

# THE ROLE OF FINANCIAL MANAGEMENT INFORMATION IN STRATEGIC DECISION-MAKING IN MUNICIPALITIES: EVIDENCE FROM KWAZULU-NATAL, SOUTH AFRICA

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**Abstract:** More and more organisations are optimally applying financial management information in strategic decisions. This is largely due to the notion that financial management information is the backbone to any organisations value creation. The purpose of this study was, therefore, to gain an understanding of how management in municipalities uses financial management information in strategic decision-making processes. A qualitative multiple-case study approach was employed to achieve the objectives of the study. Ten senior managers within a District Municipality located in KwaZulu-Natal participated in this study. The results reveal that municipalities experience various fundamental limiting factors that determine the usability of financial information in decision making. Though these decision-makers make informed decisions, the factors raised in the findings, especially quality and accuracy of information, raise a question on the reliability of the information utilised since quality information is critical in the decision-making phase.

**Key words:** Financial Management Information; Municipalities; Municipal Finance; Service Delivery; Strategic Decision-making

## INTRODUCTION

According to section 152 (1) (a) and subsection (2) of the Constitution of South Africa, municipalities are mandated to ensure that services are delivered to communities and that the municipalities build sufficient financial and administrative capacity to deliver on this mandate. The constitution further states that, municipalities are required to give prioritise basic needs through structuring and management of administration and budget planning processes. According to Oberholzer (2013), financial management directly affects service delivery. It equips municipalities to perform Constitutional duties of delivering services to the community. Lack thereof negatively affects service delivery, as there is a strong relationship between sound financial management and sound service delivery (Oberholzer, 2013; Supromin & Choonhakhlai, 2017). Issues such as irregular, fruitless and wasteful expenditure

result from poor financial management practices and these pose a great risk as they bear no benefit to the community (Supromin & Choonhakhlai, 2017; Klingelhöfer, Erasmus & Mayo, 2015).

Local government is the sphere of government closest to the people and therefore acts as a link between the people and the government (Kurniawan, Rakhmawati, Abadi, Zuhri, Sugiyanto, 2017). Due to its strategic role, it is crucial that decisions taken at the local government level are crafted and articulated with the intention of improving the communities that the municipality in servicing. Municipalities are assigned the responsibility of delivering basic services to the community (Kim and Warner, 2016). The mission of the municipalities is to provide opportunities for the citizens through provision of infrastructure, service and support, therefore ensuring a sustainable economy with an improved quality of life (Kurniawan *et al.*, 2017). To achieve this, municipalities raise

revenue, through taxes, trading services and grants. Given the current economic constraints and the rise in protests for service delivery, meeting budget targets becomes a challenge (Dachis and Robson, 2015). This makes it evident that strategic decisions taken are to ensure value for money and guarantee the sustainability of the municipalities.

## RESEARCH PROBLEM

The current perception within municipalities is that decisions are influenced by external stakeholders such as the business sector, the public and provincial and national government (Soltani, Hewage, Reza & Sadiq, 2015). It is not clear as to how financial management information (FMI) impacts strategic decision-making in South African municipalities (de Kadt & Lieberman, 2017; Klingelhöfer *et al.*, 2015). The municipality follow the Integrated Development Plan (IDP) process to identify projects to be adopted over a 5-year period (Ruwanza&Shackleton, 2016). However, there is no formal decision-making process, followed by municipalities. Departments within municipalities involve financial management in strategic decisions at different phases of the decision-making process, making it challenging to measure the extent of influence that financial management has in strategic decisions.

## AIM AND OBJECTIVES

### Aim

The aim of this study is to analyse the influence of FMI on the decision-making processes in the District Municipalities located in KwaZulu-Natal.

### Objectives

- To evaluate whether FMI influences strategic decision-making in the District Municipalities in KwaZulu-Natal.
- To establish the extent to which FMI is used in strategic decisions in the District Municipalities in KwaZulu-Natal.
- To recommend a framework to be followed by local municipalities to ensure the proper integration of FMI in strategic decision-making.

