

**RELATIONSHIP BETWEEN DEMOGRAPHIC PROFILE AND
CHARACTERISTICS OF MANAGERS AND USAGE OF NON FINANCIAL
INNOVATIVE MANAGEMENT ACCOUNTING TECHNIQUES IN THE
COMPANIES OF IRANIAN STOCK MARKET**

Mohammad Reza SOHRABI

PhD student at YSU Department of economics

Key words: performance measures, capital budgeting, costing

Financial management is strongly deal with maximization of shareholder's wealth by financing, investment and dividend investment decisions of the company with some general objective in mind, financing decisions converse with the firm's optimal capital formation in terms of debt and equity. Decisions about dividend relate to the form in which profit achieved by the company are transferred to shareholders. Any decision about investment deal with the method of use the funds elevated in finan-cial markets are used in profitable activities to achieve the firm's general goals; question is, how much and where should be invested.

Introduction

It is well accepted that selecting performance measures in financial management is a challenge and performance measurement play a key role in running an organization. These include interpreting strategy and plan into required treatment and results, discussing these requirements, controlling progress, giving feedback, and motivating employees by giving bonus and penalty based on performance. In other words, system of performance measurement has important roles in developing planning, measuring the achievement of organizational goals and compensating managers.

It should be mentioned that in the last decade, a wide variety of measures and systems have been projected and implemented to prevail over the claimed limitations of accounting-based measures. A leading example of these new approaches is inte-grated performance measurement systems, such as the balanced scorecard.

Many managers think that traditional financial systems cannot perform sufficiently. A recent research of U.S. financial services companies' states most were not satisfied with their measurement systems. They believed there is too much attention on financial measures like income and accounting returns and less attention on drivers of value like employees and customers' satisfaction, innovation and quality.

Literature review

Management of companies is hired mainly to direct companies toward their very end goal, namely wealth (value) maximization. Doing so, managers are given all the resources of the company and the authority to make decisions on how the resources are

utilized in various activities of the company. Managers' main role is summarized in making sound and rational decisions, using a variety of techniques. Although shareholders are not aware of the details of managers' decisions, they expect the outcome to be congruent with their final goal, again wealth maximization.

In the recent decades, accounting scholars and practitioners, having in their mind this very crucial need of managers, have developed a variety of innovative management decision making and/or control techniques, constituting a rich body of management accounting literature. Realizing the value of these newly advanced innovative techniques in management accounting, managers have started to benefit from some of these techniques which are directly related to accounting figures and information, for their daily decision-making purposes. Balanced Score-Cards (BSC), Capital Budgeting (CB), Activity-Based Costing (ABC), Just in time inventory costing (JIT), Target Costing (TC), and Total Quality Management (TQM) are some specific non-financial management accounting techniques (NFMT), which managers tend to use more.

As explained above, whatever techniques managers make use of, they are expected to maximize the firm value. In other words, shareholders, having delegated control of their company to the managers, are not aware of neither specific decisions that managers make, nor tools and techniques they make use of, but they focus on the very end impact of their actions on the stock market. In fact, what is important for the shareholders and other market participants, is market price of company's stock, which is mainly based on the risk and return of the company.

In the extant accounting and management literature, there is very little evidence on how accountants and accounting-based techniques can aid managers making their decisions and its impact on company's risk and return in the stock market. This is while companies spend significant amounts on their management accounting tools, systems and staff to provide management with sufficient and relevant information for their decision making purposes.

Methodology

We surveyed the attitudes, knowledge, and ideas of Iranian managers about innovative non-financial management accounting techniques through a newly developed standard questionnaire. Sample selection, consistent with our focus on manufacturing strategy, was made among the organisations of the manufacturing sector in Iran.

This study is based on data collected through survey toward obtaining ideas of managers about NFMTs and their efficacy. It is expected that our results will be used by managers and market participants for their decision making purposes.

To obtain a sufficiently large sample for statistical testing purposes, using the Iranian official database in the Ministry of commerce and stock exchange organization, we collected data from Iranian firms with annual sales calculated from the official

database in Iran. After obtaining preliminary eligibility for contacting these firms, invitations were sent to managerial boards of these companies to contribute to this study.

Inclusion criteria for contributing to this study are:

(1) The average number of employees in the manufacturing department should be about 100 personnel,

(2) The annual average production value (sales) in the manufacturing department should be selected based on the official data in a way that at least the middle-sized, rather than small, operations will be contributed to this study.

Data gathering Within each firm, we direct our survey to the financial manager of companies. The first section of the survey asks participants to indicate the specific measures currently used for evaluating manufacturing performance.

