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THE INFLUENCE OF MANAGERIAL ORIENTATION IN DECISION-MAKING PROCESSES

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ABSTRAK/*ABSTRACT*

This research aims to examine managerial preferences in the resource allocation process. This research used an experimental method to test whether resource availability, stakeholder claims, and managers' affiliations to stockholders can influence the decision-making process of resource allocation. The results show that resource availability, stakeholder claims, and managers' affiliation could influence the resource allocation process. The results of the research contribute to several things. The first is to show that stakeholder theory can test managerial preferences at the individual level. Secondly, the resources distribution is influenced by behavioral factors associated with normative stakeholder theory.

INTRODUCTION

The definition of accounting contains at least two essential elements. Firstly, it functions in the process of identifying, measuring, analyzing, and reporting economic information. Secondly, accounting helps in the decision-making process. In the context of decision making, financial accounting provides economic information to the external users when management accounting provides information to internal users. Brewer (2008) explained that management accounting has four frameworks that are responsible for increasing stakeholders' value, managing the organization's strategic management, aligning the system, and facilitating the learning process and capacity building continuously. The definition provides a consequence that management accounting has a vital role for internal implementation, and also as a source of informationManagement accounting information can influence managers' behavior. One of them is in the decision-making process. In the decision-making process, managers often have different interest. In this case, the managers face a very complicated process. Some literature showed that the managers' influence in the decision-making process is not only purely related to the information content but also the behavior, including individual motivation and personal characteristics. This influence makes a complicated relationship between the decision-maker managers and management accountant. Wall & Greiling (2011) stated that in the decision-making process, managers depend on their orientation, whether it is on the stakeholders or stockholders (owners of the capital).

Managers' decisions are influenced by information that considers stakeholders as well as the capital owners' interests. In the decision-making process, accounting information provides an important role. Roshan (2009) explained that when the managers' interests differ from the capital owners' interests, then the managers tend to fulfill their interests rather than maximizing the capital owners'

interests, which in this case is called agency problems. The goal of a corporation is to minimize agency costs. Emmanuel et al. (1990) stated that management accounting should avoid the agency problems and managers' opportunistic behavior.

This research tried to identify and test the managers' behavior in the decision-making process and oriented to the capital owners or stakeholders. Many studies illustrated the implications of stakeholder theory. And also revealed it at the organizational level in its analysis. According to Donaldson & Preston (1995), stakeholder theory is the managerial that gives attention to stakeholders by recognizing their interests, which can influence the policymaking process. Although this clearly shows the individual level, there is just a few researches that reveals the decision-making process of manager individually, in the context of stakeholder management.

Other research related to the topic of managers in balancing various stakeholders was conducted by Reynolds, Schultz, & Hekman (2006), who have revealed the factors that influence resource allocation. Reynolds et al. (2006) used the manipulation of resources perceptions to found out where were the managers would allocate their resources. This study more on managerial preferences in resources allocation.

This research examines stakeholders at an individual level. It uses stakeholder theory to test on how the managers distribute the limited resources. In the stakeholder theory, it is known as balancing the interests of various stakeholders. Balancing various stakeholders is the most critical point. In this case, it is how the managers pay attention and maintain the support of the concerned parties. Although this is important, there has not been much researches that revealed how managers individually balance the interests of related parties in the decision-making process of the organization.

The purpose of this research is to determine the factors that influence managers in balancing the interests of various stakeholders. Another aim is to test whether the resource availability, stakeholder priority claims, and stakeholders' affiliation influences the managers' decision in the resources allocation, with its linkages to balance stakeholders.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Capital Theory and Stakeholder Theory

The difference of agency theory and stakeholder theory has been revealed in various business literature (Shankman, 1999). Agency theory focuses on the relationship between agent and owner as one of the stakeholders, while stakeholder theory tries to explain various stakeholders in a broader scope. Agency theory considers that managers tend to be opportunistic and prioritize their interests. Thus it needs to be limited and monitored. Stakeholder theory views that managers are not always opportunistic, thus they need to be given sufficient authority to be able to accommodate various stakeholders. Mohammadi, Khan, Ghazemi, & Mohamad (2015) explained that stakeholder theory is quite useful in offering normative and instrumental concepts in recognizing various stakeholders in the decision making process. The process contributes to our understanding by providing a framework on how an organization recognizes, prioritizes, integrates, and accommodates various stakeholders in every decision that has been taken.

