

Behavioral Management and Financial Decision-Making: A Literature Review on the Impact of Organizational Culture on Corporate Financial Strategies

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Abstract

This study aims to explore the integration of behavioral management and corporate finance and provide strategies to improve overall corporate performance. The research method used is a review of related literature and research. A qualitative and descriptive approach was used to analyze the relationship between behavioral and financial management in a corporate context. The results show that effective integration between behavioral and financial management can increase employee productivity, improve financial decision-making, and build a strong organizational culture. The necessary strategies include proper recruitment, continuous employee development, effective communication, behavioral financial decision-making, and comprehensive performance evaluation. By implementing this approach, companies can achieve better financial performance and reach their long-term goals.

Keywords: *Integration, Behavior Management, Financial Decisions.*

INTRODUCTION

In an increasingly complex and competitive business world, corporate management faces various challenges in managing individual and group behavior within organizations while making sound financial decisions. Behavioral management and financial decision-making are two critical areas in achieving organizational goals. However, these two fields are often considered separate from one another, without considering the close relationship between individual and group behavior and financial decisions.

Individual and group behavior has a significant impact on a company's financial performance. Factors such as motivation, job satisfaction, organizational commitment, and organizational culture can influence rational and sustainable financial decision-making. However, the integration of behavioral management and financial decision-making has not been extensively explored or well understood in both research and business practice. By understanding the complex relationship between individual and group behavior and financial decision-making, corporate management can make more informed, accurate, and sustainable financial decisions.

In this context, in-depth research is needed to explore how behavioral management can be integrated with financial decision-making to achieve better financial performance. Research on the integration of behavioral management and financial decisions will provide valuable insights for managers, leaders, and business practitioners in developing effective strategies and practices to influence

employee behavior and make quality financial decisions. This can help companies improve their financial performance, achieve long-term goals, and maximize value for stakeholders. The integration of behavioral management and financial decision-making is highly relevant in the context of modern business management.

METHOD

This research is based on a literature review that involves searching and analyzing various relevant sources on behavioral management and corporate finance, including academic publications, journals, textbooks, and research reports. The aim is to gain a comprehensive understanding of the integration of behavioral management and financial decision-making by analyzing the theories, concepts, models, and findings related to this relationship. The data obtained will be analyzed qualitatively and descriptively, with a qualitative approach used to understand and interpret the relationship between the two fields and a descriptive approach employed to explain their characteristics, theories, and practices. Through a systematic search method, relevant articles will be identified and analyzed comparatively, helping to identify patterns, similarities, differences, and relationships between behavioral management and financial decision-making. The results will be interpreted to understand the implications of this integration in corporate finance, with conclusions drawn to provide a clear understanding of how individual and group behavior influences financial decision-making. The research aims to comprehensively explore this complex relationship and contribute to a deeper understanding of how behavioral factors affect the quality of financial decision-making in the corporate context.

RESULT AND DISCUSSION

Behavioral Management

Behavioral management is an approach and practice in managing, directing, and influencing the behavior of individuals and groups within the context of an organization. The main focus of behavioral management is understanding the factors that influence employee behavior and using this knowledge to improve performance and achieve company goals. Behavioral management involves analyzing and understanding the motivations, attitudes, values, norms, and preferences of individuals and groups within the organization. This includes understanding how these factors affect decisions, interactions, and collaboration among employees. By understanding employee behavior, management can design appropriate strategies and interventions to influence desired behaviors, motivate employees, and improve their performance.

The application of behavioral management can include various approaches and techniques such as employee training and development, leadership coaching, the use of incentives and rewards, effective communication, creating a supportive

work environment, and conflict management. The goal is to create a work environment that is conducive to employees, improve job satisfaction, enhance individual and group performance, and promote a positive organizational culture. By implementing effective behavioral management, companies can achieve several benefits, such as increased productivity, improved work quality, reduced absenteeism and employee turnover, higher customer satisfaction, and overall improved financial performance. Behavioral management also plays a crucial role in creating an inclusive, collaborative, and innovative organizational culture that supports company growth and success.

Effective behavioral management can have a positive impact on employee productivity and performance. By understanding the behavioral factors that affect individual and group performance within the organization, companies can identify areas that need improvement and implement appropriate strategies. This may include the development of employee training and development programs specifically designed to address certain behavioral issues and motivate employees to perform at their best.

