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On the rational decision-making in the improvement of financial performance

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Abstract: Researches indicate that those organizations having more emphasis on rational decision making are more successful than other organizations. This is because of the fact that in such organizations, due to the existence of rational decision making, organizational development is more accessible, which in turn results in improving financial performance. The objective of the present study is to investigate the effect of rational decision making on financial performance in Mellat Bank of the City of Isfahan. The method employed in the study is descriptive and its data collection method is survey study. The population of the research included 1281 individuals of the managers and experts of Mellat Bank among whom 291 participants were selected as the sample using Cochrane's formula. The instrument for data collection was a researcher-made questionnaire. The validity of the questionnaire was evaluated using item analysis technique and its reliability was calculated using Cronbach's alpha. To analyze the data, one-sample t-test, variance analysis, and independent t-test were used. The results obtained from one sample t-test indicated that rational decision making and each of its dimensions (expectations or control over the environment, problem definition, determination of objectives, identifying the causes of problem, providing solutions, evaluating solutions, selecting the best solutions, implementing decisions) are effective on the financial performance of the bank. There are significant differences among attitudes toward the effect of rational decision making on financial performance of the bank based on demographic variables (gender, age, education and years of service). Based on the research findings, it can be claimed that if rational decision making receives more attention in an organization, its financial performance will be improved.

Key words: Rational decision making system; Performance; Financial performance; Mellat Bank

1. Introduction

Banking is the most profitable industries in the world which has assigned to itself the highest amount of profits having about 800 billion dollars in the ranking of different industries in 2006 and industries of oil, gas, mining, metals and etc. are in the lower positions in the ranking with more distance. In addition, it is predicted that in the next 10 years, the growth of its profitability will be twice of the increase in the world GDP growth. What nowadays covers the inhibition of the efficiency and profitability of enterprises and companies and has even the ability to sell Eskimos refrigerators is a complex factor with a more expansive concept called marketing whose one of the important branches is advertisement and its importance in the present age is such that annually in the world level, more than 400 billion dollars are spent for advertisement. The US with about 50 percent of this money (with having 6 percent of the world population) has the highest proportion and other developing countries with less than 20 percent have the least proportion. If the citizens of the US each have 10 dollars, one dollar is spent for production and the remaining 9 dollars are spent for advertising (Safdari, 2009).

Regarding the present conditions, enterprises and companies, in order to encounter challenges and activities besides their competitors, should adopt long-term policies and each bank should develop a comprehensive and complete plan regarding the visions, missions, objectives, conditions, internal facilities, and external opportunities and threats (Sanayei, 2005; Nazari, 2011). By the development of sciences and skills in all fields and the competitiveness of financial markets, particularly by the advent of private banks as well as financial and credit institute, the attention to the issue of marketing and the application of the techniques and strategies of marketing in the issue of attracting customers as well as the increase in savings have been considered more important. using some of the factors mixed with marketing such as appropriate access and supply of services, speed and diversity of services are provided and proper advertisement can cause the increase in banks' and Institutions' depository (Nazari, 2011).

Banks can be successful in marketing, attracting new customers and enjoying acceptable financial performance when decision makings in banks are rational. In fact, it can be said that the success depends on aware, sympathetic and coordinated human forces that are enthusiastic to their jobs and work with required motivation and dynamics. Therefore, it seems that a general revision for

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investigating the current policies of banks regarding the mode of attracting staff, applied training of the staff, providing clear description of duties, meritocracy in appointments, observing justice and fairness in rewarding, motivational policies, creating moral environment in organizations, creating employee participation system and leadership style are necessary and vital.

Decision making is one of the most important and basic duties of managers in all organizational ranks in each organization. In fact, the fate of organizations depends on the state and result of managers' decision making and each measure done by managers is a kind of decision making. Decision making can be defined as "the process of determining and selecting measures or action to solve a problem or issue" (Najaf Beigi, 2000).