## LITERATURE REVIEW

### Strategic Decision-making in Municipalities

Strategic decision-making in municipalities is participatory. Polletta (2014) clarifies this by stating that in a participatory decision-making system, decisions are taken either through consensus or majority rule. In the consensus decision-making system, the community must be small enough that each participant has a chance to participate (Siphuma, 2009). Participating is voluntary and those not satisfied with the decision can exclude themselves from the process (Khumalo, 2015). The decision has to be agreed-upon by all the participants. Further, communities are able to participate in the decision-making process through local representatives. At a municipal level, citizen participatory process is achieved through IDP forums, councillors and ward committees, stakeholder meeting and traditional leaders (Ruwanza & Shackleton, 2016). These forums would have large participants, therefore, it would be impossible to expect a consensus in these forums. This is a characteristic of a majority rule system where a 51% or more vote determines which decision will be accepted (Khumalo, 2015).

Treasury (2011) further demonstrates this, pointing that councillors ought to regularly monitor the budget and, in consultation with the ward committees, communities should be instrumental in the decision-making process. A study done by Radzik-Maruszak and Bátorová (2015), compared participatory frameworks used by the City of Lubin and the City of Tampere. This study concluded that Tampere had strategically limited the citizens' participation in decision-making through limited tools whilst Lubin had offered more participation (Radzik-Maruszak & Bátorová, 2015). The findings also revealed that among the advantages, participative decision-making bridges the gap between politicians, administration and citizens and promotes acceptance of decisions, which is critical in building organisation value. This study however, did not reveal whether the participation of the citizens influenced the strategic decisions made by these municipalities since the purpose was to compare the different approaches and find out the pros and cons of the different frameworks used in the two cities.

The participatory nature of local government is characteristic of a democratic government. As such, the municipality is the custodian of whatever participatory framework is being utilised and should ensure the success of that framework. The quality of the result from the citizen participation relies on who participates in the meetings. A study by Dillon, Buchanan, and Corner (2010) reveals the following about strategic decision-making in municipalities:

- Organisations in public sector make minimal investments to seek alternatives when making decisions, resulting in lack of clarity on available options. National Treasury's cost containment measures framework guide public sector organisations on what they can and cannot spend on. The Auditor General identified that public sector organisations utilise consultants extensively. To limit this, consultants are among the items that the cost containment measures seeks to reduce. As such, public sector organisations that do not have the necessary skill and capacity cannot higher external companies to give an extensive cost-benefit-analysis.
- As a way of creating partnership, strategic decision-makers in the public sector allow stakeholder involvement when suggesting alternatives. This limits service-delivery protests since the community knows what to expect.
- There is insufficient information to support the decisions taken which then limits available information about useful alternatives.
- Organisations face difficulties in obtaining accurate information to inform decisions.
- Irrespective of the utilisation of high quality information in decision-making, bargaining can influence decisions in the public sector due to political influences.

***Factors to be considered during the strategic decision-making process***

Strategy in the public sector differs from the private sector as it does not address maximising profits and increasing value for shareholders (Esteve & Ysa, 2011).

Organisations in the public sector make decisions that affect the citizens. As such, though strategies in the public sector are adopting the private-sector concepts, the way that these strategies are formulated bears much difference. The public sector emphasises value as the basis of strategy. For strategy to be successfully formulated and implemented in the public sector, the executive needs to assess the resources and identify if they are sufficient for the fulfilment of the mandate given to these organisations. Ambler (2016) concurs with this view when he expresses that strategy needs to be aligned to the reality of the organisation. As the municipalities interact closely with the community during the participatory process of decision-making, it is vital that those in the decision-making positions in municipalities familiarise themselves with the external factors that can influence the community. Isaac (n.d:3) indicates the following as environmental factors that municipalities can analyse during the decision-making process:

- The environment needs to be analysed to ascertain services needed, political climate and if funds are available to deliver such services. This demonstrates that the municipality serves the interest of its community and showcases its commitments in delivery of relevant services.
- Analysing the political turbulence assists in assessing political and pressure groups that the municipality operates within as well as the relevant stakeholders. This can be beneficial for the municipality during times of protests as they can positively benefit the municipality during such times.
- Analysing the background factors and if there are interconnections between events. This is prevalent in times of social uprising where certain events give rise to certain needs in communities. For example, during strike actions, extra protection will be required by businesses, consequently increasing costs for the municipality.
- Analyses of key factors that results in successful strategies including priority areas that could be highlighted in the municipality. Reflecting on past accomplishments and failures assists

decision-makers to be realistic when formulating strategies.