The completed questionnaire enabled to obtain information regarding the usage of non financial innovative management techniques in each company, as well as the managers viewpoints regarding the efficacy of non financial measures.

To investigate the relation between various degree of usage and familiarity with non financial innovative management techniques with return and risk of those companies we developed and employed an appropriate regression model.

Data analysis In this study we utilize two distinct statistical approaches:

Descriptive Statistics: We provide an in-depth analysis of data on demographic background of surveyed managers, and an in-depth analysis of all data gathered on the viewpoints of financial managers regarding their familiarity and usage of Management Accounting Techniques.

A separate analysis is also performed using the data on viewpoints of financial managers regarding their efficacy of innovative Management Accounting Techniques compared with traditional accounting techniques.

Correlation analysis At the final step we provided a correlation analysis to evaluate significance of relationship between the non-financial techniques and risk and return and the data obtained in the demographic and historical results, based on the objectives of the study.

Empirical Analysis To obtain a sufficiently large sample for statistical testing purposes, using the Iranian official database in the Ministry of commerce and stock exchange market, we collected data from Iranian firms with annual sales calculated from the official database in Iran. After obtaining preliminary eligibility for contacting with these firms, invitations were sent for the managerial boards of these companies to contribute in this study.

Through a general survey we asked all the selected 180 companies in manufacturing sectors whether they have used the non financial methods in their management accounting systems or not. Among the positive answers, we made a data bank and then

we selected the companies that are using innovative techniques based on statistical equations for 73 companies.

Results Results of this study are classified in two main parts - Descriptive results and Analytic results.

Part 1- Descriptive results Descriptive results of this study include the data on usage of innovative non financial management tools (see Table 1).

Table 1. Managers’ familiarity with the Non-Financial Management Accounting Techniques (NFMTs) and scope of their usage

NFMTs	The Degree of Familiarity (1-low; 5-high)						The Scope of Use					
	1	2	3	4	5	Total	1: Never	2: Rarely	3: Sometimes	4: Quite often	5: Always	Total
TQM- Total Quality Management	0	0	16	45	12	73	0	0	9	56	8	73
TC- Target Costing	0	0	3	8	1	12	0	0	0	12	0	12
CB- Capital budgeting	0	0	3	28	1	32	0	0	0	24	8	32
ABC- Activity -Based Costing	0	0	0	18	3	21	0	0	0	15	6	21
BSC- Balanced scored Card	0	0	0	20	6	26	0	0	0	20	6	26
JIT- Just-in-time	0	0	0	6	10	16	0	0	0	10	6	16
Other (specify)	0	0	0	0	0	0	0	0	0	0	0	0

Our survey on the familiarity of managers with the techniques and the frequency of their usage shows that the degree of familiarity with techniques is generally high, with the most frequency for TQM and CB, respectively. Also, the most of surveyed managers mentioned that they use TQM, CB, and BSC quite often. Comparing the two responds regarding the extent of familiarity with and usage of NFMTs, one can conclude that the higher the familiarity of managers with NFMTs, the higher the rate of its usage. This evidence was tested next by detailed correlation tests.

It is also noteworthy that having knowledge on some techniques is quite different from ability to apply them in action, The latter requires practical skills and calls for more experience.

According to the table, managers’ expectations regarding efficacy of using the techniques, is more focused on the prominent role of the techniques in improving company’s risk and return.

Table 2. Managers’ expectations from using of innovative Non-Financial systems

	TQM	TC	CB	ABC	BSC	JIT	Total
1) Increased transparency and trust of investors	11	4	3	2	3	2	25
2) Easy calculation system	0	0	2	0	11	1	14
3) Possibility to use better the Computer programs	10	0	3	2	0	1	16
4) Increasing the return of the company	27	5	10	10	8	7	67
5) Decreasing the risk of the company	25	3	14	7	4	5	58
Total	73	12	32	21	26	16	180

The third most important outcome in Iranian managers’ mind is the role of the techniques in ameliorating the transparency of their company.

Overall, based on the above Table, it can be concluded that most decreasing company’s risk while increasing its return, seem to be the most eminent aspects in which the techniques can play a role.

Table 3. Managers’ viewpoints on the efficacy and the necessity of using of innovative Non-Financial systems

	Strongly Disagree	Almost Disagree	No Idea	Agree	Strongly Agree
a-Usage of the traditional financial techniques has more efficiency than usage of NFMTs	10	118	28	22	2
b-Although traditional techniques were necessary for us, we believe that NFMTs will bring higher output and productivity for us. (We need both of them always together)	6	28	19	99	28

Above table shows the ideas of managers both on their preference between traditional techniques and advantages of the techniques. A comparison between the two reveals the following:

Most of the managers disagree with higher efficiency of traditional techniques over innovative techniques. Thus, most of the managers believe newly advanced techniques are shown to be more efficient than the older techniques.

