

Investigating the impact of weakness in financial management and inadequacy of strategic leadership on the success process of IranAir-the airline of the Islamic republic of Iran

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ABSTRACT

The present study aimed to investigate the effect of weakness on financial management and inadequacy of strategic leadership on the success process of IranAir-the Airline of the Islamic Republic of Iran. Using data collection and questionnaire distribution methods among the personnel of Homa Company and reviewing the collected data by descriptive and inferential statistics obtained by Excel, SPSS and Smart PLS 2 software, significant results have been achieved. With regard to the results of the discussed hypotheses, it is not possible to predict a bright or at least growing future for Homa.

The present study, using statistical methods and analyses, examines the strategy of IranAir- the airline of the Islamic Republic of Iran, and specifically studies the relationship lack of understanding of competitive forces and the decline of the company.

The results of the hypotheses based on the test hypotheses in this research are thought-provoking and warn that company managers should act as soon as possible to reform the strategic structure of the company.

Keywords: IranAir, Failure, Financial Management, Leadership Inadequacy

Introduction

For more than 50 years, the issue of predicting the failure and bankruptcy of companies has been one of the topics of global concern and many academic studies have tried to discover and present the best models for predicting decline and bankruptcy based on available information and statistical techniques. One of the most common methods of predicting degeneration and bankruptcy is the method of fundamental analysis and the use of financial ratios. However, since it is possible for these ratios to be manipulated by management, it seems more useful to use degeneration and bankruptcy models that are based on audit scales in addition to financial ratios. On the other hand, most studies in the field of predicting degeneration and

bankruptcy have focused on the use of single-period information, and few studies have examined the role of prior information in estimating and predicting degeneration and bankruptcy. Due to the lack of studies in this field, the model of predicting the decline and bankruptcy of Rolling Logit was selected to evaluate its predictability in Iran environmental conditions and to determine the applicability of the model (Ghiasinia 2013).

Great airlines in Iran are in the danger of bankruptcy, and if government support is cut off, the organizations are not able to continue their profession. For example, consider Homa-the airline of the Islamic Republic of Iran; the arrival of new aircraft in the Iranian air fleet has changed completely the atmosphere of the country's airline industry. The achievement of the Iranian President's visit to Europe and the agreement with Italy and France for the construction and delivery of Airbus has created a new atmosphere for our transportation industry.

It may be hard to believe that the second safest airline in the world has reached a crisis and lost its high position, but the promising days of the National Iranian Airlines do not seem unachievable.

"Homa" has been standing for more than half a century and has been survived through the loss. Although its prosperity after the peak period was slowly, it is still alive, and by purchasing French-made planes it wants to revive and develop more regularly than before. However, the main issue seems to be how the company, which was once the second largest airline in the world in the safety and one of the leaders in designing and operating intercontinental routes and has lost its position in the world in recent years due to airline fleet ageing, can plan for its prosperity with the arrival of 118 new aircrafts?

Some experts believe that the loss of "Homa" has been controlled and due to the unique features of Iran, its geopolitical importance and the high level of potential and actual demand in the country that has spread throughout it, it is possible that the National Airline with the elimination of sanctions will be able to return to its previous position. However, some former managers of this organization still believe that the unfavorable position of "Homa" was not due to sanctions and had other reasons. Because they believe that in recent years, the maximum abuse of sanctions has taken place and every happening is considered due to the sanctions. Some believe that Iran's airline currently has general problems and there is no room for a logical strategy. Principled work in this industry has remained useless and governments have missed many opportunities with wrong decisions.

US sanctions against Iran, including a ban on the sale of aircraft and its parts, are the main obstacles to Homa's growth. Today, because of these sanctions, Homa has a worn-out airline fleet. This company not only lost its global reputation in the 1970s, but it also became a second-rate airline in the Middle East by investing in some of the Gulf States such as the United Arab Emirates, Qatar, and Bahrain (Paniagua Juan, (2014).

Many of Homa's international flights have been suspended due to the company's shortcomings, and the company's domestic flight network has not changed much despite increasing demand. Due to the aging of the company's airplanes, its flight delays have also increased significantly. Many of Homa's aircraft have retired due to minor technical defects, as the company does not have the power to repair and supply spare parts (Paniagua Juan, (2014).

