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INVESTIGATING THE IMPACT OF MARKET PRODUCT COMPETITION AND FINANCIAL FLEXIBILITY ON THE OPPORTUNISTIC STRATEGY OF COMPANIES

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ABSTRACT

The purpose of this study is to investigate the effect of market product competition and financial flexibility on the opportunistic strategy of companies listed on the Tehran Stock Exchange. This study is applied regarding purpose and descriptive-correlational regarding nature and method. The statistical population of the study included all the companies listed on the stock exchange in the 5 years from 2017 to 2021. They were selected through systematic elimination sampling. A total of 105 companies were studied. Regression analysis was used to analyze the research data. Data were analyzed using Excel and Eviews software. The results revealed that market product competition does not significantly affect the opportunistic strategy of companies. The results also revealed that financial flexibility does not significantly affect the opportunistic strategy of companies. The results showed that market product competition does not significantly affect the relationship between financial flexibility and opportunistic strategy.

Keywords: Product market competition, Financial flexibility, Opportunistic strategy, Tehran Stock Exchange.

INTRODUCTION

Based on strategic management studies, the factors affecting the company's strategy (Bulu et al., 2013) can be divided into internal and external factors. Tiss et al. (1997) have reported the effect of two internal factors of the life cycle (maturity) and company flexibility on business strategy. Less mature companies are often more flexible and less complicated. However, they operate under significant resource constraints such that they struggle to gain market presence, gain legitimacy from stakeholders (Pourheidari, 2013). These companies mostly accumulate significant debt and try to attract more customers by offering a relatively limited range of goods and services with superior quality and more reasonable prices than competitors. Financial flexibility enables the business unit to make good use of unexpected investment opportunities and when the cash flows from operations (due to an unexpected decrease in demand) and are at a low and possibly negative level, they continue to live.

A company can use flexibility to replace other assets and resources in various and crucial areas based on special conditions (Habibi Komijani, 2011). Flexibility provides a useful capability to respond to market changes quickly and more effectively. It also increases the range of options regarding strategies and operations. Thus, flexibility enables the company to change its structure, invest in risky projects, and discover opportunities and additional capabilities of the

market. Organizations and businesses operate in a broad external environment (including factors affecting the performance of the organization but are not under control). Industry competition and market fluctuations are among the external factors arising from groups or stakeholders that are directly related to the organization and affect the organization. Industry competition can be defined as many choices for customers offered by a large number of companies (Kohli and Jaworski, 1990). More flexible companies fight for market position and legitimacy. Acceptance is more difficult in industries with more competition. Thus, they need a business strategy according to competitive pressures, rather than a secure position in stable service or product areas to find and maintain it. However, inflexible companies in highly competitive industries must maintain their innovations to dispel competitive threats. Mature companies mostly face more threats due to their tenure (Hassas Yeganeh, 2018) and have to create strong barriers to entry, such as the appearance of competitive threats around them (Khodami Pour, et al. 2013). Fewer companies are fighting for scarce market resources in less competitive industries. Companies are under pressure to create value not only from shareholders but also from other stakeholders. Small companies should strive to compete effectively with large companies. Regarding business strategy, younger companies try to find and maintain a secure position in stable service or product fields.

The high fluctuations in the market intensify the limited resources, obligations related to debts, and concerns related to legitimacy that younger companies face (Dastgir, 2017). Also, mature companies may face innovation problems caused by stagnation and competitive pressure under high market fluctuations. In such situations, the dynamic demands of customers to provide innovative products (Diant Pei, et al., 2012) put more pressure on mature companies, forcing them to select appropriate business strategies. Thus, companies tend to move and operate as far as necessary under high market fluctuations, so the selected business strategy enables them to better meet current needs and invest in existing competencies. Thus, it is expected that the competitiveness and flexibility of the company will affect the business strategy differently in many fields of the industry (Matoofi, 2017; Mehrani, et al., 2013).