The desire to balance various stakeholders that not just focus on the owners is an effort to maintain support (Madein & Sholihin, 2015) and as part of the company's strategy. It is some balancing processes in the cognitive level (individual) and administrative level (organization). Some researchers have tested the behavior forms, both at the individual level and at the organizational level (Reynolds et al., 2006). Crane & Ruebottom, (2011) stated that managers,

as agents, are responsible for managing their resources as a way to maximize the wealth of the capital owner as the owner of the company, while bridging the interests of various parties involved. Berman, Wicks, Kotha, & Jones, (1999) found out that balancing stakeholders with five stakeholder relationships, namely employees, the natural environment, diversity, product/customer safety, and the community can moderate the relationship between corporate strategies and the company's financial performance.

Stakeholder Management

Stakeholder theory provides a more appropriate perspective by considering more complex perspectives in assessing the stakeholders (Harrison & Wicks, 2013). By giving balance in every decision, it has shown that stakeholder theory seeks to maintain relationships with various parties, and this is a fact that this theory differs from the perspective of agency theory that has implications on the organizational resources allocation process (Hosseini & Brenner, 2019).

The effort to balance the various stakeholders is also related to resources management. Several studies have revealed how managers allocate resources. Whether or not there is an opportunity to share resources, it can influence the behavior in available resources allocation (Reynolds et al., 2006). Allison, McQueen, & Schaerfl (1992) stated that when resources are more comfortable to share, individuals will tend to share it equally. Parks et al. (1996) also said that when resources are natural to divide into several groups, individuals have a stronger tendency to share with their colleagues. This study proposes that when managers feel confident that the resources obtained will be more natural to share, they will share these resources equally with the stakeholders. The hypothesis offered is:

H1. The availability of resources to be share will make the managers have a tendency to balance various stakeholders, and it differs with resources that cannot be shared.

Stakeholder Claim

There have been several attempts at integrating stakeholders and strategies. For example, Freeman et al. (2010) who integrated it with strategy management, and Elms, Brammer, Harris, & Phillips, (2010) who integrated it with ethics. Donaldson & Preston (1995) explained that stakeholder theory provides acting instructions to the managers. In the case of limited resources, management is often unable to meet all the stakeholders' interests, so there needs to be an effort to bridge this issue. In distributing resources, managers are not only influenced by the resources that possible to be shared but also influenced by stakeholders' claim to the resources they have (Reynolds et al., 2006).

Ronald K., Bradley R., & Donna J., (1997) offered a concept that stakeholders' priorities are a tool to legitimize a decision. Stakeholders' priorities guide managers in identifying who and how the decisions must be taken. These priorities serve as a guide in the decision-making process. Agle, Mitchell, & Sonnenfeld (1999) have empirically tested how CEO perceptions of stakeholders influence organizational decision making. In this case, it is suspected that the managers' allocation of owned resources is influenced by the stakeholders' priorities. Priorities can be in the form of claims, both from the leadership and stakeholder element. Stakeholders' priorities or claims are formed by the basis of legitimating the importance of these stakeholders. Thus the managers can see stakeholders as priority parties in the broader organizational strategy or more specific decisions. On this basis, the hypothesis proposed is:

H2. Having the same claim of interest among stakeholders, managers will tend to balance the various stakeholders; it differs from when the interests claims is different.

Group Affiliation

Stakeholder groups can emphasize their claims, influenced by their affiliations, to the companies (Handelman, 2006). Some literature has shown that because of this relationship, stakeholders have a special status in the decision-making process. For example, they are included in the list of owners as well as having other community groups with interest to the company. Other literature suggested that all stakeholders have unique characteristics, capital owners are no different from other stakeholders, and they should not get special treatment because of their presence in a group (Boatright, 1994). These differences have normative implications for capital owners. We understand that there is a possibility when the membership of the stakeholders involved as owners, it will influence the decision-making process. Based on the description above, we consider the membership of the capital owners by proposing the following hypothesis:

H3. In balancing various stakeholders, there is a significant difference between decisions that involve capital owners and that are not.