In Iran and the world, research has been done on the decline and bankruptcy of companies and airlines. Ghasemi et al. (2011) in their research discussed the factors affecting the decline and bankruptcy of the listed firms from the perspective of financial management failure. Slater considered three factors of weak financial supervision, failure to determine cost and lack of attention to financial ratios as the main causes of financial management failures that ultimately lead companies to decline. For this purpose, these three factors are considered as the main hypotheses of the research and for "weakness of financial supervision" 3 types of strategic control including pre-operation, intraoperative and postoperative controls and for "not paying attention to financial ratios" 5 Altman ratios are considered as sub-hypotheses. Finally, by preparing a questionnaire from the Likert scale and distributing it, the opinions of financial experts in this regard were obtained. With regard to the normality of the distribution of the obtained variables, a one-group t-statistical model was selected to test the hypotheses, which indicates the confirmation of all hypotheses and the significance of the relationships between the factors of financial management failure and corporate bankruptcy. In addition, Chi-Pearson and Smirnov-Kolmogorov tests were used to examine the Altman

model in estimating the probability of decline and bankruptcy of Iranian stock companies that the results show that as we become closer to the critical years, the probability of estimating the decline and bankruptcy of companies by this model will be stronger and there is a significant relationship between capital ratio to profit and Altman ratios. In addition, there is a significant relationship between different levels of Altman ranges in the years under study. Therefore, the impact of weakness in financial management and inadequacy of strategic leadership on the success of the airline of the Islamic Republic of Iran was discussed.

Reasons of Companies' Failure

Unsuccessful companies had poor records and poor maintenance practices, successful companies spent more time and money on product development, unsuccessful companies went beyond the available technology, and their managers neglected market analysis and sales. The final result of this study showed that the study degeneration and bankruptcies were not due to the small size of these companies but due to poor management (mismanagement). Some of these inefficient managements were due to the imposition of more tasks on a manager than the available time. They had different responsibilities and they did not have the opportunity handle all of them. Perhaps degeneration and bankruptcy was a good opportunity to put aside a manager who could have been avoided.

The Community of Degeneration and Bankruptcy Specialists (UK) surveyed 1,700 companies that went bankrupt in 1992 and found that corporate management was the biggest reason for the companies' bankruptcy. Then, market, lack of necessary additional investment and long-term financing were identified as factors of degeneration and bankruptcy, respectively (Newton, 1998).

Newton (1998) argued that inefficient management could not prevent factors such as inadequate sales (which lead to insufficient profits to keep the company in the business), inadequate pricing (which leads to losses on a special good, or very little profit), incorrect using of receivables and payables (failure to get major rebates and non-payment of debtors who are in a bad situation), excessive overhead and operating costs, and excessive long-term debt interest expenses (all of which are fixed costs versus income and cause break –even point), excessive investments in fixed assets and inventories (which limit funds and their unavailability to meet other liabilities), insufficient working capital and poor liquidity (due to excessive current debt as a result of acquisition of fixed assets using short-term credit), unbalanced capital structure (unfavorable debt-to-capital ratio), inadequate insurance coverage (against losses due to fire, theft, etc.), inadequate accounting methods and records (which cause the inaccessibility of information needed to identify and prevent the problem), overgrowth (rapid growth requires a high amount of cash that the company may not be able to get it in the short term and maybe costly) and risk limitation (companies that do not have diverse consumers will go bankrupt if a product is sold on credit or a consumer goes bankrupt), and each of them may lead to the collapse of the company.

Theoretical Framework

Along with the increasing progress of science, management science has also enjoyed significant advances and today the managers of organizations really need to equip themselves with the various techniques of this science as much as possible and have found that in order to achieve greater efficiency and create a healthier and more stable organizational environment and prevent the degeneration of companies they should be as specialized and experienced managers. Today, the ownership of business and manufacturing organizations is separated from their management, and the fate of institutions is in the hands of managers who are selected according to their professional talents and competencies to manage the affairs of the system.

Assigning specialized financial affairs to non-specialists slows down the work and also affects the quality and quantity of the work. Today, the importance of specialized business personnel in improving the affairs of organizations is so serious that officials compete with each other to attract experts in the labor market, and each tries to offer more benefits to attract financial experts.

The occurrence of signs of decline and degeneration does not necessarily indicate the bankruptcy and destruction of the company, but it is an alarm for the managers and administrators of that organization. These signs indicate that the organization has failed to achieve the predetermined goals and desired

performance of shareholders or analysts. As will be noted later, these signs are the result of poor performance and inadequacies of strategic leadership, financial mismanagement, or lack of competitiveness in the market (Ghasemi, 2015).