The market and its developments are the most crucial challenges facing organizations and two very significant factors (i.e. customers and competitors) are placed in this environment. Customers are challenging factors for the organization due to the continuous change of their taste and demand, and due to their undeniable effects on the company's share of the market demand. The first effective action in such a market is to know its characteristics. After the necessary investigation and analysis, it is time to analyze the strengths and weaknesses of the organization. Using these analyses, appropriate goals and strategies can be used to improve the performance and effectiveness of the organization's operations. The results of this study can be useful for the legislators of the companies listed on the Tehran Stock Exchange that are trying to make the environment of the companies more competitive. Given what was stated, this study investigates the effect of market product competition and financial flexibility on the opportunistic strategy of companies.



Theoretical foundations of research

Tax planning

Researchers have considered several criteria to measure tax planning and more widely to examine the tax efficiency of the company. The effective tax rate is one of the tax efficiency measurement criteria used in this study. The effective tax rate is a single rate based on which tax is collected from the taxable activity. It is the rate that the company ultimately incurs and is different from the tax rate determined by the government since all the income earned by the company is not subject to tax, or some expenses incurred in the company are not acceptable expenses from the tax point of view. Determining the effective tax rate is one of the most significant issues discussed in the field of taxation. The effective tax rate can be used as a tool to direct capital, and the investor's behavior can be directed in line with the government's macro policies by reducing or increasing it (Love and Shafiei, 2007). There are different opinions about how to calculate the effective tax rate. This is because different figures can be used in the numerator and denominator of the fraction.

The figure used in the case of the deduction is mostly the declared tax cost without any adjustments. However, in the countries where the deferred tax expense appears in the financial statements, the deduction statement is adjusted due to the deferred tax expense. Researchers have used various figures including company sales, operating profit, net profit before tax, operating cash flow, and taxable income in the denominator. Lynch (2015) argues that using taxable income in the denominator will neutralize the effects of tax exemptions. Thus, it is not a suitable criterion. In the present study, according to Nuga et al. (2013), the 5-year standard deviation of the ratio of profit before tax and cash paid for tax has been used as the effective tax rate. There are several definitions of tax efficiency in the accounting literature. Hanlon and Heitzman (2009) defined tax planning as "activities in which managers reduce their taxes within the framework of laws and regulations" based on the assumption of no agency conflict. They argue that these types of reductions will save taxes, increase value, and ultimately benefit the shareholders. In the opposite viewpoint, in the framework of conflict of agency, Pasternak and Rico (2008) stated that tax planning is a type of tax shelter, and in contrast to the previous view, they believe that tax efficiency creates an unclear environment that allows the managers to manage their self-interest profit.

Competition in the market

Market product competition is defined as the company's economic capability to maintain its share in international markets or increase its share in the market. The market share (sales value of the company) includes the market position of the company and the relative size of the company. In other words, the company's sales amount can reflect the company's influence in the market, which can indirectly indicate the company's reputation, recognition, distribution capabilities, or even the real quality of the company. The competitiveness of the product market means that different companies have close competition in the production and sale of goods, and their goods do not have much superiority over others (Khodami Pour and Bazraei, 2013). Market product competition is a mechanism required for the optimal specialization of resources many companies in the same industry compete to attract these scarce resources in the capital market (Laksmana & Yang, 2014). Generally, market product competition acts as a strategic mechanism



and increases the motivation of managers to reduce production costs, avoid giving up market share to competitors, and avoid bankruptcy risk. Market product competition affects management incentives to improve product innovation and productivity. It also promotes performance growth by stimulating innovation and improving productivity (Chen, Li, Mari, 2014). A common belief is that competition reduces unnecessary costs in the company. Nichel (2006) indicated that some empirical evidence supports this belief. According to the analysis of Canadian companies, it was concluded that growth in productivity factors is positively associated with the level of competition (Benti et al., 2016). Market product competition positively affects total production efficiency (Girifit, 2012). Alen and Gal (2012) indicated that product market competition is used in selecting the best management team and eliminating companies with bad management. They assumed that there are successful companies that control a large part of the product market and that it is difficult to revive losing companies in competition. Thus, competition is similar to control (Khodami Pour et al., 2013).

