



ORIGINAL ARTICLE

Influential Factors Affecting Organizational Managers' Financial Decision-Making Process

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ABSTRACT

In organizations, there is a financial manager in charge of monitoring and analyzing financial reports, accounting and financial analysis of any kind. He also monitors designing cash management strategies and financial regulations. This study attempts to identify affective factors involved in managers' role in the financial decision-making process in organizations of Kurdistan province. This study was carried out from 2012 to 2013 using descriptive method. For data collection the number of 900 questionnaires was distributed among managers and financial sector employees of quasi-public organizations of Kurdistan province. In order to verify data normality and assess the correlation between variables, Aolmogrov- Asymrnof and Pearson correlation test were used respectively. Then, the data collected were analyzed using SPSS software. According to the research findings, three hypotheses confirmed and two were rejected out of the total of five hypotheses. This means that there is a significant relationship between financial management position in the organizational chart, management system type (centralized, decentralized), and management history with financial managers' role in the decision-making process.

Key words: financial managers, decision making, quasi-public organizations.

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INTRODUCTION

Decision making process plays such an important role in running organizations' affair that organization is defined as a decision-taking network and management as the act of decision taking by some authors. Because control of the organization affairs can not merely rely on individual's initiatives rather, decisions must be at least based on scientific studies, accurate and on time statistics, as well as certain principles and procedures. Among the managers who are always exposed to various decisions in line their obligations; one can refer to financial and operational managers. Also, the role of research on financial information which is highly affecting decision making process must be considered. Financial managers play a significant part in the process of preparing and consuming budget as well as preparing the data necessary for decision making. Considering financial management as a science, this knowledge can help resolve or decrease organizations' financial problems.

STATEMENT OF THE PROBLEM

Decision taking has always been an inevitable component of management in management theories and is also one of the major tasks of managers of any organization. Astoner assumes decision making as a process that can help us reach an appropriate solution for a given problem. Also, financial manager can actively play a noticeable role in the organizations' decision- making process.

For Simon, management refers to decision- making and he also believes that performance, success and failure of any organization are directly affected by decisions made by its managers. Given that managers' decisions are highly important in achieving organizational goals, some experts believe that organization is the same as decision, management and the act of decision taking. Therefore, this study tries to analyze the factors affecting financial managers' role for Kurdistan state organizations in decision making process using the survey method and questionnaire. Then, decent strategies are presented to make this role much more affective. Therefore, the current study attempts to provide appropriate answers to the questions below:

1. What is decision making process like in quasi public organizations?

2. What is financial managers' position in the decision making process within quasi-public organizations?
3. What are the factors affecting the role organizational managers in the financial process of decision taking?

Significance of the Study

Since state organizations largely don't face any problems regarding financial supply [income] and the required finance is granted in the form of dedicated budget, the optimal management of the budget which is the main task of financial managers of quasi public organizations enjoys an extraordinary importance. Since Iran's economy is primarily state- run, quasi state organizations and establishments play a noticeable role in its economy. Accordingly, the optimal financial management of organizations and companies is considered as one of the basic needs of these organizations. Financial managers can play a significant role in cash management and organization expense through the provision of timely and comprehensive information. Considering decision making importance across various sections of financial management, the current study attempts to analyze the factors affecting financial managers' decision making in public organizations so that it can provide an appropriate strategy to help it promoted.

Research purpose [scientific and functional objectives; research importance]

Overall Purpose

The current study's purpose is to specify the factors affecting managers' decision making process for Kurdistan quasi public organizations from 2011 to 2012.

Specific objectives are as follows:

- Determining financial management position in organizational chart on the financial managers' contribution in the decision making process.
- Determining the effect of management system [centralized, decentralized] on the financial managers' contribution in the decision- making process.
- Determining the effect of financial managers' educational level on their contribution to decision making process.
- Determining the effect of financial managers' management history on their contribution to the decision making process.
- Determining the effect of financial managers' sex on the decision making process.

Research hypotheses

1. There is a significant correlation between financial managers' position in organizational chart and managers' role in the financial decision making process.
2. There is a significant correlation between management system [centralized and decentralized] and managers' role in the decision making process.
3. There is a significant correlation between managers' educational level and their role in the decision making process.
4. There is a significant correlation between managers' executive history and their role in the decision making- process.
5. There is significant correlation between managers' sex and their role in the process of decision taking.

Review of the literature

GorganiNejad [1] conducted a study entitled "analysis of participatory management position in Bardsir managers' decision taking". Having selected a population of 363 people using random sampling, the survey method and questionnaire along with t test, the researcher has found the following result: partnership plays a key role in increasing efficiency, cost saving and waste reduce, increasing creativity, innovation, level of participation and caring about staff views [1].

Zahra Izadkhani [2] in her master's thesis entitled "analysis of influence of financial invoices on managers' decisions [case study: Fars Power Plant Managers] aimed at analyzing the impact of financial invoices on Fars Power Plant managers' decisions.

