

The Importance of Digital Transformation Governance in the Success of Small companies

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Abstract

The study aimed to study the importance of digital transformation Governance in the success of small companies. The problem of the study was represented in small companies suffer from difficulties and problems that limit their performance and success in achieving their goals, such as on-time production, high costs, and the accuracy of the information, programs, and systems used, applied and the importance of the role of small companies. The study significant is Digital transformation has a great importance in improving the suitability of accounting information and its predictive ability in the future for small companies and the quality of preparing financial reports, which reflects positively on the performance of companies and their success in achieving profitability goals and advantage competitors. The study aims to Knowing the extent of compatibility of digital transformation governance and the application of accounting standards in the contemporary environment, the Impact of digital transformation governance on the quality of financial reports. and the impact of digital transformation governance on the application of accounting standards. The descriptive analytical approach was adopted to measure the importance of Digital Transformation Governance in the Success of Small companies through collecting primary and secondary data from the previous literature (previous research and studies). the study was carried out on the population of Alsaif Gallery company. A sample was randomly selected of (110)from the staff of the company . A questionnaire was designed and distributed to the study sample .The study verified the flowing hypotheses : There is no a statistically significant relationship between digital transformation governance and the application of accounting standards, there is no a statistically significant relationship between digital transformation governance and the success of management goals and there is no a statistically significant relationship between digital transformation governance and the quality of financial reports. The study concluded the flowing findings : there is a statistically significant effect between digital transformation governance and the application of accounting standards, and there is a statistically significant effect between digital transformation governance and the success of management objectives and the quality of financial reports, The study recommended that the compatibility between digital transformation governance and international accounting standards .Rehabilitation and training of individuals to achieve the greatest efficiency and effectiveness in performance.

Keywords: Digital Transformation, Governance, Small companies, Quality of financial reports.

1. Introduction

Digital transformation has a great importance in improving the suitability of information and predictive ability in the future for small companies and the quality of financial reports, which reflects positively on the companies' performance and success in achieving their goals.

The rapid and successive changes in the digital transformation governance and modern techniques have led to an increase in the interest of business organizations in technology, modern programs, and international accounting standards that help in preparing financial reports and the quality of accounting information in the contemporary business environment. This study aimed to determine the extent of compatibility of digital transformation governance with standards of Accounting and its impact on the quality of financial reports in the contemporary business environment.

Significant of the study:

Digital transformation has a great importance in improving the suitability of accounting information and its predictive ability in the future for small companies and the quality of preparing financial reports, which reflects positively on the performance of companies and their success in achieving profitability goals and advantage competitors. The importance of the study is:

- i. Digital transformation has a role in improving the relevance of accounting information and its predictive ability in small companies.
- ii. Digital transformation has a role in the quality of financial reports in small companies.
- iii. Digital Transformation has a role in the success of management goals in small companies.

Study Objectives:

The study aims to:

- a. Knowing the extent of compatibility of digital transformation governance and the application of accounting standards in the contemporary environment.
- b. The Impact of digital transformation governance on the quality of financial reports.
- c. The impact of digital transformation governance on the application of accounting standards.

Problem of the study:

Small companies suffer from difficulties and problems that limit their performance and success in achieving their goals, such as on-time production, high costs, and the accuracy of the information, programs, and systems used, applied and the importance of the role of small companies.

This study came to study the importance of digital transformation in improving accounting standards. And the success of small businesses.

Study Hypotheses:

The study hypotheses were the following:

- i. There is no a statistically significant relationship between digital transformation governance and the application of accounting standards.
- ii. There is no a statistically significant relationship between digital transformation governance and the success of management goals.
- iii. There no is a statistically significant relationship between digital transformation governance and the quality of financial reports.

Limitations of the Study:

Spatial limits: the study was limited to Alsaif Gallery company.

Time limits: 2023-2024

2. Study Methodology:

The study relied on the descriptive analytical method and the statistical method, where the questionnaires were analyzed using the SPSS program.

Study population and sample:

Study population: Alsaif Gallery company and it is branches in Aseer province .

Study tool: the study relied on a questionnaire, as a questionnaire was distributed to the study sample.

Previous Studies:

Study (karshan ,Khaleel mohammed 2013) The Effect of Using Information Technology to Increase the Efficiency of Modern Management Accounting Tools A Study Applied on the Jordanian Industrial Public Shareholding Companies.