Market competition and tax planning

Past studies in the field of effective tax rates emphasized on the effective mechanisms inside the company including financial leverage, institutional ownership, and company size. However, they did not pay attention to product market competition, which is a significant type of external influential mechanism. Tax efficient activities were considered in past studies to be completely related to the internal conditions of the company and the policies of the company and the environment in which the company operates was not considered. Thus, in this study, product market competition as an extra-organizational factor affects the motivations of companies for tax activities. Product market competitiveness means that different companies have close competition in the production and sale of goods, and their goods do not have much superiority over others, otherwise, the market would have been tends toward monopoly or multilateral monopoly.

In other words, competitiveness means that the company can adopt a production method that produces better quality goods or offers its manufactured goods at a lower price than other competitors and thus dominates the sales market. Thus, the product market competitiveness is suggested in the opposite direction of the monopoly of the product market. A company that can produce better quality products or offer products at lower prices through the optimization of production methods has reached a situation close to monopoly. Based on the results of previous studies, there are two views on the effect of the company's competitive status on the tax efficiency index. The first view states that if the company can produce a cheaper product with better quality and special features and has reached conditions close to a monopoly, the will have more tax planning activities. Companies with such capability can reach a higher and more durable accrual income to maintain their position in the product market (Irwin and Pontiff, 2009 Habib, 2017). Therefore, they can engage in more daring activities with less fear of losing their market share. Thus, companies in such a situation will take more daring actions (Salehi and Miller, 2018).

Previous studies have reported two reasons why greater product market power can increase tax planning activities. First, product market power leads to greater profitability, which can be invested in gaining planning knowledge from paying taxes. Second, product market power leads



to keeping the company safe from negative cash flow shocks by transferring these shocks to consumers by increasing product prices (Singela et al., 2019). Thus, the product market power provides a natural economic environment of more resources and safety from negative cash shocks. Hence, such companies can operate with less concern about the negative consequences that unsuccessful tax planning may bring to them and engage in tax evasion activities. However, such an unsuccessful experience for a company that operates in a competitive market and the resulting shock can have irreparable consequences for the company. The second view states that when less competition there is between companies or the company is in a monopoly situation, it will be less engaged in tax payment planning activities (as a form of tax efficiency) or vice versa.

Research background

Khodami Pour et al. (2022) examined the relationship between risk, financial flexibility, and the role of product market competition in Tehran Stock Exchange companies. The results of testing the research hypothesis revealed that product market risk and competition are positively associated with financial flexibility, and product market competition does not affect the relationship between risk and financial flexibility. Khodadadi et al. (2022) examined the relationship between investors' emotional tendencies, market product competition, and the company's commercial credit among the companies listed on the Tehran Stock Exchange. The results testing the hypothesis at the expected error level revealed a significant relationship between the emotional tendencies of investors and the company's commercial credit. Product market competition does not moderate the relationship between investors' emotional tendencies and the business credibility of the company.

Mohammadi et al. (2021) examined the effect of market product competition using the Herfindahl-Hirschman index on the efficiency of investment in human resources in companies listed on the Tehran Stock Exchange. The results revealed that there is an inverse and significant relationship between market product competition using the Herfindahl-Hirschman index and the efficiency of investment in human resources. Mehrani et al. (2013) examined the effect of market product competition and life cycle on the business strategy of companies with an emphasis on new companies. In this regard, the data of 115 sample companies listed on the stock exchange from 2012 to 2018 were collected and the hypothesis model was tested using linear regression. The criterion for measuring the business strategy was Eitner and Lerker's model (1997) and the criterion for measuring the market product competition was Herfindahl-Hirschman's index, and the basis for separating companies into life cycle stages was Anthony and Ramesh's (1992) model. The results revealed that the product market competition significantly affects the business strategy and the companies active in the industries with high competition are more interested in the defensive business strategy.