The importance of rational decision making in managing organizations is an obvious issue, in such a way that organizations are called the network of decisions and management is considered as the act of decision making. Nowadays, management decisions merely cannot rely on personal intelligence, intuition and judgment, but it should be based on scientific investigations, statistics and infallible data. Therefore, the organizations should be organized in such a way that sufficient and accurate data be provided timely for the managers. Concurrent with the expansion of using "management information systems" in organizations, some of the scholars of the science of management and information has adopted another approach and designed "decision making supporting systems". The systems that produce appropriate information for solving a particular issue and managers' decision (Feizi and Moghaddasi, 2005). In fact, it can be said that nowadays, without required information, one cannot make effective decisions in an organization (Rezaeian, 2001). In this regard, it is stated that information circulation, as blood circulation, has a basic role in maintaining life and health of a society.

Regarding the mentioned cases, the present study is to answer the question whether rational decision making is effective on the improvement of financial performance of Mellat Bank in Isfahan?

2. Theoretical framework

2.1. Rational decision making

Decision making is considered as the inseparable part of management literature. Scholars such as Simon (1960) and Drucker (1954) know management synonymous as decision making. From the beginning, due to the particular attitude of classical management approach, decision making was considered only as the right of senior managers. But, since 1950's, some researches were conducted on behavioral aspects, decision nature, theories and processes of decision and etc. which changed this attitude. Further, the discussions of mathematics, statistics and quantitative discussions are considered as suitable tools for making decisions. The findings of social knowledge in explaining the points of decision making and enrichments of this issue have been greatly helpful (Bagherian, 2001).

Different definitions have been presented for decision making, many of which are similar to each other. Here, some of these definitions are presented.

Alvani (1992) believes that decision making refers to the selection of one way among different ways and the task of the decision maker is to receive different ways and their results, then selects the best way. If the decision maker can do this selection as appropriate as possible, his decisions will be effective and constructive. To Abbasszadeh (1995), decision making refers to the selection of a solution among different solutions. When some solutions are in front of the manager, he selects one of them regarding some considerations and then decides. Morehead and Griffin (1989) believe that decision making refers to the process of selection of a solution among some solutions. The main factors of decision making are as follows: objective, solutions, and potential results of each of these solutions and the relation of each of them with the objective of paying attention to their value and the selection of a solution based on evaluating the results (Alvani, 2000).

As observed, there are multiple definitions of decision making, but what constructs the common feature of all these definitions is that decision making results in a conscious selection of a solution or a mode of action. The adopted decision guides the type of behaviors and next operation and according to Newman; it is the most important task of managers. However, this does not mean that they are alone in these tasks, but they can involve others in the process of decision making by selecting and applying motivational methods relevant to the subject and importance.

Decision making is one of the most vital processes in organizations and is considered as the main task of managers in all levels (Loizos, 1996) in such a way that some of the scholars believe that the whole management is decision making (Pamela, 1996). Koontz & Weirich (1998) believe that the existence of plans, programs, policies and strategies depends on the existence of decision making. They also believe that managers usually consider their main tasks to be decision making because they should always worry about which way to choose, and what they should do, how divide the tasks among individuals and what job should be done by whom, when, where and how it should be done. The study of the processes of decision makings is not a new discussion. During recent years, multiple research in different fields and domains have been conducted on the issue of decision making, and different classifications have been presented regarding the relation of styles and models of decision making by scholars (Oliveira, 2007). These classifications are different with each other regarding that which set of individual, organizational and environmental factors are effective on the mode of reaction and behaviors of individuals in case of encountering the conditions of decision making (Tatum, 2003). Scott and Bruce, in their studies on the style of decision making, individuals and factors affecting on it, pay a lot of attention to the internal features and personal differences of individuals and accordingly, present five styles of decision making as general styles. These five styles are as follows: rational decision making, intuitive decision making, dependency decision making, impulsive decision making, and voidance decision making (Fulop et al., 2006).

This style indicates the intention of the decision maker to identify all possible strategies, evaluates the results of each strategy form all different perspectives and at last, selects the optimal and favorable strategy by the decision maker when encountering the conditions of decision making (Oliveira, 2007). In other words, in this style of decision making, the occurred issue is precisely definable and the decision maker follows a fixed and utterly established process for selecting and performing the best solution and access to objectives. Individuals who enjoy the rational style make their decisions based on comprehensive search and analysis of available information both from the internal and external resources (Singh et al., 2004).