The study aimed to find out the impact of using information technology in increasing the efficiency of modern management accounting tools. The study showed that Jordanian public shareholding industrial companies are applying information technology through the three axes addressed in the study, which are (accuracy of the information used, suitability of the programs used, and users' knowledge of systems and software).The study showed that Jordanian public shareholding industrial companies are applying modern management accounting tools through the four axes addressed in the study, namely (total quality management, on-time production, activity-based cost accounting, activity-based management). The study showed a statistically significant impact of the use of information technology with the elements of accuracy of the information used, the suitability of the programs used, and users' knowledge of the systems in increasing the efficiency of an accounting management tools, the study recommend Jordanian Industrial Public Shareholding Companies continue to apply Information Technology and Modern Management Accounting Tools.

Study by Alaa Mustafa Al-Asaad, 2013) Accounting standards and changes in the business environment Contemporary.

The study aimed to know the nature of environmental changes and the challenges facing organizations Business, definition of accounting standards, international standards for preparing reports, and the use of electronic accounting systems. The results of the study were that there is a severe deficiency in the use of technology and that the accounting system does not have the capabilities of transformation and development. There is also a gap between the reality of the accounting system and the requirements of international accounting standards, and the role of regulatory authorities must be activated. Internal and external aspects of government institutions by creating mechanisms that enhance their independence and promote moral values.

Study by Siraj Talaat Abdel Nabi Al-Wahidi (2017) The impact of the use of information technology on the efficiency of modern management accounting methods in industrial companies in the Gaza Strip.

The study aimed to Identify the impact of the use of information technology on the efficiency of modern management accounting methods in industrial companies. The study concluded that the use of information technology is related to increasing the efficiency of modern management accounting methods, and it was found that there is an effect of the use of information technology on the efficiency of each of the total quality management methods and the activity-based costing method.

Study (Othman Abdel Latif (2018), the use of information technology in accounting systems and its impact on the quality of financial reports – the case of Mostaganem Sahel Milkweed.

This study aimed to highlight the importance of using information technology in accounting systems and its impact on the quality of financial reports, as it has become necessary for institutions to modernize and develop their information systems, including the accounting system, to obtain quality information that can be translated In the form of financial reports that help its users in making the optimal decision, the study found that , the use of information technology facilitated accounting practice and helped provide Accurate information supports timely decision-making and improves the organization's financial performance.

Study by Sayed Mohamed Bourkayeb, Mohamed Abdel Maged (2020) The contribution of information technology to improving the quality of financial information: an analytical study.

The study aimed to demonstrate and clarify the positive role that information technology contributes With its various tools to improve the quality of financial and accounting information disclosed by a party Companies through research into the role of information technology in developing the accounting functions of Accounting measurement and disclosure on the one hand, and by clarifying the role of information technology in developing The auditing profession Is considered the second side of accounting information by expressing an opinion About its legitimacy and credibility. To achieve these goals, we relied on the descriptive approach through: Analysis of previous studies and specialized references on the subject.

The study's collection of results highlights the significant contribution of information technology tools to... Improving the process of producing accounting information through the measurement function using software Specializing in developing and improving the process of disclosing accounting information using a network.

The study also concluded that the auditing profession has a great opportunity for development It was by using information technology as a tool to carry out the audit process.

Study by Aladdin Ahmed Muhammad Ali and Amna Jibril Abu Nasib Musa (2021 AD) contribute Information Technology and its impact on the relevance of financial reporting information in government units.

The study aimed to know the impact of information technology on the relevance of information financial reporting government units, borrowed to study that there Is a statistically significant relationship between information technology and the suitability of financial reporting information. The study used the descriptive analytical approach. The study reached the following results that the unit's use of technology in completing its accounting transactions made information financial reports come at the right time. The financial reporting information in your unit has a high predictive ability for the future. The financial reporting information in your unit is characterized by ease, understanding, and free of complexity. The study recommended increasing interest in developing accounting procedures periodically in line with developments Technology,

Balancing confidence in accounting information and providing timely information.

Key words: Information technology – standards – quality of financial reports

Information technology and application of standards in the contemporary environment.

Alaa (2013) pointed out the importance of having standards, models, or general guidelines that lead to directing and rationalizing practical practice in accounting, auditing, or auditing in the contemporary environment. This is due to their credibility through their goals aimed at meeting the needs of internal and external parties that have a relationship with the institution and showing their importance in reconciliation.

Between the requirements of international investors and the needs of institutions in responding to international financial markets The growth of global trade and economic openness and the reasons for the emergence of accounting standards are due to Two main axes are:

1- The need to introduce and find a mechanism for developing the science of accounting itself.

The urgent need to unify accounting treatments and eliminate contradictions for the same phenomenon For a single company, such as violating the principle of consistency from one accounting cycle to another, and violating the principle Comparability of accounting data and addressing the problem of financial leasing: whether it is an asset or not Expenditure and evaluation of merchandise inventory at the end of the cycle due to the difference in evaluation methods that lead to Due to different profit estimates.