Additionally, the life cycle of the company significantly affects the business strategy, and the companies in the growth stage have a higher tendency to invasive business strategy than the companies in the maturity and decline stages. The intensity of market product competition reduces the tendency of companies in the growth stage to use an invasive business strategy. Finally, new companies have a higher tendency to opportunistic strategy and older companies have a higher tendency to analytical strategy. Zhang (2016) evaluated the effect of competition and financial flexibility on business strategy. The statistical sample of the mentioned study was



1309 observations, companies, and years. The time domain of the study was between 2012 and 2018. The dependent variable was business strategy and the independent variable was financial flexibility.

In the mentioned study, the moderating effect of market product competition was investigated. The hypothesis test model based on multiple linear regression revealed that financial flexibility reduces the defensive and invasive strategy and intensifies the analytical and opportunistic strategy. Also, market product competition has a significant moderating effect on these relationships in different business strategies. Hajar (2015) examined the effect of business strategy on innovation and company performance. Hajar concluded that companies that have an invasive business strategy have more innovation and financial performance. Also, companies that have a higher level of innovation have a higher financial performance.

Josephson (2014) investigated the financial outcomes of business strategies. Based on the theory of dynamic capabilities, he examined how the internal factors of the company and the factors related to the industry affect the business strategy (exploitation-dominant vs. exploration-dominant). Moreover, the study examined the effect of business strategy on the company's financial achievements, namely risk and return. The results of the study indicate that the maturity and flexibility of the company are the primary determining factors of the business strategy and the market turmoil and industry competition moderate these effects. Business strategy also significantly affects the company's risk and return.

MATERIALS AND METHODS

This study is applied regarding purpose and descriptive-correlational regarding nature and method. The statistical method for data analysis is affected by the research method. Since the present study method is based on correlational studies, regression analysis was used to analyze the research data. Data analysis was also performed using Excel and Eviews software. The statistical population of the present study included all the companies listed on the Tehran Stock Exchange. In this study, a screening method was used to select the sample. Accordingly, all the companies were first selected from 2017 to 2021.

Table 1. Restrictions applied to companies

The number of companies listed on the Tehran Stock Exchange until the end of 2021	586
The number of companies that have not been listed on the Tehran Stock Exchange from 2016 to 2021	124
The number of companies whose financial year does not end on the lay day of a given year and whose financial year has not been changed	95
The number of companies for which the information needed to calculate the operational variables of the research is not available	45
The number of companies that have a trading suspension of more than six months	89
Investment companies, banks, and insurance companies	128
Total	481

Number of companies whose data were collected (final sample)

105

As shown, after excluding the unqualified companies, the sample number will be 105 companies.

Regression models and research variables

Financial flexibility

The independent variable of this study is financial flexibility, which is calculated using the model of Frankel and Goyal (2009) as follows.

$$LEV_{it} = \beta_0 LEV_{it-1} + \beta_1 lndLEV_{it} + \beta_2 M/B_{it} + \beta_3 size_{it} + \beta_4 Tan_{it} + \beta_5 Profitability_{it} + \beta_6 Inflation_{it} + \varepsilon_{it}$$

In this model, LEV_{it} is the ratio of total liabilities to assets in the current year, LEV_{it-1} is the ratio of total liabilities to assets in the previous year, $lndLEV_{it}$ is the mean leverage of the industry in sample companies, M/B_{it} is market to book value, $size_{it}$ is the company size, Tan_{it} is the ratio of tangible assets to total assets, $Profitability_{it}$ is profit before interest and tax to total assets, and $Inflation_{it}$ is the inflation ratio in the study year. The residuals of the model represent the degree of flexibility of the company. The more it is, the more flexibility it will have.