The common link in literature reveals that decision-making in public sector involves stakeholder participation and little collaborative data is utilised to support decisions made or offer alternatives. Issues on the quality of decisions in local government is not a phenomenon experienced in South Africa only but rather in municipalities worldwide.

### **The Significance of Financial Management in Municipalities**

According to Oberholzer (2013), financial management directly affects service delivery. It equips municipalities to perform Constitutional duties of delivering services to the community. Lack thereof negatively affects service delivery, as there is a strong relationship between sound financial management and sound service delivery (Oberholzer, 2013). Issues such as irregular, fruitless and wasteful expenditure result from poor financial management practices and these pose a great risk as they bear no benefit to the community (Klingelhöfer *et al.*, 2015). Having discussed the characteristics of strategic decision-making in municipalities, the literature review will clarify the role and impact of financial management has in municipalities. It will also give an indication of whether financial management influences strategic decision-making or not.

#### ***The role of financial management in municipalities***

Financial management is the cornerstone for municipal service delivery (Oberholzer, 2013; Paul, 2014). It does not only ensure that there are adequate funds available to 'implement council policies' and effectively deliver services to the communities (Khumalo, 2015), but also ascertain that the resources of the organisation and those of the nation are utilised effectively. Financial management in municipalities' deals with planning and budgeting, revenue, cash and expenditure management, procurement, asset management, reporting and oversight (Treasury, 2011). Therefore, sound financial management in municipalities needs to ensure that there is a healthy revenue inflow and that economic policies are applied properly during the planning and budgeting stage

(Ritonga, Clark & Wickremasinghe, 2013). Further, there needs to be acceptable cash and expenditure management to ensure that municipalities reduce fruitless and wasteful expenditure (Dharamlall & Moodley, 2013).

Oberholzer (2013) points out that 'there is a strong correlation between sound financial management and service delivery'. The author further explains that financial management is crucial in ensuring consistent effective service delivery. Financial management ensures that resources are available and are adequately allocated, municipalities with sound financial management practices are better equipped to deliver relevant service to the community.

Ritonga *et al.* (2013) alluded to the fact that the consequence of poor financial management is local governments delivering less services to the community. Therefore, poor financial management is among the catalysts that give rise to service delivery delays. Such can result in protest actions, which has a negative effect on the economy and ultimately the management of the financial affairs of the municipality (Oseifuah, 2014).

Inadequate financial management practices in municipalities result in audit findings, which in turn impacts the municipality's ability to raise funds. The Municipal Financial Management Act No.5 of 2003 (MFMA), introduced in 2004, guides accounting officers on how to conduct the financial affairs of municipalities (Oberholzer, 2013; Klingelhöfer *et al.*, 2015). Therefore, municipalities ought to follow the guidelines spelt out in the MFMA to ensure sound financial management. Prior to its introduction, municipalities were engaging in one line budgets, reports were not comprehensive enough and deadlines were unclear and frequently missed (Treasury, 2011:74). The obvious consequence of insufficient reporting is that decisions are not properly informed as decisions are based on insufficient information.

#### ***The benefits of effective financial management practices in municipalities***

Effective financial management can transform municipalities through timeous reporting that ensures updated information which results in implementation of quality decisions. Regular reporting ensures that the

municipality has an updated record of the budget, what has been spent and what is available for future project (Treasury, 2011). It ensures that there are adequate cash flows for capital and operational requirements of the municipality through reallocation of funds (Dharamlall & Moodley, 2014). Effective financial management ensures that there is sufficient information to contribute to the decision-making stage. The municipality's executive is responsible for approving and monitoring the budget and monitoring that there is efficient budget to fulfil the mandate of the municipality. Sufficient information makes it easier for decision-makers to reach agreement when making decisions and aids overall efficiency (Treasury, 2011).