Research Model

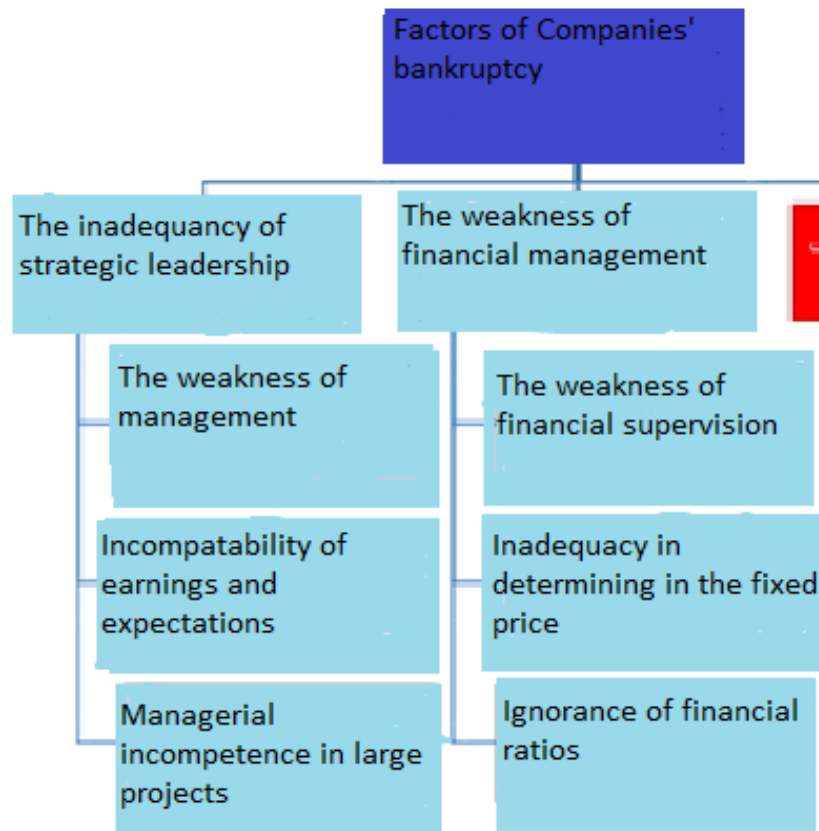


Figure 1: Research Conceptual Model (Tompson et al., 2016).

Research Method

The research method was descriptive-survey and according to it, the required research was conducted in the field of investigating the lack of attention to the competitive forces in the airline of the Islamic Republic of Iran.

The statistical population of this study is consisted of managers and experts of the airline of the Islamic Republic of Iran who are aware of the current situation of the company and can provide a detailed analysis of the current situation. In this study, questionnaires were distributed through stratified random sampling.

Research Tools

In this study, data collection was performed using a field method and a questionnaire.

Validity and Reliability of the Questionnaire

The reliability of the research questionnaire was obtained using Cronbach's alpha test by Smart PLS 2 software. Based on the obtained results, the values of Cronbach's alpha coefficient and combined reliability for items are more than 0.7, so the reliability of the questionnaires is confirmed and the extracted mean values of variance are greater than 0.5 for all items and the convergent validity of the questionnaires is also confirmed.

Data Analysis Method

In this research, statistical methods including descriptive indicators and Bartlett's test of inferential statistics such as standard coefficients and factor loadings were analyzed using SPSS 22 software and Smart PLS 2 software.

Findings

Descriptive Findings

Table 1: Frequency and Relative Frequency of Respondents' Age

Age range	Frequency	Relative frequency
Lower than 25 years	7	0.07
Between 26 and 35 years	44	0.44
Between 36 and 45 years	38	0.38
Over 45 years	11	0.11
Position	Frequency	Relative frequency
Central offices	30	0.07
THR station	14	0.44
IKA station	21	0.38
Flight operations	11	0.11
Business	24	0.24

Table (1) shows the relative frequency and frequency of respondents' age, which according to this table, 7 people are under 25 years, 44 people between 26 and 35 years, 38 people between 36 and 45 years old and 11 people over 45 years old.

The findings of this table also show that 0.60% of the respondents work in central offices, 0.14 in THR station, 0.21 in IKA station, 0.11 in flight operations and 0.24% of respondents working in commercial (business) units.

Descriptive Analysis of Research Variables

Table (2) presents the mean, which is an indicator for determining the turning point of data, range (domain), variance, standard deviation for variables and components, as well as lack of competitive forces and the decline of Homa, poor financial management and strategic leadership failure. According to this table, the average lack of recognition of competitive forces is 3.60 and the average decline of Homa is 3.66.