٢- There are significant differences in the form and content of the lists, even within one country

Significant differences have emerged in defining the concepts of financial statement items, the lack of Accounting language is accepted due to the difference in defining the concept of assets, expenses, and loss This led to different budgets, income statements, and data that could not be standardized

Making comparisons and making wrong decisions, the variation in accounting practices is divided into:

- Variation in revenue recognition
- Variation in charging expenses
- Variation in accounting terminology
- Variation in the foundations of accounting evaluation and measurement
- Variation in the principles of preparing and consolidating financial statements

Advantages of international accounting standards:

1- Entering the financial markets (international and Arab stock exchanges, such as benefiting from the American financial markets, especially (STREETWAL), and trading in the financial markets for joint-stock companies in the Gulf countries due to their reliance on accounting standards. And international auditing in preparing its financial reports

2- Improving the quality of information produced by the accounting system in accordance with international standards

And increasing the efficiency of management performance by accessing appropriate information for decision-making.

3- Establishing accounting standards that receive international acceptance and qualifying accountants who are able to Working in Arab markets

4-It allows the preparation of consolidated financial statements for multinational companies.

5-Income tax departments require the application of international accounting standards.

Changes in the contemporary business environment and the most Important challenges:

The Increasing use of information technology, especially computers and the Internet, requires A systematic effort on how to handle the financial operations of complex business organizations ,It is increasing In size and the most important challenges are information technology related to the accounting and auditing profession, which is rapidly changing due to the continuous progress in information technology, such as information technology, privatization, global trade, scarcity of economic resources, trade liberalization and transformation.

To market economic systems, freedom of information, knowledge management, security and censorship, and others.

The impact of information technology on the accounting and auditing profession:

Alaa (2013) indicated that the impact of technology on the accounting and auditing profession is evident in the following:

- The lack of suitability of the accounting system for technology, as it is characterized by stagnation and lack of flexibility for operations
- Automation.
- Information technology has contributed to the accuracy of information and speed of performance, which has had a positive impact on the quality of financial reports.
- Information technology and its applications have led to efficiency in the use of management accounting methods Make decision.
- The application of information technology and accounting standards has contributed to reducing reporting problems Finance, such as disclosure, transparency, prudence and caution, is a discrepancy between the reality of the accounting system applied in the institution and the requirements of international accounting standards, represented by the lack of disclosure in financial reports and some changes in preparing those reports.
- A lack of competencies and expertise trained to use technology in preparing financial reports. The researchers believe it is necessary to pay attention to compatibility between information technology and standards. Accounting and developing accounting standards to suit the needs of the contemporary environment, in addition to paying attention to training employees on the technology used in preparing financial reports.

3. Data analysis and Results:

The following table shows the relative frequency distribution of the sample by age:

Table (1): distribution of sample according to age

Age	Duplicates	Ratio
Less than 30 years	10	10%
30 and less than 35	20	20%
35 and less than 40	70	70%
Total	100	100%

Source: Prepared by the researcher based on field study data (2024)

It is clear from Table No. (1) that most of the sample members are over 70% in age, while those in the active and productive age groups in the field of work (30) and less than (35) amounted to 20.0%, and the percentage of those between the ages of (35) years and less than 40 years) amounted to (70%) of the sample members.

The analysis clearly indicates the low rates of modern employment in audit departments. The following table shows the relative frequency distribution of the sample according to the academic qualification Table

Table (2): relative frequency distribution of the sample according to qualification

Academic qualification	Duplicates	Raio
Bachelor's	53	53%
Higher diploma	16	16%
Master's	13	13%
Ph.D.	3	3%
Other	15	15%
Total	100	100%

Source: Prepared by the researcher based on field study data (2024)

Table No. (2) shows the distribution of the study sample members according to the academic qualification. It is clear that (53.0%) of the total study sample members have an academic qualification of (Bachelor's), while it was found that (16.0%) of the total study sample members have an academic qualification of (Higher Diploma), while it was found that (13.0%) of the total study sample members have an academic qualification of (Master's), and it was also found that (3.0%) of the total study sample members have an academic qualification of (PhD), and finally it was found that (15) of the total study sample members have an academic specialization of (Other). This indicates that most of the sample members have an educational level of High and suitable for answering the questionnaire. 3. The following table shows the relative frequency distribution of the sample according to professional qualification.