Butt, Hunjra and Rehman (2010) states that organisations that employ sound financial management practices can increase their operational efficiency. Operational efficiency in municipalities can be achieved through sound budgeting that is neither overspending nor underspending. Underspending budgets mean the municipality is not delivering basic services while the overspending budget indicates that the municipality has inadequate expenditure controls (Treasury, 2011; Dharamlall & Moodley, 2014). Effective financial management is a contributing factor to municipalities achieving a clean audit and conducting their business of meeting communities' needs and wants (Oberholzer, 2013; Bailey, Feher & Kavanagh, 2012). Municipal decision-makers should strive to continually get new skills and knowledge in finance, constant planning and a renewed commitment to financial health of the municipalities.

### **The Link Between Strategic Decision-making and FMI**

Pressly (2012) indicates that among other decisions that management has to make, are strategic decisions on project resource allocation. Similarly, Kalali *et al.* (2011) explains that resources limitation is one of the factors that can contribute to failure of strategic decisions during implementation stage. Therefore, the argument posed by this study is that discrepancies would be avoided if FMI is linked to strategic decisions. The linkage between finance and strategy is demonstrated in a recent review by Agrawal, Gibbs and Monier (2016). In this review, the

authors specify how a link between finance and strategic decisions can be maintained through regular discussions between the two departments. The authors also highlight how 'ensuring that strategy, budgeting, and capital allocation are fully integrated' can guarantee an effective link between finance and strategy.

Agrawal *et al.* (2016) further points out that it is the responsibility of the CFO and CSO to ensure that there is a linkage through close partnership between finance and strategy through constant communication. CFO's are the ones that analyse financial data and how it relates to strategic planning, forecasting and issues of corporate governance. Agrawal *et al.* (2016) go on to indicate that tensions may arise between CFOs and CSO's due to the overlapping of roles. However, through better management of the roles, these tensions can be eliminated. Bailey *et al.* (2012) gives an argument supporting the opinion that the two disciplines of finance and strategy can be aligned to influence the value of an organisation. According to his argument, the gap between finance and strategy can be attributed to some manager's discomfort in 'words' against 'numbers' and the nature of the organisational structure that has positioned the strategic thinkers and finance in silos. As indicated by Peters (2011), McKinsey's 7S Model is a sound approach when one is looking at combining the essential factors that sustain strong organisations, these 7S's being strategy, system, style, staff, skill, structure and shared values. When these factors are aligned and operate successfully, they can create synergy and effectiveness in strategy and performance of the organisation.

Peters (2011:7) goes on to mention that for organisations to move forward, the seven forces must be linked. Though financial management is not mentioned explicitly, it does fall under skills and indeed as per the argument of this research, needs to be linked to the important activities in decision-making. The diagram below indicates a direct link between strategy and skills and can be utilised in organisations to reinforce this relationship. Management's goal is to fulfil the vision, mission and objectives of the organisation and optimise these elements to achieve them. In this case this model can ensure that the process of decision-making is successfully aligned to financial management.

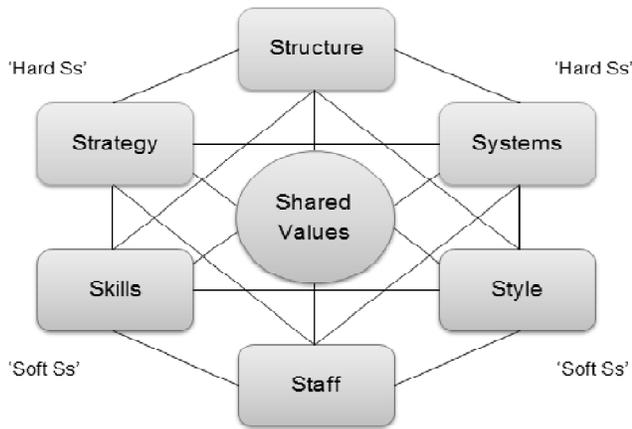


Figure 1.1: 7S Model

Source: Peters (2011)

## RESEARCH METHODOLOGY

The purpose of this study was to gain an understanding of how managers use FMI in strategic decisions. Therefore, the research method used was the qualitative research method in a form of a case study as the research questions for this study cannot be answered using a quantitative study. Creswell (2014) describes qualitative research as interpretive and is used in studies where the researcher seeks to get more understanding in context, people and interactions between variables. This study used a non-probability purposive sampling technique and this is appropriate for a study of this nature (Kumar, 2011; Dudovskiy, 2016). Judgmental sampling technique was applied to select the participants that are involved in decision-making. To provide confidence in the results, ten senior managers from a District Municipality, located in KwaZulu-Natal were interviewed. This sample size is deemed sufficient for a study of this nature (Creswell, 2015).