Financial Decision-Making

Financial decision-making is the process of selecting options or alternatives in managing a company's financial resources. Financial decisions involve analyzing, evaluating, and choosing among various options related to the use of company funds, including investment, financing, and asset management. Investment decisions involve determining the allocation of company funds to acquire assets that are expected to provide profitable returns in the future. This involves evaluating potential investment projects, measuring risks, conducting feasibility analysis, and selecting the most profitable projects for the company.

Financing decisions focus on the sources of a company's capital. Financial management must consider various financing options such as bank loans, stock issuance, bonds, and internal financing to meet the company's financial needs. The main goal is to maximize the company's optimal capital structure, which includes achieving the right balance between debt and equity.

Asset management decisions concern managing cash flow, liquidity, and the use of company assets. Financial management must wisely manage the company's cash, plan and budget effectively, and manage financial risks related to asset management. Financial decision-making is based on comprehensive financial analysis, including evaluating financial performance, risk analysis, cash flow forecasting, the use of financial ratios, and future financial projections. Therefore, management is required to make rational financial decisions based on accurate information and careful analysis to achieve the company's long-term objectives and maximize value for stakeholders.

Integration of Behavioral Management and Financial Decision-Making

Integrating behavioral management with financial decision-making can lead to better financial outcomes. A good understanding of individual and group behavior in the context of financial decision-making enables a company to identify cognitive biases, motivations, and risk tendencies that may influence the decision-making process. By considering these behavioral factors, companies can make more informed and accurate financial decisions, ultimately improving their financial performance.

The integration of behavioral management and finance also plays a role in building a strong organizational culture and values that are aligned with financial decision-making. A strong organizational culture reflects shared norms, values, and beliefs that lead to consistency in decision-making.

Integration between behavioral management and financial decision-making can be implemented in several effective ways.

Behavioral and Financial Management Strategies

1. Consideration of Behavioral Finance Factors

When making financial decisions, it is essential to consider the behavioral factors that may influence the process. For instance, recognizing cognitive biases or group behaviors that may affect financial decision-making. By understanding individual and group behavior, management can make more objective financial decisions based on careful analysis. Kahneman and Tversky's work on Prospect Theory suggests that financial decisions are often influenced by cognitive biases and irrational preferences. For example, the loss aversion effect, where losses are felt more strongly than equivalent gains, impacts investment decisions.

By considering this behavioral theory, management can identify and address biases and behaviors that may influence financial decisions. Additionally, Xiong and Inderst suggest that employee behavior, such as motivation, job satisfaction, and organizational commitment, can impact a company's financial performance. By considering this research, management can recognize that behavioral factors significantly affect financial decisions and integrate this understanding into the decision-making process.

2. Use of Data and Financial Analysis

Collecting relevant data and information regarding employee behavior and analyzing it in depth can provide valuable insights into managing performance and employee motivation. This data can also be used to identify behavioral patterns that impact a company's financial performance. By understanding these behavioral patterns, management can take appropriate action to positively influence employee behavior, thus

impacting the company's financial performance. Contingency Management Theory suggests that effective management considers different situations and conditions, adapting actions and decisions based on available data (Fiedler, 1967). In this context, data analysis can be used to identify employee behavior patterns and link them to company financial performance.

Robbins and Judge (2009) suggest that using individual performance data can improve fairness in decision-making regarding employee rewards and promotions. Research by Ahearne et al. (2004) shows that analyzing sales data and employee sales behavior can provide valuable insights into improving sales performance and customer satisfaction. In practice, companies can collect behavioral data through various methods such as employee surveys, interviews, and direct observation. This data can then be analyzed using statistical techniques and other data analysis tools to uncover significant behavioral patterns that inform appropriate behavioral decisions.

3. Cultural Formation

A relevant management theory in this context is Organizational Culture Theory. This theory emphasizes the importance of a strong organizational culture in shaping behavior, values, and norms within a company (Schein, 1985). A strong organizational culture can create an environment that supports sound and consistent financial decision-making. Denison and Mishra (1995) found that companies with strong cultures, positively integrated, are associated with better financial performance. Another study by Cameron and Quinn (1999) found that companies with innovative and adaptive cultures tend to make more proactive financial decisions focused on long-term growth.

Building a strong organizational culture can significantly impact a company's financial decision-making. It can be understood that a well-integrated organizational culture contributes to better, more sustainable financial decision-making. It is important for management to focus on developing a positive culture and ensure that values are integrated into financial decision-making to create a competitive advantage and long-term company growth.

