future research may examine the effects of cost leadership and product differentiation strategies on firms' financial performance and explore their interaction with financial statement comparability.

In all firms, one of the key drivers of research effectiveness is the availability of timely, comprehensive, and accessible information. Such information is essential for enhancing the usefulness of financial statements in informed decision-making. However, limitations in data availability are often unavoidable. Accordingly, given the characteristics of the sample firms in this study, caution should be exercised when generalizing the results to all firms.

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