The interview schedule was structured as follows:

Section A – This section included questions to determine demographics of the respondents. The questions determined the age, gender, ethnicity, years of service and qualifications of the participants.

Section B – The interview questions were divided into 3 themes in line with the research objectives

- Theme 1 – The influence of financial management on strategic decision-making.

- Theme 2 – The extent to which FMI is used in decision-making.

The interviews were one-on-one face interviews with the participants. The interviews were conducted at the place of employment of the participants between November 2016 and March 2017. There was no coercion involved during the interview, the participants could freely answer the questions. To avoid distortion of the data, a recorder was used to capture the responses of the participants. The participants were given a copy of the interview question for reference and further questions. Data analysis was then conducted through thematic analysis.

This study ensured reliability, validity and trustworthiness of data through the following:

- Credibility –this is when the participants confirm that results of the research can be trusted. To improve the credibility of the interviews, the interview questions were forwarded to the participants on the email requesting their participation. This gave the participants sufficient time to go over the questions and familiarise themselves with them. The data and the interpretations were also scrutinised to ensure that there is a link between the two.
- Transferability – refers to the extent in which the results can be used in other circumstances, locally or globally. The qualitative nature of this research meant that a low number of participants participated. This limits the probability of generalising the results to population. The results, however, can be used as an example for comparable studies and give a better explanation to similar problems.
- Dependability –would the researcher get the same results if the study was to be replicated? To ensure that the meaning given by the participants was not compromised, data was collect in text and in audio. The data was analysed in logical and systematic phases to ensure dependability.
- Confirmability – would the results be confirmed by others? (Kumar, 2011). The questions were

conducted to senior managers not part of the sample to ensure that the participants' response was confirmed by someone not involved in the study.

### FINDINGS

The ten participants are the leaders of strategic decisions taken within the various District Municipalities and therefore, have extensive and diverse knowledge in strategic decision-making. Table 1 illustrates the demographics of participants.

**Table 4.1**  
**Demographics of participants**

<i>Demographics</i>		<i>Percentage</i>
Race	African	40%
	Coloured	10%
	Indian	40%
	White	10%
Gender	Male	70%
	Female	30%
Age	30-35	0
	36-40	30%
	40-50	20%
	50+	50%
Work Experience	0-5	0
	5-10	0
	10-20	50%
	20+	50%
Highest Qualification	Diploma	0
	Bachelor's Degree	30%
	Post Graduate Diploma/ Honours	30%
	Masters	40%
	Doctorate Degree	0

Table 1 indicates that the majority of the participants were African and Indian, both represented by 40% respectively, 10% were Coloured, whilst 10% of the participants were White. 70% of the participants were male whilst 30% were female. There were no participants below 36 years whilst 30% of the participants were between 36 and 40 years old, 20% were between 40 and 50 years and the majority of the participants, represented

by 50%, was above 50 years old. 40% of the participants had between 10 and 20 years' experience whilst the majority, represented by 60% had more than 20 years' experience. 30% of the participants had a Bachelor's degree, 30% had a Post Graduate Diploma or Honours, whilst the majority represented by 40% had a Master's degree.

The demographics indicate that the majority of the senior managers who participated in this study are males. The majority of the participants are above 50 years old and have more than 20 year's overall work experience, with 70% holding either a Postgraduate Diploma, Honours or a Master's Degree. These demographics indicate that the decision-makers at the investigated District Municipality are experienced leaders that have extensive experience as well extensive educational background.

Whilst various strategic documents were also reviewed, the data collected was analysed using thematic analysis after it was coded inductively using predetermined themes that emerged during literature review. Table 2 illustrates the themes that were identified during the interviews and data analysis.