Table 2: Descriptive Indicators of Research Components and Variables

Component/Variable	Mean	Range (Domain)	Variance	Standard deviation
Decline signs	3.6611	3.11	0.913	0.95547
Inadequacy of strategic leadership	3.6967	3.33	1.037	1.01845
Weakness of financial management	3.7067	3.33	1.112	1.05439

Kolmogorov-Smirnov Test

The criterion for assessing the normality of data distribution is the amount of significance level. Momeni and Qayyum (2015: 168) believed that if the value of the significance level is less than the error level of 0.05, the data is not normal, and if the value of the significance level is more than the error level of 0.05, then the data distribution is normal. In order to test the claim of normality of research variables and components, we have:

H0: The distribution of research variables and components is normal (the research claim).

H1: The distribution of research variables and components is not normal.

Table 3: Results of Kolmogorov-Smirnov Test for Research Variables and Components

Variable/Component	KS statistic value	Significance level	Normality/Abnormality
Decline signs	0.276	0.000	Non-normal
Inadequacy of strategic leadership	0.283	0.000	Non-normal
Weakness of financial management	0.289	0.000	Non-normal
Lack of understanding of competition	0.290	0.000	Non-normal
Problems of providing resources	0.280	0.000	Non-normal
Wrong orientation in marketing	0.285	0.000	Non-normal
Lack of recognition of competitive forces	0.287	0.000	Non-normal

In Table (3), due to the smaller significance level of the components of non-recognition of competitive forces, Homa company degeneration and perceived eigenvalue of error level 0.05, H_0 and normality of these components are not accepted and the distribution of research data is abnormal and non-parametric. For this reason, Smart PLS 2 software, which is not sensitive to the normality of the data, is used for factor analysis and standard and significance testing between research hypotheses.

KMO and Bartlett's Test

Considering that the value of KMO statistic in Table (4) for not recognizing competitive forces is 0.963; weakness of financial management is 0.699 and for strategic leadership failure is 0.734, since the values of KMO statistics for all variables are more than 0.6, therefore the number of statistical samples is sufficient and appropriate for factor analysis.

Table 4: KMO and Bartlett's Test

	unrecognition of competitive forces	Weakness of financial management	Inadequacy of strategic leadership	Decline signs
KMO statistic	0.963	0.699	0.734	0.968
Bartlett's statistic	1095.985	571.505	369.039	1075.552
Freedom degree	45	3	3	36
Significance level	0.000	0.000	0.000	0.000

In order to test the claim of equality of variance, we conduct research on indicators of non-recognition of competitive forces, poor financial management and perceived eigenvalues.

H_0 : The variance of the indicators of non-recognition competitive forces, poor financial management, signs of decline and inadequacy of strategic leadership is not equal.

H_1 : The variance the indicators of non-recognition of competitive forces, poor financial management, signs of decline and inadequacy of strategic leadership is equal (Research claim).

In the fourth column of Table 4, considering that the value of significant level for the variables of non-recognition of competitive forces, Homa company degeneration and perceived eigenvalue is less than the error level of 0.05, so claiming inequality of variance of the indicators of decline signs and failure of strategic leadership and non-recognition of competitive forces are confirmed, and it is possible to identify and define new factors based on the correlation of variables. Due to the fact that the sample size and inequality of variance of the variables are acceptable for factor analysis, because of the abnormality of the data, Smart PLS 2 software has been used to analyze the measurement and structural model. Since in Figure (4-5) the M7 items have a factor loading less than 0.7, they are removed from the conceptual model and the factor analysis is performed again on the conceptual model.

Path Analysis and Factor Loadings between Inadequacies of Strategic Leadership and Decline of Homa Company

To analyze the relationship between the inadequacies of strategic leadership and decline of Homa Company we have:

H0: There is no relationship between inadequacy of strategic leadership and Homa Company's decline.

H1: There is a relationship between strategic leadership failures and Homa's decline (agreed claim).

In Table 5, the value of path coefficient or correlation coefficient between the strategic leadership failures and the decline of Homa Company is 0.422, which shows that there is a positive and direct relationship between the strategic leadership failures and the decline of Homa Company. Since the coefficient of determination between the two variables is 0.178, so 0.18 of the changes in the decline of Homa Company is affected by the variable of strategic leadership failures and the strength of the relationship between the two variables is moderate. Considering that in Table (5) the level of significance between strategic leadership failures and Homa company degeneration is less than 0.05 error level, therefore it can be said that at the confidence level of 0.95 there is a significant relationship between strategic leadership failures and Homa company degeneration.