Lowler [3] in his own study entitled the influence of advertising system on taking an effective and sensible organizational decision drew this conclusion that organizational advertising system is highly significant in the process of decision making. For having information of an organization's operation and its analysis would result in effective decision taking.

Ralf Keini [4], American book award winner in the field of decision analysis, states that in the current complex era of rapid change and uncertainty, two sciences have gained key reputation: first, futureology which is meant to be the knowledge of destination and second, decision taking knowledge which deals with the sensitive entity of navigation and its due derivations.

Rezaian [5] in his own study held that incomplete recognition of problem would lead to in or less efficiency of other stages and finally the decision taken. Having chosen the wrong problem and objective; having organized and equipped all its forces accordingly, the given organization would realize the wrong

objective with all its might and would make two major errors of destructive efficacy and functionality, whereas indicators characterizing efficiency represent the appropriate efficiency.

Giti Shahshani [6] in her master’s thesis entitled “analysis of the participation heads and financial managers on management decisions in companies under the National Petrochemical Company of Iran” states that accountants play a highly noticeable role in the organization’s management since they both provide the system entries and interpret its outcomes.

Edward [7], in his own research, stated that most of the time supply shortage is a significant point in decision making though there is enough information around. When there is not enough supply for production and we face various competitive strategies, we are in fact facing the problem of assessing the supplies and then the process of decision making. Decision making is largely difficult since psychological factors such as fear, strength, stress and anxiety are involved.

METHODOLOGY

Given the purpose of the study, this is an applied research and with respect to method it is of descriptive survey type. It is descriptive since it provides a picture of the current situation and survey since data gathering happens through population sampling and field research. Considering the variables, there is a correlation among them and it is interval in terms of time.

Population:

The current population contain all financial managers and staff quasi-public organizations of Kurdistan from 2012-2013 among which 274 were chosen as the sample. According to the nature of the study’s problem and its population (the existing variance among organizations), stratified sampling was favorably used.

SPSS16 is used to analyze the data. Analysis took place at two levels: descriptive and inferential and measurement scale is Likert. Klumugr of Smirnov Z test is used to determine normality or abnormality of the data. Pearson correlation and regression analysis are used since the data are normal.

Hypothesis 1:

There is a high correlation between financial management position in the organizational chart and the role of managers on the process of financial decision- taking.

Table1: Pearson Correlation		
	Mean of management position (1:3)	Mean of decision making process (4:6)
Pearson Correlation	1	.462**
Mean of management position (1:3)	274	.000
Sig. (2-tailed)		274
N		
Pearson Correlation	.462**	1
Mean of Decision Taking (4:6)	.000	
Sig. (2-tailed)	274	274
N		

** . Correlation is significant at the 0.01 level (2-tailed)

Analyzing and covering the influence of financial management position on the role of managers in decision-making process have been reflected in the questionnaire through questions number 1, 2 and 3. Now, given the level of significance 0.000, H0 was rejected and H1 is approved and it more importantly represents the significant correlation between financial management position in the organizational chart and financial managers’ role in the process of decision taking.

Hypothesis2: there is a significant correlation between the system (centralized and decentralized) and managers’ role in the financial decision making process.

Table 2: Pearson Correlation		
	Mean of decision making process (4:6)	Mean of 4 and 6 questions
Pearson Correlation Mean of the decision making process (4:6)	1	.853**
Sig. (2-tailed)	274	.000
N		274

Pearson Correlation Mean of 4 & 6	.853** .000	1
Sig. (2-tailed)	274	274
N		

** . Correlation is significant at the 0.01 level (2-tailed).

The impact of the relationship between centralized and decentralized system on the managers’ role in the decision making process is measured by the questions number 4, 5, 6 in the questionnaire attached to the thesis appendix. Considering the significance level of 0.000, H0 is rejected and H1 is approved. This means that there is a significant correlation between the system (centralized-decentralized) and the managers’ role in the financial decision making process.

Hypothesis 3: there is a significant correlation between the managers’ educational level and their role in the decision making process. Questions number 7, 8, 9 in the questionnaire deal with the impact of managers’ educational level on their role in the decision making process. And, this hypothesis results show that considering the significance level of 0.002, H0 is approved and H1 is rejected. This, in turn, means that there is not a significant correlation between financial managers’ educational level and their role in the decision making process.

	Mean of decision making process (4:6)	Mean of education level (7:9)
Pearson correlation mean of decision making process (4:6)	1	.186**
Sig. (2_tailed)	274	.002
N		274
Mean od education level (7:9)	.186**	1
Sig. (2_tailed)	.002	
N	274	274

Hypothesis 4: there is a significant correlation between managers’ management history and their role in the process of decision-making.

	Mean of decision making process (4:6)	Mean of work experience (10:12)
Pearson Correlation Mean of decision making process (4:6)	1	.257**
Sig. (2-tailed)		.000
N	274	274
Pearson Correlation Mean of Work Experience (10:12)	.257**	1
Sig. (2-tailed)	.000	
N	274	274

Questions number 10, 11, 12, in the questionnaire, covers this hypothesis. Regarding the significance level of 0.000, H0 is rejected and H1 is approved. This means that there is a significant correlation between managers’ management history and their role in the process of decision making.