Market product competition

In this study, market product competition is the mediating variable. The Herfindahl-Hirschman index has been mostly used in several studies to evaluate monopoly and its opposite point, industry competition. The Herfindahl-Hirschman index (HHI) is the sum of the squared market shares of all companies operating in the industry. Following the study by Wang (2019), we have also used this index.

Herfindahl-Harishman index (HHI) is a measure of industrial concentration. It is calculated using the following Equation:

$$HHI_{ijt} = \sum_{i=1}^n S_{ijt}^2$$

In this formula, S_{ijt} is the market share of company i in the industry j in the year t . The Herfindahl index is calculated based on the sum of the squared market shares of companies. The market share is calculated based on the sales of the company compared to the sales of the industry. In the above equation, i represents a company from the set of companies within the industry and n represents the number of companies in a specific industry. The larger value of this index, which will be between 0 and 1, will indicate that the industry is more concentrated.

Business strategy

In this study, the dependent variable is opportunistic business strategies. The business strategy is calculated according to the study by Wahab and Rezaei (2020). Accordingly, the combined scoring model of Itner and Lankers (1997) is used to determine the company's business strategy.



This model includes five financial ratios: sales to growth, advertising expenses to total sales, number of employees, market value to the book value of the company, and fixed assets to total assets. First, based on the above ratios, the companies are arranged in five groups from the highest to the lowest score. Accordingly, the companies in the highest score (first quartile) are assigned a score 5 and companies in the lowest score (fifth quartile) are assigned a score 1. Based on the above ratios, the total score of the companies will be a number between 5 and 25 (Itner and Lanker, 1997). The strategy of the company according to the above ratios is:

A score between 10 and 15: opportunistic strategy

Control variables

Financial leverage (LEV_{it}): It is the division of the total liabilities of company i by its assets in year t .

Age of the company (Age_{it}): it is the number of years the company has been listed on the Tehran Stock Exchange.

Company size ($size_{it}$): It is the natural logarithm of the total assets of company i in year t .

Cash holding ($Cashholding_{it}$) It is the ratio of cash to total assets in year t

The structure of the board of directors ($Board_{it}$) is the ratio of non-obligatory members to the total members of the board of directors.

Institutional ownership ($institutionalOwnership_{it}$), the percentage of ownership above 5% is calculated.

Table (2) shows the research variables:

Table 2. Measurement of research variables

Variable name	Symbol	The way of calculation	Source
Business strategy (dependent variable)	$BusinessStrategy_{it}$	It is calculated through a combined model including five financial ratios: sales growth ratio, advertising expenses to total sales, number of employees, market value to the book value of the company, and the ratio of fixed assets to total assets.	Profit and loss statement and balance sheet (Codal system)
Product market competition (independent variable)	$PMcompetition_{it}$	Herfindahl-Hirschman index=sum of squared market share of companies	Industry data
Financial flexibility	$Flexibility_{it}$	Frankel and Goyal's (2009) model is used to calculate financial flexibility as follows.	Profit and loss statement and balance

		LEV_{it} $= \beta_0 LEV_{it-1} + \beta_1 \ln dLEV_{it}$ $+ \beta_2 M/B_{it} + \beta_3 size_{it} + \beta_4 Tan_{it}$ $+ \beta_5 Profitability_{it}$ $+ \beta_6 Inflation_{it} + \varepsilon_{it}$	sheet (Codal system)
Financial Leverage	LEV_{it}	$\frac{\text{total liabilities}}{\text{total ssets}}$	Balance sheet
Company age	Age_{it}	It is the number of years that the company has been listed on in the Tehran Stock Exchange	Codal system
Company size	$SIZE_{it}$	$\log(\text{total assets of company})$	Balance sheet
Holding cash	$Cashholding_{it}$	It is the ratio of cash to total assets in year t	Balance sheet
The structure of the board of directors	$Board_{it}$	The ratio of non-board members to the total members of the board of directors.	Board activities report and financial statements
Institutional ownership	$institutionalOwnership_{it}$	It is the percentage of owners above 5% of the capital	Balance sheet