4. Employee Training and Development Integration

Integrating employee training and development into financial decision management is a strategy that can improve employees' understanding and skills in making sound financial decisions. In this context, training and development focus on relevant skills and knowledge for effective financial decision-making. Training and development in finance may include an understanding of basic financial concepts, financial analysis, risk

management, and investment evaluation. Employees can also be trained in the use of financial analysis tools and techniques such as financial ratios, cash flow analysis, and cost-benefit analysis. Additionally, they can be trained in understanding financial statements and interpreting financial data to make informed decisions.

Integrating employee training and development in financial decision management has several benefits. First, it enables employees to better understand financial aspects of the business and how financial decisions can affect the company's overall performance. They can learn to identify financial risks, interpret financial data, and make decisions based on objective analysis. Second, training and development can help improve their skills in financial analysis and understanding aspects of finance relevant to business decisions. This can help employees make more informed and accurate financial decisions. Furthermore, integrating employee training and development can promote collaboration and cross-functional understanding within the organization.

Employee training and development in finance can improve their knowledge of financial decisions and positively impact the company's financial performance. Studies show that employees who receive training in financial analysis and decision-making tend to make better, value-oriented decisions. Therefore, integrating employee training and development in financial decision management can be a critical factor in achieving the company's financial success. By ensuring that employees have the necessary knowledge and skills, companies can improve the quality of financial decision-making, reduce risks, and achieve better financial performance.

Discussion: Integration of Behavioral Management and Financial Decision Making

Behavioral management and financial decision-making are two crucial elements in modern corporate management. The integration of these two approaches allows companies to understand individual and group behaviors in the context of financial decision-making, resulting in more informed decisions that support the overall performance of the company.

1. Influence of Behavioral Factors on Financial Decisions

Behavioral management enables companies to recognize cognitive biases, such as overconfidence, anchoring, and loss aversion, which can affect financial decisions. Zhang and Liao (2022) mention that behavioral biases often lead to suboptimal decision-making in financial management. For example, overconfidence bias can cause managers to be overly optimistic about investment prospects, which may result in risks that harm the company. By understanding these factors, companies can apply mitigation strategies, such as improving transparency in financial analysis or

implementing stricter internal controls. Behavioral theories, such as Prospect Theory by Kahneman and Tversky, also explain how individuals tend to be more sensitive to losses than to gains in decision-making. A recent study by Lee et al. (2020) found that managers who understand this bias tend to make more rational decisions, especially in the context of high-risk investments.

2. Data and Financial Analysis in Behavioral Management

Using employee behavioral data can provide important insights to support financial decisions. This data includes work patterns, satisfaction levels, and employee motivation. According to Fiedler (1967), contingency management theory emphasizes the importance of adapting management based on specific organizational conditions. In this context, data analysis can be used to identify behavioral patterns that impact financial performance and provide a basis for relevant interventions. A study by Nguyen et al. (2021) shows that companies that proactively use behavioral data in financial decision-making can improve operational efficiency by up to 20%. The research also highlights that companies that integrate data analysis into their decision-making processes are better prepared to face dynamic market changes.

3. Organizational Culture and Financial Decisions

A strong organizational culture plays a vital role in supporting effective financial decisions. Schein (1985) emphasized that the values and norms internalized within a company's culture can influence the consistency of decision-making. Furthermore, research by Cameron and Quinn (1999) shows that companies with an innovative organizational culture are more likely to make financial decisions oriented toward long-term growth. A recent study by Park and Kim (2019) found that companies with inclusive and collaborative organizational cultures have better financial performance. This is because of the conducive work environment, where employees feel supported in actively contributing to the decision-making process.

4. Employee Training and Development in Financial Decisions

Employee training and development are key elements in integrating behavioral management and financial decision-making. Robbins and Judge (2009) mention that relevant training can enhance employees' understanding of financial concepts such as risk analysis, interpreting financial data, and managing cash flow. A study by Wright et al. (2020) shows that employees who receive financial training tend to make more rational decisions, thereby reducing the risk of errors in asset management. This training also supports cross-functional collaboration, which

strengthens the integration of financial strategies with the overall organizational goals.

The integration of behavioral management and financial decision-making provides a holistic approach to improving company performance. By understanding and managing behavioral factors, effectively using data, building a strong organizational culture, and developing employee skills through training, companies can reduce the risk of biases in decision-making and achieve better financial performance.

CONCLUSION

The integration of behavioral management and financial decisions positively impacts a company's financial performance by identifying and managing behavioral factors that influence decision-making. By recognizing cognitive biases, analyzing behavioral data, building a supportive organizational culture, and engaging employee training, companies can reduce decision risk, improve analysis accuracy, and create an inclusive and innovative culture. This strategy helps companies make more objective financial decisions, improve performance and achieve long-term competitive advantage.

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