On the other hand, most of interviewed managers agreed that the techniques bring more productivity and output than traditional financial techniques, which can be regarded as a good feedback for academics on their advances in management accounting techniques.

Comparing the level of agreement and disagreement with the two types of statements, it shows that managers’ confidence on higher productivity of the innovative techniques (118 + 10 = 128) is almost the same as their disagreement with traditional

techniques (99 + 28 = 127). In other words, not only Iranian managers believe that older techniques are not sufficient anymore, but also they have found the newly advanced techniques quite beneficial to their companies.

Part two: analytical results Correlations between the familiarity with NFMTs and scope of usage. We represent another correlation test regarding the familiarity with NFMTs and scope of usage. This was a control test in order to define, to what extent managers' familiarity is related to their scope of use.

Table 4. Correlations between the familiarity with NFMTs and scope of usage

NFTM	Result: Asymp. Sig. (2-sided)	significant correlation	no significant correlation
TQM	0.045	.045<.05	
TC	0.050	.05=.05	
CB	0.042	.042<.05	
ABC	0.047	.047<.05	
BSC	0.045	.045<.05	
JIT	0.043	.043<.05	

There was a significant correlation between the familiarity with and the scope of use in all six groups of NFMTs. This evidence shows that, in each group, managers strongly believe in efficacy of implemented NFMTs in their companies, but the degree of efficacy shown by the correlation test performed above, was different. In other words, our interpretations on the correlations between NFMTs and market risk and return of companies stand still.

Conclusion

Our data on the ideas and viewpoints of Iranian managers regarding the non-financial innovative management accounting techniques, specifically from those who had experiences on application of these techniques, revealed that Iranian managers, although to different extent, recognize efficiency and effectiveness of financial innovative management accounting techniques.

Based on our descriptive statistics, we can state that there is a significant relationship between managers' demographic characteristics (namely their age and experience) and their tendency to use these techniques.

There is significant relationship between the manager's familiarity with NFMTs and the extent to which they intend to apply them in action.

Mohammad Reza SOHRABI

The study of relationship between demographic profile and characteristics of managers and usage of non financial innovative management accounting techniques in the companies of Iranian stock market

Key words: performance measures, capital budgeting, costing

It is well accepted that selecting performance measures in financial management is a challenge and performance measurement play a key role in running an organization. Our survey on the ideas and viewpoints of Iranian managers regarding non-financial innovative management accounting techniques revealed that Iranian managers, are agreed on efficiency and effectiveness of non-financial innovative management accounting techniques.

Մոհամմադ Ռեզա ՍՈՅՐԱԲԻ

Ոչ ֆինանսական նորարարական կառավարչական հաշվապահական գործիքների և Իրանի արժեթղթերի շուկայում հայտագրված կազմակերպությունների ղեկավարների ժողովրդագրական բնութագրերի կապը

Բանալի բառեր. արդյունավետություն, կապիտալի բյուջետավորում գնագոյացում

Ընդունված է համարել, որ ֆինանսական կառավարման համակարգում գործունեության գնահատման չափորոշիչների ընտրությունը լուրջ մարտահրավեր է, որը սկզբունքային դերակատարում ունի կազմակերպության համար: Գործունեության արդյունավետության չափորոշիչների համակարգը կարևոր դեր ունի ռազմավարության մշակման, կազմակերպության նպատակների իրագործման գնահատման ու կառավարիչների խրախուսման համար: Հարկ է նշել, որ վերջին տասնամյակում բազմաթիվ նոր չափանիշներ և համակարգեր են մշակվել և ներդրվել, որոնք նպատակ ունեն հաղթահարելու հաշվապահության վրա հիմնված ցուցանիշների սահմանափակումները:

Мохаммад Реза СОХРАБИ

Исследование связи между демографическими характеристиками менеджеров предприятий листинга рынка ценных бумаг Ирана и использованием нефинансовых инновационных управленческих бухгалтерских инструментов

Ключевые слова: эффективность, бюджетирование капитала, ценообразование

Принято считать, что выбор критериев системы финансового управления является серьезной задачей, играющей решающую роль в успехе деятельности организации. Система показателей эффективности играет важную роль в развитии планирования, измерения достижения организационных целей и компенсации менеджерам. В последнем десятилетии были спроектированы и реализованы разнообразные инструменты и системы направленные на преодоление ограничений оценок производительности основанных на бухгалтерском учете.