Table (3): relative frequency distribution of the sample according to professional qualification

Professional qualifications	Duplicates	Ratio
Iraqi fellowship	5	4.5%
Arab fellowship	4	3.6%
British fellowship	2	1.8%
American fellowship	2	1.8%
Other	97	88.2%
Total	110	100%

Source: prepared by researcher from field study data (2024)

Table (3) indicates that (4.5%) of the sample respondents have an Iraqi fellowship, while (3.6%) of the sample respondents have an Arab fellowship, and (1.8%) of the sample respondents have a British one, and (1.8%) of the sample respondents have an American one, and finally another (88.2%) have other professional certificates, which indicates that the sample individuals lack professional qualification in the fields of accounting.

The following table shows the relative frequency distribution of the sample according to job title

Table (4): relative frequency distribution of the sample according to job title

Profession	Duplicates	Ratio
Accountant	35	33.3%
Branch manager	20	19.1%
Branch supervisor	20	19.1%
External auditor	10	9.5%
Enteral auditor	8	7.6%
Head of department	4	3.8%
Other	13	12.4%
Total	105	100%

Source: Prepared by the researchers from field survey data (2024)

Table No. (4) shows the distribution of the study sample members according to their specialization. The functional (accountant) percentage is (33.3%) of the total study sample, while it was found That (19.1%) of the total study sample members had a job specialization of (branch manager), and it was also found that (19.1%) of the total study sample members had a job specialization of (branch supervisor), as it was found That (9.5%) of the total study sample members have a job specialization of (external auditor), as It was found that (7.6%) of the total sample members of the study had a job specialization of (internal auditor), as It was found that (3.8%) of the total study sample members had a job specialization of (department head), and finally It was found that (12.4%) of the total study sample members had a job specialization of (other). This indicates that however, most of the sample members have another job specialization.

The following table shows relative frequency distribution of the sample according to scientific specialization.

Table (5): relative frequency distribution of the sample according to scientific specialization

Scientific specialization	Duplicates	Ratio
Accounting	82	74.6%
Economy	5	4.5%
Business management	4	3.6%
Other	19	17.3%
Total	110	100%

Source: Prepared by the researcher from field study data (2024)

Table (5) indicates that (74.6%) of the sample respondents are majoring in accounting, followed by (17.3%) in other majors, while (3.6%) are majoring in business administration, and finally (4.5%) are majoring in economic sciences.

The following table shows the relative frequency distribution of the sample according to years of experience

Table (6): relative frequency distribution of the sample according to years of experience

Duration of dealing with the bank	Duplicates	Ratio
5 years	22	22%
5 and less than 10years	18	18%
10 and less than 15 years	31	31%
15 and less than 20 years	29	29%
More than 20 years	0.0	0.0%
Total	100	100%

Source: Prepared by the researcher from field survey data (2024)

Table No. (6) shows the distribution of study sample members according to the variable of years of experience. It is clear that (22.0%) of the total study sample members have less than (5) years of experience, while it was found that (18.0%) of the total study sample members have (5) and less than 10 years of experience, while it was found that (31.0%) of the total study sample members have (10) and less than 15 years of experience, and finally it was found that (29.0%)

of the total study sample members have (15) years or more of experience). Which indicates their experience is appropriate to answer the research.

Field study:

Second: analysis questionnaire axes data:

Table (7): first hypothesis: no statistically significant relationship between digital transformation governance and the application of accounting standards.

Phase	I strongly agree	I agree	Neutral	Don't agree	Don't agree strongly	The arithmetical mean	General direction
digital transformation governance helps achieve greater efficiency and effectiveness.	22%	37%	16%	24%	1%	3.55	Agree
Mismatch between digital transformation governance and accounting standards due to Individuals' inadequacy and lack of qualification to keep up with the systems	37%	39%	12%	12%	-	4.01	Agree
digital transformation governance mismatch with international accounting standards when revenue is recognized and documented	41%	43%	10%	6%	-	4.19	Agree
Mismatch between digital transformation governance and accounting standards due to Lack of adequate legislation for electronic systems and understanding How to use it	38%	39%	14%	8%	1%	4.05	Agree
digital transformation governance and accounting standards are aligned due to Inability to identify controls and risks for applications	44%	32%	9%	14%	1%	4.04%	Agree

Source: prepared by the researcher from field survey data (2024)

From Table No. (7) above, we note the sample members' agreement with the axis's statements, as the statement "the incompatibility of business technology with international accounting standards when recognizing revenue and documentation" came with an arithmetic mean of (4.19) and the degree of agreement "agree" came in first place. The statement "business technology helps in achieving greater efficiency and effectiveness" came with an arithmetic mean of (4.19) and the degree of agreement "agree" came in first place. (3.55) and the degree of agreement is Agree. In the last rank.