Table 5: The Path Coefficient and Determination Coefficient of Inadequacy of Strategic Leadership and Homa Company's Decline

Path				
Independent variable	Dependent variable	Path coefficient	Determination coefficient	Significance level
Inadequacies of strategic leadership	Homa Company's decline	0.422	0.178	0.000

To test the significance coefficient of strategic leadership failures on the decline of Homa Company we have:

H0: The inadequacies of strategic leadership do not impact on Homa's decline in purchasing.

H1: Strategic leadership failures affect Homa's decline in purchasing (Approved claim).

Table 6: The Results of Testing the Hypothesis of the Effect of Strategic Leadership Failures on the Decline of Homa Company

Independent variable	Dependent variable	Freedom degree	t-statistic	Significance level	H1 situation
Inadequacy of strategic leadership	Homa Company's decline	99	4.673	0.000	confirmed

Considering that in Table (6) the value of t-statistic is equal to 4.673 and is greater than 1.96 and also the significance level is less than the error level of 0.05, so the research claim (H₁) is confirmed and the opposite claim (H₀) that means the lack of impact of strategic leadership failures on the decline of Homa is rejected.

Analyzing the Path and Factor Loading between Weakness in Financial Management and Homa Company's Decline

To analyze the relationship between weakness in financial management and the decline of the company we have:

H0: There is no relationship between the weakness in financial management and the decline of Homa Company.

H1: There is a relationship between the weakness in financial management and the decline of Homa Company (confirmed claim).

In Table 8, the path coefficient or correlation coefficient between the weakness in financial management and the decline of Homa Company is 0.230, which shows that the weakness between financial management and the decline of Homa Company is positive and direct. Since the coefficient of determination between the two variables is 0.053, so 0.05 of the changes in the decline of Homa Company is affected by the variable of weakness in financial management and the strength of the relationship between the two variables is weak. Considering that in Table (7) the level of significance between the weakness in financial

management and the decline of Homa Company is less than the error level of 0.05, so it can be said that at the level of confidence of 0.95 there is a significant relationship between weakness in financial management and the decline of Homa Company.

Table 8: Path and Determination Coefficients of the Weakness in Financial Management and the Decline of Homa Company

Path				
Independent variable	Dependent variable	Path coefficient	Determination coefficient	Significance level
Weakness in financial management	Homa Company's decline	0.230	0.053	0.000

To test the significance coefficient of weakness in financial management on the decline of Homa Company we have:

H0: Weakness in financial management does not effect on the decline of Homa Company in purchasing.

H1: Weakness in financial management effect on the decline of Homa Company in purchasing (confirmed claim).

Table 9: The Results of Hypothesis Testing of the Effect of Weakness in Financial Management on the Decline of Homa Company

Independent variable	Dependent variable	Freedom degree	t-statistic	Significance level	H1 situation
Weakness in financial management	Homa Company's decline	99	3.819	0.000	confirmed

Considering that in Table (9) the value of t-statistic is equal to 3.819 and is greater than the value of 1.96 and also the significance level is less than the error level of 0.05, so the research claim (H1) is confirmed and the opposite claim (H₀) that means t the lack of effect of financial management weakness on the decline of Homa company is rejected.

Analyzing the Relationship between Demographic and Research Variables

To analyze the relationship between the demographic variables and research variables we have:

H0: There is no relationship between demographic variables and research variables.

H1: There is a relationship between the demographic variables and research variables (confirmed claim).

Table 10: The Relationship between Demographic Variables and Research Variables

Demographic variables	Dependent variable	Correlation coefficient	Significance level
Gender	Signs of decline	0.332	0.000
	Inadequacy of strategic leadership	0.343	0.000
	Financial management weakness	0.347	0.000
	Non-understanding of competitiveness	0.333	0.000
	Problems of providing resources	0.306	0.000
	Wrong orientation in marketing	0.314	0.000
Age	Signs of decline	0.413	0.000
	Inadequacy of strategic leadership	0.415	0.000
	Financial management weakness	0.415	0.000
	Non-understanding of competitiveness	0.445	0.000
	Problems of providing resources	0.443	0.000
	Wrong orientation in marketing	0.421	0.000

Education	Signs of decline	0.251	0.000
	Inadequacy of strategic leadership	0.273	0.000
	Financial management weakness	0.275	0.000
	Non-understanding of competitiveness	0.264	0.000
	Problems of providing resources	0.220	0.000
	Wrong orientation in marketing	0.230	0.000
Position	Signs of decline	0.260	0.000
	Inadequacy of strategic leadership	0.266	0.000
	Financial management weakness	0.263	0.000
	Non-understanding of competitiveness	0.269	0.000
	Problems of providing resources	0.245	0.000
	Wrong orientation in marketing	0.224	0.000

In Table 10, the relationship between demographic variables of age, gender, education and staff position with research variables is presented. Considering that the value of correlation coefficient between demographic variables and research variables is positive, therefore, the type of relationship between demographic variables and variables is positive and direct. Therefore, the claim of a relationship between demographic variables and research variables is confirmed.