Mathematical model of research

To test the first research hypothesis, the research model is as follows:

$$\begin{aligned}
 & \text{analytical strategy}_{it} \\
 &= \beta_0 + \beta_1 PMcompetition_{it} + \beta_2 lev_{it} + \beta_3 CompanyAge_{it} + \beta_4 FirmSize_{it} \\
 &+ \beta_5 Cashholding_{it} + \beta_6 Board_{it} + \beta_7 institutionalOwnership_{it} + \varepsilon_{it}
 \end{aligned}$$

To test the second research hypothesis, the research model is as follows

$$\begin{aligned}
 & \text{offensive strategy}_{it} \\
 &= \beta_0 + \beta_1 Flexibility_{it} + \beta_2 lev_{it} + \beta_3 CompanyAge_{it} + \beta_4 FirmSize_{it} \\
 &+ \beta_5 Cashholding_{it} + \beta_6 Board_{it} + \beta_7 institutionalOwnership_{it} + \varepsilon_{it}
 \end{aligned}$$

To test the third research hypothesis, the research model is as follows

$$\begin{aligned}
 & \text{defensive strategy}_{it} \\
 &= \beta_0 + \beta_1 Flexibility_{it} + \beta_2 lev_{it} + \beta_3 CompanyAge_{it} + \beta_4 FirmSize_{it} \\
 &+ \beta_5 Cashholding_{it} + \beta_6 Board_{it} + \beta_7 institutionalOwnership_{it} + \varepsilon_{it}
 \end{aligned}$$

RESULTS AND DISCUSSION

Before testing the research hypotheses, descriptive and inferential statistics related to the secondary model are presented in Table (3). Some concepts of descriptive statistics of variables, including mean, median, minimum observations, maximum observations, and standard deviation are presented.

Table 3. Descriptive statistics of secondary model variables

Variable name	Mean	Median	Max	Min	SD	skewness	Kurtosis
55LEV	0.55	0.550	1.82	0.059	0.209	0.55	5.34
LEVT1	0.557	0.57	1.26	0.059	0.194	0.101	3.36
INDLEV	0.715	0.68	5.45	0.059	0.411	8.21	9.26
MB	10.35	7.21	78.5	-6.61	12.7	7.33	9.70
SIZE	14.83	14.58	20.76	11.36	1.52	1.04	4.81
TANG	0.94	0.99	1	0.167	0.125	-3.33	14.52
PROF	0.203	0.127	1.50	-0.55	0.273	1.854	7.43
INFLATION	151.8	41.2	410.05	9.6	164.34	0.520	1.44

Table 3 presents the results of the stationarity test. According to the Levin- Lin-Chu" test, which is one of the most significant tests to detect the normality or non-normality of models and is used for the structure of panel data for the normality of variables, all independent, dependent, and control variables are at the stationary level during the research period because the probability value of all variables was less than 5%. Stationarity means that the mean and variance of the research variables over time and the covariance of the variables have been constant between different years. As shown in Table (4), all variables are significant and there is no need for the collinearity test. Therefore, the problem of false regression will not exist in estimated coefficients. In false regression, the coefficients are significant.