Table (8): second hypothesis: No a statistically significant relationship between digital transformation governance and the success of management goals.

Phase	I strongly agree	I agree	Neutral	Don't agree	Don't agree strongly	The arithmetical mean	General direction
digital transformation governance contributes to providing management with the necessary accounting information in a timely manner.	43%	48%	5%	4%	-	4.30	Strongly agree
Digital transformation governance contributes to providing management with accounting information about the alternatives available to management.	37%	53%	9%	1%	-	4.26	Strongly agree
digital transformation governance contributes to providing management with the necessary information for investigation, control and evaluation of activities.	39%	50%	7%	3%	1%	4.23	Strongly agree

digital transformation governance helps in providing accurate information.	39%	50%	10%	1%	-	4.27	Strongly agree
Speed in data processing and making sound decisions and achieve the management objectives	50%	44%	6%	-	-	4.44	Strongly agree
The use of digital transformation governance contributes to the accuracy of information. Users' familiarity with the systems 13and increased efficiency of management accounting tools are used and appropriate software is used	41%	44%	13%	2%		4.24	Strongly agree

Source: prepared by the researcher from field survey data (2024)

From Table No. (8) above, we note the sample members' agreement with the axis' statements, as the statement "Information technology helps in providing accurate information, speed in data processing, making sound decisions, and achieving management objectives" came with an arithmetic mean of (4.44) and a degree of "strongly agree" in first place. The statement "Information technology contributes to providing management with the necessary information to achieve control and evaluate activities" came with an arithmetic mean of (4.23). Strongly agree is ranked last.

Table (9): third hypothesis: no statistically significant relationship between digital transformation governance and the quality of financial reports.

Phase	I strongly agree	I agree	Neutral	Don't agree	Don't agree strongly	The arithmetical mean	General directions
Extract information and description quickly and accurately from databases, which Contributes to the quality of financial reporting	25%	63%	-	4%	-	4.09	Agree
Extract quantitative information accurately and quickly from databases, which Contributes to the quality of financial reporting	32%	53%	-	5%	-	4.12	Agree
digital transformation governance has led to the flexibility of the accounting information system and the quality of financial reports.	32%	54%	-	2%	-	4.16	Agree
digital transformation governance has led to the development and modernization of the accounting information system, Quality of financial reports	36%	55%	-	3%	-	4.24	Strongly agree

Source: prepared by the researcher from field survey data (2024)

From Table No. (9) above, we note the sample members' agreement with the axis statements, as the statement "Information technology has led to the development and modernization of the accounting information system and the quality of financial reports" came with an arithmetic mean of (4.24) and a degree of strongly agree. In first place, and the statement "Extracting information and description quickly and accurately from databases, which contributes to the quality of financial reports" came with an arithmetic mean of (4.09) and a degree of strongly agree. In the last place.

4. Findings and recommendations:

Firstly: Findings

The researchers came up with the following findings:

1. Incompatibility of digital transformation governance and international accounting standards when recognizing revenue and Documentation.
2. digital transformation governance and accounting standards are not compatible due to lack of legislation, Sufficient knowledge of electronic systems and understanding of how to use them.
3. Mismatch between business technology and accounting standards due to personnel shortcomings and lack of Qualifying them to keep up with the systems
5. digital transformation governance contributes to providing management with the necessary accounting information in the right time.
6. digital transformation governance contributes to providing management with accounting information about the alternatives available to management.
7. digital transformation governance contributes to providing management with the information necessary to achieve control and evaluate the activities.
8. digital transformation governance has led to the development and modernization of the accounting information system and the quality of financial reports.
9. digital transformation governance has led to the flexibility of the accounting information system and the quality of reports finance.
10. The e-commerce environment has an impact on accounting information systems in particular
11. The existence of a unified international accounting standard contributes to the adoption of a conceptual framework and basis for electronic accounting information systems.
12. digital transformation governance has an impact on accounting and the quality of accounting information.

Secondly: recommendations:

1. Al saif Gallery Company must work to ensure that business technology and standards are compatible. International accounting for revenue recognition and documentation.
- 2-Lack of adequate legislation for electronic systems and understanding of how to use them.
3. The responsible authorities must work to qualify and train individuals to achieve the greatest efficiency and effectiveness in performance.
- 4-digital transformation governance should be given attention because it helps management process data and make sound decisions.

5. The competent authorities should pay attention to digital transformation governance, developing the accounting information system, and the quality of financial reports.
6. Company management should pay attention to digital transformation governance and contribute to its impact on accounting and quality of accounting information.
7. The company's management must find a unified international accounting standard because it contributes to adopting a conceptual framework and basis for electronic accounting information systems

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