Regarding the importance of decision making, it can be said that the decisions of managers can change favorably the subordinates' behaviors and make them more rational-which here, by rational behavior; it means a behavior which is more consistent and coordinated with the objectives of organizations. There are reasons for supporting this statement which are as follows:

1. Managers' decisions indicate the objectives of organizations and reflections of these objectives. Therefore, managers' decisions help subordinates to understand these objectives.
2. Managers' decisions define and determine rational behaviors as well as the criteria for evaluating rational behaviors for subordinates.
3. Managers' decisions determine the type of performance expected from the individuals in different organizational positions.
4. It is the managers that decide what information, with what quality and quantity should be available for subordinates; therefore, they reveal the issues unknown for subordinates (Sa'adat, 1993).

Barnard as one of the scholars of decision making states: decision making constructs the foundation of managers' tasks and represents managers' skills in efficacy of tasks and the quality of services which they provide (as cited in ibid).

Greenberg & Baron (1993) state that it is acceptable to believe that one of the most important management activities is decision making. Researchers and theorists agree that decision making is one of the commonest and major roles of managers. In fact, Simon who due to its studies on decision making, won the Noble Prize, describes decision making synonymous with management (Hazer, 1995).

The success of managers in organizations depends on their skills in proper planning, organization, guidance and control. It should be known that the turning point in applying all these skills in an appropriate way is to utilize managers with skills of decision making. In other words, all activities of managers is in relation with decision making (Argon, 1998).

Decision making is the most important and major tasks of each manager in each organization and in all organizational levels. In fact, the fate of organizations depends on the state and result of managers' decision making and each measure done by managers is a kind of decision making. Decision making can be defined as "the process of determining and selecting measures or action to solve a problem or issue" (Najaf Beigi, 2000).

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3. Financial performance

Achieving the success in different domains of work, life, education and etc. are always among the desires and dreams of people and humans are enthusiastic to be winner in their tasks and responsibilities and consequently utilize the positive benefits and consequences obtained in social, economic, and family fields (Khosravi, 2002).

The continuous trend of changes and transformation in different aspects of social life and profound advancements in sciences and skills are phenomena and issues which increase educational needs of human forces in an organization. Nowadays, the growth of human forces through education is more than those regarded and emphasized by organizations. It is this emphasis which is considered a significant transformation in modern management attempts. In this line, the most important task of managers is that they facilitate the path of transformation and work improvements by developing continuously the educational plans (Zabihi and Erfanian Khanzadeh, 2010).

Performance management, according to the definition of Armstrong and Baron (1998) refers to providing sustainable success for organizations through improving capabilities and abilities of individuals and organizational groups (Cheng et al. 2007). Performance management is a process through which the organization can integrate its performance with organizational and functional objectives and strategies (Kloot and Martin, 2000). According to Amaratunga and Baldry (2002), performance management refers to the use of information of performance evaluation for effective and positive changes in organizational culture, systems and processes for contributing in developing objectives consistent with performance, allocation and prioritizing resources, making aware the managers to establish or change strategies for plans to attain these objectives and sharing the performance results to realize these objectives (Folan and Browne, 2005). The term performance management refers to all integrated and strategic approaches whose aims are to improve organizational performance to attain strategic objectives of organizations and promoting organizational missions and values (Mwita, 2000).

4. Literature review

D. S. Sukizu and Sunata Singtay (2011) conducted a research in Thailand titled as" Does participatory decision making is effective on higher education?" Their aim was to through observation, investigate the effect of participation in decision making on the lecturers performance in higher education. Their findings indicated that lecturers' involvement in educational decision making is not only for improving his performance, but it can be used for organizations' performance. In addition, among all variables dependent on demographics, only academic ranking significantly was effective on lecturers' performance.

Kin and Shik (2005) conducted a research on the effect of sharing decision making between the producers and the owners of firms on performance in South Korea. The objective of the research was to emphasize on the owners of firms and producers who had applied strategic relations for improving quality and expansion of new products. Analyses indicate that sharing the process of decision making has a significant effect on coordination performance.

Kar Mili (2009) conducted a research titled as "does decision making in management decisions in higher level increase the effect of decision and performance of companies?" whose objective is to investigate the quiddity of the processes of participatory decision making in management teams in higher level which influence the effect of strategic decision and performance of companies. The obtained results indicated that the processes of participatory decision making are positively correlated with the effect of decision and there is a positive correlation between the processes of participatory decision making and the performances of companies.