**Table 2**  
**Themes**

<i>Theme</i>	<i>Sub-theme</i>	<i>Objective</i>
1. The influence of FIM	None	To evaluate whether FMI influences strategic decision-making in the District Municipalities in KwaZulu-Natal.
2. The extent to which FMI is used.	None	To establish the extent to which FMI is used in strategic decisions in the District Municipalities in KwaZulu-Natal.

The questions were designed to provide an understanding of the role of financial management in strategic decision-making within a District Municipality in KwaZulu-Natal.

#### **Theme 1: The influence of FMI**

Table 3 shows the question that was designed to provide an understanding of the role of financial management in strategic decision-making within the District Municipality.

**Table 3**  
**The role of FMI**

<i>Question</i>	<i>What role does FMI play in decision-making?</i>
Participant	Response
Participant 1	<i>“It assists in budgeting for projects informed by IDP and enables reprioritisation for requests not initially budgeted for “</i>
Participant 2	Informs decisions, assist in shaping decision to help achieve the goals of the unit. IDP needs to be funded
Participant 3	<i>“It’s used for feasibility, phased planning and prioritisation and there is maximum efficiency in implementation using a consultative approach”</i>
Participant 4	<i>“It plays a fundamental role in organisations, key and strategic decisions depend on this information and there is great reliance on FMI”</i>
Participant 5	<i>“A decisive role in terms of statutory imperatives, once a budget is approved, there are limited opportunities to deviate”</i>
Participant 6	<i>“its key in terms of planning of planning and budgeting for future upgrades of systems and procurement of assets”</i>
Participant 7	<i>“It’s very important as it is incorporated in the MFMA”</i>
Participant 8	<i>“Guides during decision-making”</i>
Participant 9	It also helps us to keep the legislative requirements
Participant 10	It is important for strategic decision-making

Table 3 indicates consistency in responses that indicate that financial management plays a very critical role in decision-making at the investigated District Municipality. It is evident from the responses that there are statutory requirements that the municipality needs to adhere to when making decisions. This is indicated where participant one, two, five, six and nine indicate that FMI has a role of ensuring adherence to the IDP, MFMA, statutory and legislative requirements. The IDP spells out projects that the municipality needs to deliver to meet its constitutional mandate while statutory and legislative requirements are set out in the municipal ACTS. Participant three supports participant two and participant four’s assertions that FMI informs decisions through feasibility studies, phased planning and reprioritisation of the budget. Participant one further stated that instances where the IDP process of engagement would identify a particular need, however, when it is time to deliver on that need, the community would request prioritisation of a different need that was not originally identified. This

is when the municipal officials need to revisit the approved budget and re-align funds according to the needs of the community, within the specific statutory constraints. Khumalo (2015) confirm this by stressing that strategy must answer the issue of resource allocation and this is best done when financial management in part of the strategic decision. Further to that, Dharamlall and Moodley (2014) refers to how financial management enhances the quality, analysis and the usability of information for decision-making. This is supported by Ambler (2016) when he mentions that decisions are influenced and strengthened through providing usable data for the analysis phase. Therefore, the respondents portray a high regard for FMI when making decisions as it increases efficiency. The participants gave an indication that financial management plays a critical role of influencing, shaping and strengthening decisions.

**Theme 2: The extent to which FMI is used**

This theme developed in order to address objective 2 and Table 4 and Table 5 shows the questions that was posed to participants and the responses provided.

**Table 4**  
**Effect of financial management on strategic decisions**

<i>Question</i>	<i>Have you used FMI when making decisions? If so, what effect did it have on your decisions?</i>
Participant	Response
Participant 1	Yes. Refined the quality of the decision
Participant 2	Yes, it shaped the direction of the decision
Participant 3	Yes, it helped achieve sustainability and resilience
Participant 4	<i>“I use FMI all the time when making business decisions. FMI is key/critical in making strategic decisions if an organisation is to succeed in pursuing its goals/ objectives”</i>
Participant 5	<i>“Yes – when acquiring privately owned property required for environmental / Durban D’Moss system. Only a small budget exists – hence only the most environmentally significant properties can be earmarked in one financial year”</i>
Participant 6	<i>“Yes, planning is linked to budgets. Assists with asset replacement”</i>
Participant 7	<i>Always</i>
Participant 8	<i>“Finance information is always used when making decisions and it assists with funding projects”</i>
Participant 9	Yes, it improves the decisions taken
Participant 10	It helps link planning to the budget during through IDP/SDBIP