RESEARCH METHODOLOGY

This research examines managerial preferences in the available resources allocation process. This research used an experimental laboratory method. The experiment used two factors, which were the owned resources (can be shared/cannot be shared), and stakeholder claims that are the equal/favor stockholder/favor stakeholder. The instrument used were depicted a manager who sold a property for 600 million rupiahs. The manager was faced with three choices of where the fund would be allocated. Whether it was to add capital owner dividends, ongoing employee scholarship programs, or programs for community development. This research used an instrument developed by Reynolds et al. (2006). The experiment was used to provide flexibility to the researcher in providing control of the stimulus provided (Nahartyo & Utami, 2016).

Table 1.1. Research design

<table>
<tr><td colspan="2" rowspan="3"></td><td colspan="3">Stakeholder Claims</td></tr>
<tr><td rowspan="2">Equal</td><td colspan="2">Unequal</td></tr>
<tr><td>Favor Stockholder</td><td>Favor Stakeholder</td></tr>
<tr><td rowspan="2">Resources</td><td>Can be shared</td><td>Cell 1</td><td>Cell 2</td><td>Cell 3</td></tr>
<tr><td>Cannot be shared</td><td>Cell 4</td><td>Cell 5</td><td>Cell 6</td></tr>
</table>

Source: Data processed

This research used the dependent variable and independent variable. The independent variable of this research was the availability of manipulated resources that could be shared and could not be shared. Resources that could be shared were manipulated by the direction of the deputy director of finance, who did not have direct authority to the managers/participants in the process of distributing the resources. While in the resources version that could not be shared, the finance director hopes to make only one check. This research manipulated the perceptions of resources to test the managerial preferences in the resources allocation process.

Another independent variable was the claim of interest that was manipulated by three manipulations. They were the equal, favor stockholders, and favor stakeholders. In the same version of the claim, the capital owner's dividend fund, employee scholarship funds, and community development programs were presented with the same statement. In unequal versions of claim, each claim was accompanied by a specific statement. In favor of the capital stock (favor stockholder) version, the decision-making manager read and know that the president stated that dividends were the main priority. In the version of employees propensity (favor stakeholders), managers learned and listened that the president is not interested in community development programs or dividend distribution. In contrast, employee organizations are active and strong enough to exert pressure. In the version of a tendency for local community groups (other favor stakeholders), it was by providing information that the local community requires assistance to be able to develop.

The dependent variable was in the form of resource allocation, whether the resource was allocated to the capital owner or other stakeholders. After participants read the scenario, they were asked to give their preferences by allocating funds from the sale to each group. Participants were given freedom of the nominal amount to be given to each group. To prove the validity of the experiment by testing respondents who were asked to answer two questions using a Likert scale of 1-7. 1 with a meaning of strongly disagree and 7 with a meaning of strongly agree. Check manipulation focuses on the distribution of resources and stakeholders that were relatively the same as the claims of the three groups

RESEARCH RESULTS AND DISCUSSION

Participant Characteristics and Statistical Tests

Participants in this research were economics and business students of Ahmad Dahlan University. The experiment was carried out in two stages. Participants were divided into six experimental groups with different information manipulation. The number of participants was 28 men (39,4%) and 43 women (60,6%). Before the experiment was carried out, pilot tests ware done to test whether respondents understood the instrument. Pilot tests were carried out twice, both with 18 respondents, and one stimulant with three respondents. After the instrument was sufficiently understood, then the instrument was applied. The following is participant demographic information:

Table 1.2. Participant Demographics

	Total	Percentage (%)
Gender		
Male	28	39,4
Female	43	60,6
Total	**71**	**100**
Work experience		
Experienced	23	32,4
Inexperienced	48	67,6
Total	**71**	**100**

Source: Data processed

Before testing the hypothesis, a normality test was performed. Normality test aims to find out whether the data is normally distributed or not. The normality test used the Kolmogorov-Smirnov. Based on table 1.3, the normality test results is 0,000 <0,05; thus it can be concluded that the data is distributed abnormally. The results of the normality test can be seen in table 1.3.

Table 1.3. Smirnov-Kolmogorov Normality Test Results.