Elbata (2009), in the faculty of Business and Economy, UAE University, conducted a research titled as "the issue of performance in strategic decision making". The objective of the study is to investigate the effect of two aspects of the performance of companies. The financial and commercial performance and organizational effect are effective on three dimensions of processes of strategic, intuitive, and discursive decision makings as well as political behaviors. The obtained results indicated that strategic decision making in companies with high performance is highly documentary and rarely emotional and political. They also indicated that the organizational effect is a more powerful predictor of the dimensions of strategic decision making than financial and commercial performance.

Salari et al., (2013), in a research investigated the effect of administrative automation systems on the process of decision making among the managers of state organizations and concluded that administrative automation influences the quality of knowing issues, identifying and providing solutions, determining instruments for evaluating solutions and selecting the best solutions.

Tarute and Gatautis (2014), in a research, investigated the effect of IT on the performance of small and medium firms and concluded that information and communication technology is effective on the improvement of internal and external communication and consequently it improves the performance of staff.

5. Research hypotheses

1. Rational decision making is effective on financial performance of the bank.
2. The dimensions of rational decision making (expectations or control over the environment, problem definition, determination of objectives, identifying the causes of problem, providing solutions, evaluating solutions, selecting the best solutions, implementing decisions) are effective on financial performance of the bank.
3. There are significant differences among attitudes toward the effect of rational decision making on financial performance of the bank based on demographic variables (gender, age, education and years of service).

6. Research method

The present study is an applied research which used a survey study for collecting data, the population of the study consisted of 1281 managers and experts of Mellat Bank in Isfahan among whom 291 participants were selected as the sample using Cochrane's formula and questionnaires were distributed among them. 288 questionnaires were returned. The research instrument included a researcher made questionnaire. The validity of the questionnaire was evaluated using item analysis technique and its reliability was calculated using Cronbach's alpha as 0.90 for the questionnaire of the effect of decision making on financial performance. To analyze the data, one-sample t-test, variance analysis, and independent t-test were used.

7. Research findings

First hypothesis: Rational decision making is effective on financial performance of the bank.

In the first hypothesis, one sample t-test was used whose results are presented in Table 1.

Table 1: One sample t-test for investigating the effect of rational decision making on financial performance of the bank

	Attracting banking deposits			Granting financial facilities			The bank's investment		
The effect of rational decision making on financial performance	t-value	df	Sig.	t-value	df	Sig.	t-value	df	Sig.
	18.884	244	0.00	15.652	216	0.00	12.786	216	0.00

Wry454y In inferential analysis, to investigate the effect of rational decision making on financial performance, one sample t-test was used. The calculated t-value at the significance level 0.01 was bigger than the critical value; therefore, it can be stated that the mean of the respondents' attitudes regarding the effect of rational decision making on financial performance was statistically significant at the alternative higher than moderate level (Table 1). It should be noted that in investigation of this question, regarding the scale of scoring items from 1 to 5 and calculating the total score of this component based on this scale, the hypothetical mean of the population was considered as 3.

The 2nd hypothesis: The dimensions of rational decision making (expectations or control over the environment, problem definition, determination of objectives, identifying the causes of problem, providing solutions, evaluating solutions, selecting the best solutions, implementing decisions) are effective on financial performance of the bank.

In answering the second hypothesis, one sample t-test was used whose results are presented in Table 2.

Table 2: One sample t-test for investigating the effect of the dimensions of rational decision making on financial performance of Mellat Bank in Isfahan

The effect of rational decision making on financial performance.	Attracting banking deposits			Granting financial facilities			The bank's investment		
The effect of rational decision making on financial performance.	t-value	df	Sig.	t-value	df	Sig.	t-value	df	Sig.
	18.884	244	0.00	15.652	216	0.00	12.786	216	0.00
expectations or control over the environment	14.512	272	0.00	8.751	245	0.00	9.565	245	0.00
problem definition	13.816	287	0.00	13.117	278	0.00	7.456	272	0.00
determination of objectives	10.956	273	0.00	6.092	258	0.00	5.031	258	0.00
identifying the causes of problem	4.889	273	0.00	3.502	258	0.00	6.927	258	0.00
providing solutions	13.950	259	0.00	15.727	259	0.00	10.539	244	0.00
evaluating solutions	8.134	273	0.00	9.452	273	0.00	10.391	273	0.00
selecting the best solutions	17.866	287	0.00	17.401	273	0.00	17.974	258	0.00
implementing decisions	12.756	287	0.00	11.722	287	0.00	13.610	258	0.00