Conclusion

The IranAir- the airline of the Islamic Republic of Iran was considered as one the safest airline in the world in some years ago. With regard to the existing problems in the airline industry which have imposed many losses on this company, the effect of weakness in financial management and inadequacy of strategic leadership on the success of IranAir-the airline of the Islamic Republic of Iran- is investigated. The results are as following:

- **There is a relationship between the inadequacy of strategic leadership and the decline of Homa Company.**

The results of the standard coefficient in Smart PLS 2 software indicate that the path coefficient between strategic leadership failure and Homa company degeneration is 0.442 and indicates that the relationship between the two variables is positive and direct and considering that the significance level (sig = 0.000) is less than the error level of 0.05, so the second main hypothesis of a significant relationship between strategic leadership failure and Homa company decline at the confidence level of 0.95 with a sample size of 100 is accepted. In addition, the results of the significance coefficient in PLS software show that the value of t-statistic between strategic leadership failure and Homa company's decline is 4.673 and is greater than 1.96, also the significance level is less than the error level of 0.05, so the claim of the significant effect of strategic leadership failure on Homa company degeneration is confirmed. The results of this hypothesis are consistent with the findings of Thompson et al. (2016).

Based on the test results of the first hypothesis of the research and according to the average scores of the results obtained from the questionnaire (3.834), there is a positive and direct relationship between the failure of strategic leadership and the decline of Homa Company. If the managers of this company do not use the appropriate program, goals, policies and procedures, as well as do not have the ability to manage and adapt the company to the macro environment and purchasing, as a result, the performance of Homa Company is weakened and in the long term the company may go bankrupt. Accordingly, in order to improve the planning process in Homa Company, it is suggested that the senior managers of the company set specific goals and plans for other parts of Homa Company or, with the participation of managers and employees of other parts of Homa Company, they will be allowed to determine the plans and goals of their unit based on the overall goals of the company. These plans must be such that they make the company compatible with the macro and micro environment and also the managers have the necessary power, skills and expertise to implement the goals, plans and projects.

- **There is a relationship between weakness in financial management and the decline of Homa Company.**

The results of the standard coefficient in Smart PLS 2 software indicate that the path coefficient between weakness in financial management and the decline of Homa Company is 0.230 and indicates that the relationship between the two variables is positive and strong. Considering that the value of the significant level (sig = 0.000) is less than the error level of 0.05, so the third main hypothesis that there is a significant relationship between financial management weakness and the decline of Homa Company at the level of confidence 0.95 is accepted with a sample size of 100. In addition, the results of the significance coefficient in PLS software show that the value of t-statistic between weakness in financial management and degeneration of Homa Company is 3.819 and is higher than 1.96, also the significance level is less than the error level of 0.05, so the claim of a significant effect of weakness in financial management on the decline of Homa Company is confirmed. The results of this hypothesis are in consistent with the findings of Thompson et al. (2016).

Based on the results of the second hypothesis of the research and according to the average scores of the results obtained from the questionnaire (3.834), there is a positive and direct relationship between financial management and the decline of Homa Company. If the managers of this company do not have enough knowledge in finance and do not monitor the financial indicators in the company, they will be unaware of the company's profit and income, liquidity and other financial indicators, which will cause many problems for Homa and its performance. Therefore, it is recommended that in Homa Company, if managers do not have sufficient financial knowledge, use financial advisors or staff during their decisions and beside to encouraging employees in the financial sector and increase job satisfaction and participation in the affairs of the organization, by informing the financial situation of the company, managers will be prepared to make decisions and plan to solve financial and non-financial problems in the organization. Furthermore, if managers fail to perform their duties, the possibility of losing their job will force them to fulfill their roles and responsibilities. It is also suggested that the evaluation of the performance of Homa Company and its various divisions based on financial indicators such as cost of services, turnover volume, profit to cost ratio in each part of the company and other indicators appropriate to the organizational goals are used.

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