Hypothesis 5: there is a significant correlation between managers’ sex and their role in the process of decision taking.

	Mean of Decision-Making	Mean of Sex (13:15)
Pearson Correlation Mean of Decision Making (4:6)	1	.132*
Sig. (2-tailed)	274	.029
N		274
Pearson Correlation Mean of Sex (13:15)	.132*	1
Sig. (2-tailed)	.029	
N	274	274

Questions number 13, 14, 15 cover this hypothesis and the results suggest that given the significant level of 0.029, H₀ is approved and H₁ is rejected which, in turn, means that there is not a significant correlation between the managers' sex and their role in the process of financial decision taking.

RESULTS OF TESTING HYPOTHESES

Hypothesis 1: here is the analysis of financial management position in the organizational chart and managers' role in the process of financial decision making. Based upon the findings, the higher the position of financial management in the organizational chart, the bigger the role of financial managers in the process of decision taking. Thus, there is high correlation between financial management position and managers' role in the decision making process. Moreover, this position enjoys a higher significance in profitable organizations (customs, tax administration ...) than non-profitable ones (education office, rehabilitation center, Imam-Khomeini Center ...).

Hypothesis 2: it deals with the correlation between the system (centralized –decentralized) and managers' role in the process of decision taking which given the findings, there is a significant one. Since financial section deals with figures, it requires special precision. So, in the centralized system due to high precision of the job, financial managers' role has got high importance and in the decentralized one due to relationship based quality of different sections of a given organization and their mutual relationship, especially profitable organizations, financial management role is highly important.

Hypothesis 3: it represents that there is no or little correlation between managers' educational level and their role in the process of decision taking. Since financial managers mostly have got bachelor degree, others with higher education degrees don't often work in public institutions and organizations due to low salaries. In the due survey, education level's importance was little which must be taken into account.

Hypothesis 4: it deals with the correlation of managers' management history and their role in the process of decision taking. Findings show that there is a high correlation between these parameters and the longer the management history, the bigger their role in the decision making process. They can also act more effectively in the face of problems. This is enough to draw the organizations' manager to this section.

Hypothesis 5: managers' sex and their role in the decision making process is in focus here. According to the findings, there is not a significant correlation between these two variables. Moreover, male managers enjoy more courage and brevity in the decision making process, whereas female managers are more careful and conservative. Therefore, each group bears their own qualities and the hypothesis is, thus, rejected.

Finally, we can safely draw this conclusion that each organization's system has got its own structure. Therefore, financial management role is different across various organizations. For instance, in the agriculture organization, each of the sections (financial management, water shedding management, agricultural management, and natural resources management) gives their own importance to the process of decision making based on the approach and role they hold. But, it is safe to say that -based on the relevant studies- the higher the significance of the aforementioned factors, the bigger the role of financial managers' role in the decision- making process. These factors include: financial management's position in the organization, type of the system (centralized or decentralized) and financial managers' management history.

In the quasi-public organizations, some of the decisions are taken by higher authorities and the given organizations perform them without intervention. In cases where decisions relate to the organization's affairs, after identifying the problem, the head decides on the where to take actions and where to be relegated to the organization or hierarchies. Having identified the responsibility and got help from other sections, he/she tries to create alternatives. At this stage, alternatives are created as far as possible. Thereafter, assessment and selection of the solutions begin so that they can be pursued and performed. Looking closely at various organizations and institutions, it became obvious that position and significance of financial management are different with respect to profitability or non-profitability factors. It makes a difference in the position financial managers in the decision making process in quasi-public organizations because in profitable organizations (customs, tax administration...), financial managers play a bigger role in the decision making process as they deal with financial issues most of the time and financial management enjoys a high place in such organizations whereas non-profitable organizations like (education office, rehabilitation center, Imam-Khomeini center...) are not involved with financial issues and financial affairs only deal with subtle issues like buying requirements, property maintenance, etc. financial managers don't play a big part in decision making process and their position is so low in such organizations.

SUGGESTIONS

1. Clarification and justification of financial management significance in quasi-public organizations and their role in the organization development and promotion of organizational objectives.
2. Justifying the head of the organization to get financial managers involved in the decision takings.
3. Deploying experienced individuals as financial managers.
4. In order to make training course more profitable, the individuals are introduced to courses which are in line with their jobs. In other words, they are introduced to training courses due to job necessities. Those who have passed these courses successfully enjoy higher scores in equal conditions and managers are advised to take early training, in-wok training and retrain serious since short term trainings influence the performance increase.
5. Great effort must be taken so that there wouldn't be any contradiction between individuals' jobs and their personality characteristics.
6. Individuals' offered strategies must be employed to tackle organizational problems. Otherwise, it must why they are not taken.
7. Try to get the staff involved in the decision makings and to administer participation and suggestion system in the organization. Try to become aware of their opinions and use them scientifically.
8. Try to found the permanent training of the staff. These courses must be designed in a way to prosper skill, knowledge, success and among the staff.

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