In inferential analysis, to investigate the effect of the dimensions of rational decision making (expectations or control over the environment, problem definition, determination of objectives, identifying the causes of problem, providing solutions, evaluating solutions, selecting the best solutions, implementing decisions) on financial performance, one sample t-test was used. The calculated t-value at the significance level 0.01 was bigger than the critical value; therefore, it can be stated that the mean of the respondents' attitudes regarding the effect of rational decision making on financial performance was statistically significant at the alternative higher than moderate level (table 2). It should be noted that in investigation of this question, regarding the scale of scoring items from 1 to 5 and calculating the total score of this component based on this scale, the hypothetical mean of the population was considered as 3.

The 3rd hypothesis: There are significant differences among attitudes toward the effect of rational decision making on financial performance of the bank based on demographic variables (gender, age, education and years of service).

In answering the third hypothesis, one sample t-test and variance analysis was used whose results are presented in Table 3.

Table 3: t-test for determining the different attitudes to the effect of rational decision making on financial performance (attracting banking deposits, granting financial facilities, the bank's investment) based on gender

	Attracting banking deposits			Granting financial facilities				The bank's investment			
the effect of rational decision making on financial performance based on gender	t-value	df	Sig.	t-value	df	Sig.	Mean difference of group 2	t-value	df	Sig.	Mean of group 2
	-4.697	243	0.00	0.262	215	0.793	0.2346	-0.051	215	0.959	-0.042

7.1. Gender

The results of table 3 indicate that based on the t-value and the significance level in attracting deposits is less than 5%; therefore, the null hypothesis is not rejected and the hypothesis is not confirmed. As a result, the attitude to the effect of rational decision making on financial performance of the bank among male and female respondents are the same. But the significance level for granting financial facilities is bigger than 5% and the null hypothesis is confirmed; therefore, regarding the mean differences of the two groups is a positive figure, it is concluded that the second group, i.e. females, evaluated the effect of rational decision making on granting financial facilities more significant. The significance level for the bank's investment is bigger than the error level 5% and the null hypothesis is rejected and the hypothesis is confirmed. Regarding that the mean differences between the two groups is a negative figure; therefore, it can be concluded that the first group, i.e. males evaluated the effect of rational decision making on granting financial facilities more significant.

7.2 Age, education and years of service

The results of Table 4 indicate that based on the t-value and that the significance levels in attracting deposits, granting financial facilities and the bank's investment are less than 5%; therefore, the null hypothesis is not rejected and the hypothesis is not confirmed. As a result, the attitudes to the effect of rational decision making on financial performance of the bank among the educational groups are different. Therefore, regarding that the mean difference of the two groups is a negative figure, it is concluded that the second group evaluated the effect of rational decision making on granting financial facilities more significant. In addition, regarding that the mean difference of the third (BA) and the fourth (MA) in granting financial facilities is a positive figure, it is concluded that the fourth group evaluated the effect of rational decision making on granting financial facilities more significant. In granting financial facilities, the mean difference between the second group (associate diploma) and the third group (MA) is a negative figure which indicates that this group evaluated the effect of rational decision making on granting facilities more significant. In addition, the mean difference between the first (diploma) and the third group (BA) in the bank's investment is a negative figure; therefore, it is concluded that the first group evaluated the effect of rational decision making on the bank's investment more significant.

The results of the table 4 indicate that based on the t-value and that the significance levels in attracting deposits, granting financial facilities and the bank's investment are less than 5%; therefore, the null hypothesis is not rejected and the hypothesis is not confirmed and the attitude to the effect of rational decision making on the bank's financial performance among different age groups is different. Regarding the mean difference of the first group (20 to 30 years old) and the third (41 to 50 years old) in attracting deposits is a positive figure, it can be concluded that the first group evaluated the effect of rational decision making on the bank's attracting deposits more significant. Regarding the mean difference of the first group (20 to 30 years old) and the third (41 to 50 years old) in investment is a negative figure, it can be concluded that the third group evaluated the effect of rational decision making on the bank's attracting deposits more significant.