		Claim	Resources	Alocation
N		71	71	71
Normal Parameters	Mean	2,000	1,493	235,957
	Std Deviation	0,828	0,503	101,448
Most Extreme Differences	Absolute	0,224	0,343	0,227
	Positive	0,224	0,343	0,125
	Negative	-0,224	-0,336	-0,227
Test Statistic		0,224	0,343	0,227
Asymp. Sig. (2-Tailed)		0,000	0,000	0,000

Source: SPSS Data Processing

Hypothesis Testing

Test results showed that the data was not normally distributed. With these results, the testing was used nonparametric tests. The test equipment used was the Kruskall-Walls Test with three tests. The following information is the result of the tests:

Table 1.4. Summary of *Kruskall-Wallis* Test Results

Variable	Chi-Square	df	Asymp. Sig	Manipulation	N	Mean Rank
Resources	21,819	1	0,000	Can be shared	36	24,99
				Cannot be shared	35	47,33
Claim	9,755	2	0,008	Equal	24	25,56
				Favor Stockholder	23	41,83
				Favor Stakeholder	24	40,85

Stockholder	8,058	1	0,005	The same claims	24	18,56
				Stockholder	27	29,67

Source: SPSS Data Processing

The dependent variable in this research was the decision preference in the process of allocating owned resources by considering the resources available and the stakeholders' preferences. This research used the 2 x 3 between-subjects experimental design. Table 1.4 shows that the influence of the availability of the resource that can be shared and cannot be shared influences the process of resource allocation. Data shows that the level of significance is (0,000). The mean rank of resources that can be shared is 24,99; it is lower than the data that cannot be shared 47,33. This shows that hypothesis 1 is supported.

Stakeholder claim shows the significance of (0,008). This shows that the managerial preference for stakeholders can influence the resource allocation process. The equal stakeholder claims also have a lower mean of (25,56) than those that have a propensity claim to the capital owner (41,83) and other stakeholders (40,85). This result shows that hypothesis 2 is statistically supported. Hypothesis 3 test result has a significance level of 0,005. This shows that hypothesis 3 is supported. It means there are differences in decisions involving capital owners and those that do not involve capital owners. The mean rank of the same claims that do not involve capital owners is (18,56), while those involve capital owners is (29,67).

Discussion of Research Results

The first hypothesis aims to examine managerial preferences in balancing stakeholders based on the available resources allocation. The results of testing the first hypothesis indicate that resource availability can influence individual behavior in distributing resources, specifically in balancing various stakeholders. These results indicate that stakeholder theory can be used to identify relationships with various stakeholders (Minoja, 2012).

The second hypothesis aims to test managerial preferences in balancing stakeholders based on the interests of various parties. The results of this hypothesis testing indicate that individual perceptions at the level of interest of the stakeholder group influence the resource allocation process. Reynolds et al. (2006) suggested that in allocating resources, managers are influenced by perspectives or inclinations to the interests of existing groups. This is a clue on how the managers will allocate their resources (Donaldson & Preston, 1995). Ronald K. et al. (1997) said that the initial tendency towards stakeholders could be a legitimacy or guidance in the decision-making process.

The third hypothesis trys to test whether the involvement of the capital owner can influence the resource allocation process. The test results show that there are significant differences between those involved as stakeholders and not involved in the resources allocation. Affiliation to specific groups can emphasize the company's claims that indirectly affect the resource allocation process (Handelman, 2006). In this case, the individual who is not involved in the stakeholder group will allocate resources more equitably than the individual involved in the interested group.

The results of this research indicate that individual managers have preferences in balancing various stakeholders. Factors that influence the resource allocation process are the resources availability, claims of interest, and individual perceptions on the importance level of an interest group. At the theoretical level, this finding lends support to stakeholder theory that it can be used to test managerial preferences in resources allocation. At the level of practice, this research reveals the reasons for individuals in the resource allocation process. This research shows an understanding of the factors influencing

managers in making decisions that show the managers' behavior in the decision-making process.

CONCLUSIONS

Using a stakeholder theory approach, this research assumes that managers are interested and motivated in balancing various stakeholders. This research contributes to the stakeholder theory literature. First, this research shows that stakeholder theory can be used to test managerial preferences at the individual level. Second, this research contributes in providing insights to the management level. This research shows that managers in distributing resources to the stakeholder groups are influenced by their preferences. It means that the resources distribution by managers is influenced by behavioral factors. In the behavior context, it will relate to normative stakeholder theory.

This research limitations are; first, this study used an experimental method. It means that experimental research is simplistic and in particular conditions; thus, it is challenging to be able to conclude in general. Another limitation is that this research examined the determinants in the resource distribution but limited to several factors. It has not been able to capture all the phenomena. And then, the factors tested were only at the individual level. Further research can be developed at the organizational or individual level.

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