Table 4. Results of the stationarity test of variables of the secondary model

Variable	Levin- Lin-Chu test		Results
	Statistics	Probability	
55LEV	-17.5	0.0000	Stationary
LEVT1	-10.7	0.0000	Stationary
INDLEV	-31.49	0.0000	Stationary
MB	-34.8	0.0000	Stationary
SIZE	-51.49	0.0000	Stationary
TANG	-12.8	0.0000	Stationary
PROF	-21.8	0.0000	Stationary

INFLATION	-120.52	0.0000	Stationary
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Table 5. results of secondary model estimation

Variable	Estimated coefficient	Statistic t	Probability
Constant	1.06	6.368	0.0000
LEVT1	0.416	10.30	0.000
INDLEV	0.001	0.206	0.836
MB	0.0004	1.93	0.0536
SIZE	-0.054	-4.88	0.000
TANG	0.067	2.78	0.005
PROF	-0.025	-1.64	0.101
INFLATION	0.000987	0.257	0.796
Coefficient of determination		0.69	
Adjusted coefficient of determination		0.64	
Durbin-Watson statistics		2.04	
F statistic		87.16	
Probability (F statistic)		0.0000	



Based on the results in Table (5), the probability f-value (or significance level) is equal to 0.0000, and since it is less than 0.05, the null hypothesis is rejected at the 95% confidence level. Hence, the model is significant. The results related to the coefficient of determination show that approximately 69% of the changes in the dependent variable are explained by the independent and control variables. The results of t-statistics show that all the variables in the model are significant at the 95% confidence level. Durbin-Watson's statistic is between 1.5 and 2.5, indicating a lack of autocorrelation in the error terms.

Table 6. Descriptive statistics of primary model variables

Variable name	Mean	Median	Max	Min	SD	Skewness	kurtosis
PC	0.162	0.05	1	0.0004	0.263	2.177	6.61
FEXABILITY	0.000000159	0.0002	0.655	-0.352	0.102	0.535	7.57
PC*FEXABILITY	0.0002	0.000939	0.655	-0.309	0.043	4.94	10.9

As shown in Table (6), the lowest dispersion is related to the variable of competition in the market and financial flexibility (PC*FEXABILITY) and is equal to 0.043. The highest skewness is related to market competition and financial flexibility (PC*FEXABILITY) and is 4.94.

Table 7. Results of the stationarity test of the primary model variables

Variable	Levin-Le- Chu		Results
	Statistic	Probability	
PC	-41.2	0.0000	Stationary
FEXABILITY	-4.95	0.0000	Stationary
PC*FEXABILITY	-22.1	0.0000	Stationary

Table 8. Results of model estimation for opportunistic strategy

Variable	Estimated coefficient	Statistic t	Probability
Constant	16.29	4.322	0.000
PC	0.034	0.514	0.607
FEXABILITY	0.018	0.629	0.529
PC*FEXABILITY	0.038	0.283	0.777
AGE	-0.014	-0.632	0.527
CASHHOLD	0.09	-1.05	0.294
BOARD	0.006	0.207	0.836
INSTITUTIONAL	-0.00787	0.292	0.77
AR(1)	0.994	173.28	0.000
Coefficient of determination		0.19	
Adjusted coefficient of determination		0.15	
Watson camera statistics		2.02	
F statistic		37.47	
Probability (F statistic)		0.0000	

The coefficient of the independent variable PC, indicating the effect of market product competition on the opportunistic strategy of companies, is 0.034 and the significance level of this variable is more than 0.05. Therefore, market product competition does not have a significant effect on the opportunistic strategy of companies. According to Table (8), the

coefficient of the independent variable FEXABILITY, indicating the effect of financial flexibility on the opportunistic strategies of companies, is 0.018 and the significance level of these variables is more than 0.05. Thus, the results show that financial flexibility does not significantly affect the opportunistic strategy of companies.

According to Table (8), the coefficient of the independent variable PC*FEXABILITY, indicating the effect of market product competition, significantly affects the relationship between financial flexibility and opportunistic strategy. Its effect is equal to 0.038 and the significance level of these variables is more than 0.05. Therefore, market product competition does significantly affect the relationship between financial flexibility and opportunistic strategy. Based on the results, the probability f-value (or significance level) is 0.0000 and this value is less than 0.05, so the null hypothesis is rejected at the 95% confidence level. This means that the model is significant. The results related to the coefficient of determination show that approximately 19% of the changes in the dependent variable are explained by the independent and control variables. The results of t-statistics show that all the variables in the model are significant at the 95% confidence level. Durbin-Watson's statistic is between 1.5 and 2.5, indicating a lack of autocorrelation in the error terms.