The results of the table 4 indicate that based on the t-value and that the significance levels in attracting banking deposits, granting financial facilities, and the bank's investment are less than 5%; therefore, the null hypothesis is not rejected and the hypothesis is not confirmed and the attitude to the effect of rational decision making on the bank's financial performance based on years of service is different. Regarding the mean difference of the first group (1 to 10 years) and the third (16 to 20 years) in attracting deposits is a negative figure, it can be concluded that the first group evaluated the effect of rational decision making on the bank's attracting deposits more significant. In addition, regarding the mean difference of the first group (diploma) and the third (11 to 15 years) and the fourth group (20 years and more) in investment is a negative figure, it can be concluded that the first group evaluated the effect of rational decision making on the bank's investment more significant.

Table 4: test for determining the different attitudes to the effect of rational decision making on financial performance (attracting banking deposits, granting financial facilities, the bank's investment) based on age, education and years of service

	Attracting banking deposits			Granting financial facilities			The bank's investment		
	f-value	df	Sig.	f-value	df	Sig.	f-value	df	Sig.
Education	6.556	226	0.00	9.194	201	0.00	12.290	201	0.00
Age	39.283	266	0.00	16.215	216	0.00	3.035	216	0.05
Years of service	20.762	230	0.00	30.090	216	0.00	31.332	216	0.00

8. Conclusion

In Table 1, supposing the normality and regarding the t-value and the issue that in the ideal state, the significant level of the test is less than error level 5% (or even 1%); therefore, the null hypothesis is rejected and the mean scores of the responses is more than 3. As a result, rational decision making is effective on the bank's financial performance (attracting banking deposits, granting financial facilities, and the bank's investment). The results of the research is consistent with those of Rouhi (2010) which states that the methods of managers' decision making improve their organizational health.

In table 2, supposing the normality and regarding the t-value and the issue that in the ideal state, the significant level of the test is less than error level 5% (or even 1%); therefore, the null hypothesis is rejected and the mean scores of the responses is more than 3. As a result, the dimensions of rational decision making (expectations or control over the environment, problem definition, determination of objectives, identifying the causes of problem, providing solutions, evaluating solutions, selecting the best solutions, implementing decisions) is effective on the bank's financial performance. The results of the research is to some extent consistent with those of Zohair and Ozamin (2011) in Turkey which states that expensive participation increases the speed of decision making and there is a positive correlation between strategic decision making and performance.

Regarding the fact that investigating the effect of rational decision making on financial performance was conducted for the first time in Iran, other researches were consistent to this study to some extent. As an instance, in a research done by Sarfaraz (2011), the effects of models of decision making was investigated in terms of emphasizing financial performance. The results indicated that financial performance in terms of attracting deposits and granting facilities have the highest mean in branches which uses negotiation decision making in terms of individuals and rational, trial and error and imitative (inspiring) decision makings are in the second to fourth ranks respectively. Financial performance, in terms of attracting deposits and granting facilities regarding branches which in terms of organizations, uses decision making of management science, have in their highest value and procedural decision making, Carnegie Decision Model and unknown system decision making are in the second to fourth ranks respectively.

8.1 Applied suggestions

Since in rational decision making, the quality of decisions depends on the quality of information based on which decisions are made, it is suggested that:

a. To identify accurately the issues and writing an accurate manuscript for solving issues, managers should know their organizations and the principles and systemic nature which have created the organizations. They should be aware how different parts in the system work and how the system adapt itself with the environment.
b. For an accurate and effective decision making, two kinds of information is necessary: basic information about the nature of the organization and information by which one can know the existential philosophy of the organization.

Information about the state of organizations means information about the behaviors of mangers in organizations, motivation and encouragement to the staff, the structure and performance of communication network, the process and mechanism of decision making, production and income of organization and in other words information by which the present state and situation of organizations should be clear for us.

It is suggested that when in selections, we encounter factors which attaining one results in depriving the other; the desirability model is used for optimal accessing. This model is extracted form rational decision making. In this model two curves are drawn. The curve of mutual or interactional relations with two objectives and indifference curve about the mentioned objectives are presented. The first curve indicate different the different parts of the two objectives at the present resources and facilities level. In other words, it indicates that the more the attainment of the first objective, the more the deprivation of the other objective. The indifference curve indicates the different parts acceptable by two values of the attitude of the organization (at the level of state) and the attitude of the society. The point of contact of these two curves is the optimum or desirable point.

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