CONCLUSION

The purpose of this study is to investigate the effect of market product competition and financial flexibility on the opportunistic strategy of companies. Based on the studies conducted in strategic management, the factors affecting the company's strategy can be divided into two internal and external factors. Since flexibility plays a crucial role in enabling managers to use unexpected investment opportunities, in addition to capital market problems, it is essential to maintain financial flexibility for profitable opportunities. The use of appropriate financial flexibility is one of the effective internal factors in adapting the company's strategy. Also, accurate understanding and realization of external conditions such as industry and market structure, competition status, and competitors' performance can be key features in introducing prosperous strategies. In this regard, Wan (2004) believes that the intense competitive scene in which the current companies play a role requires information on competitive principles and advantages. They apply this information to ensure the company's flexibility after the external environment.

The market and its subsequent developments are the company's leading challenges. Two vital factors, customers and competitors, are involved in this regard. Frequent changes in the tastes and demands of customers and competitors for their inevitable effects on the company's share of market demand are two challenging factors for an organization. The strategy indicates how an organization can create value for customers while maintaining its differences with existing competitors (Hornigern et al., 2012) and by creating differentiation, creates a competitive advantage over other competitors (Nandakumar et al., 2011). The results revealed that the coefficient of the independent variable PC, indicating the effect of market product competition on the opportunistic strategy of companies, is 0.034 and the significance level of this variable is more than 0.05. Thus, market product competition does not significantly affect the opportunistic strategy of companies. The results of this hypothesis are consistent with the results of a study by Higgins et al. (2015). Companies operating in industries with a low degree of competition use



more opportunistic and analytical strategies, and market product competition contributes to the selected business strategy.

The coefficient of the independent variable of FLEXIBILITY, indicating the effect of financial flexibility on the opportunistic strategies of companies, is 0.018 and the significance level of these variables is more than 0.05. Therefore, the results show that financial flexibility does not significantly affect the opportunistic strategy of companies. These results are not consistent with those of a study by Girvand (2010). These results indicate that companies that have financial flexibility and have access to more financial resources and do not use these resources for more investment. Given the coefficient of the independent variable of PC*FLEXIBILITY, indicating the effect of market product competition, it significantly affects the relationship between financial flexibility and opportunistic strategy with a value of 0.038. The significance level of these variables is more than 0.05. Therefore, the results show that market product competition does not significantly affect the relationship between financial flexibility and opportunistic strategy. The results of this hypothesis are not consistent with the results of a study by Girvand (2010).

The results of their study revealed that companies with financial flexibility have a higher tendency to an invasive strategy. In other words, flexibility enables the company to change structure, invest in risky projects, and explore excess market opportunities and capabilities. Thus, companies with higher flexibility use an invasive strategy to gain new or greater market share. The results of a study by Edward (2015) indicate that when a company is more mature and has more financial flexibility its business strategy will be more defensive. Also, when the company's business strategy is more invasive, its return on assets will be higher and its specific risk will be lower. The results of the study also indicate that high market fluctuation and industry competitiveness do not have a strengthening effect on the relationship between company maturity and financial flexibility with the company's business strategy. Wahab and Rezaei (2021) showed that financial flexibility reduces the defensive and invasive strategy and intensifies the analytical and opportunistic strategy. Also, market product competition has a significant moderating impact on these relationships in different business strategies. Since the correct selection of appropriate strategies is a guarantee of great success in the market while maintaining companies and creating value for stakeholders, it is recommended that investors, creditors, and other users of financial information evaluate the performance of company managers in selecting the appropriate strategy and consider the issue of competition intensity along with other criteria. Financial analysts also should pay enough attention to these issues.

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