Table 4 indicates that there is a consensus within all the participants that the use of financial management enhances the strategic decisions made. In response to the question, all participants indicated that FMI is always utilised in strategic decisions. The participants indicated that as a result of this, decisions effectuated are refined and informed and that assists in achieving sustainability and resilience in the decisions taken. Butt, Hunjra and Rehman (2012) concur with the response that financial management has major influence of on the organisations performance. Table 4 also indicates that decision-makers engage financial management as part of their business planning and strategy.

**Table 5**  
**Considering the impact of using financial management**

Question	Have you considered the impact of using FMI when making decisions?
Participant	Response
Participant 1	We always consider it
Participant 2	<i>“Yes, I ensure that I apply it every time when making decisions in my department”</i>
Participant 3	Decisions are more considered, flexible
Participant 4	<i>“I always consider FMI for any single business decision I have to make at any given moment”</i>
Participant 5	<i>“Yes— as Senior Management officials we are obligated to do so under the Municipal Finance Management Act”</i>
Participant 6	Yes, it also assists with compliance in the government sector, can also create red tape
Participant 7	it makes decisions better
Participant 8	It is always considered
Participant 9	Yes always
Participant 10	Yes

In Table 5 it is evident that the participants have great consideration for the impact that financial management has in strategic decisions. Participant three indicated that financial management results in considered and flexible solutions for the municipality. Participants five and six raised regulations as a driving factor in the consideration of the impact of financial management. If the decision makers were not to follow the prescribed regulation, they would be in contravention of the MFMA. Therefore, over and above the awareness of the importance of the impact of financial management, the decision-maker’s adherence

to the regulations is based on avoidance of contravention of regulations.

**Summary of key findings**

Findings under objective one and objective two gave an indication that decision-makers consult finance at different stages of the decision-making process. The findings indicate that decision-makers that participated in this study, have a high regard for financial management and take it into account during strategic decision-making phase. This is identified in what the findings reveal as an obligation to comply with statutory requirements that prompt the use of financial management. The study also revealed that, together with finance, these decision-makers perform feasibility studies, cost benefit analyses and value analyses. There is an exception, within these participants, of decision-makers who feel that finance departments should not compel business units to implement their advice, especially on alternatives, but that the business unit should do so if the advice bears economic benefits.

**LIMITATIONS**

This study was limited to ten participants. The size of the municipality, the municipal revenue mix as well as location of the municipality plays a major role in the replication of these findings. Therefore, due care should be exercised when generalising the findings of this study to other municipalities. An increase in the sample size and a mixed-study methodology may improve rigour in the analyses and reliability of the findings.

**IMPLICATIONS**

Several studies have been conducted on strategic decision-making and financial management, however, there is a gap in research on the influence of financial management in strategic decision-making in municipalities. Sound financial management and structured decision-making are critical in maintain the sustainability of municipalities. Stemming from the findings of this study, the following implication related to the influence of financial management in strategic decision-making, are made:

- It is evident that financial management influence decision-makers at the selected District

Municipality. However, decision-makers lack confidence in the accuracy of information that they receive from finance. The implications are that the municipality should adopt appropriate training strategies to assist officials to attain the technical and statutory skills that are lacking.

### RECOMMENDATIONS FOR FUTURE RESEARCH

A longitudinal case study approach is recommended to evaluate the impact of involving FMI in strategic decisions. This study would investigate if financial management's influence improves the financial standing of the municipality in the long run. The study could include line managers and supervisors, as they are likely to give objective responses since they are more removed from projecting a positive reputation of the organisation. This approach can assist in providing diverse responses from different levels of management and provide a more accurate and refined results and this objectivity would benefit the municipality.

### CONCLUSION

The study investigated the experiences of a District Municipality located in KwaZulu-Natal in the utilisation of financial management in strategic decisions. The findings reveal inconsistencies from the participant's responses in relation to the secondary reports, articles and practise at some departments. The findings also revealed that though financial management influences decisions at the municipality, there are still factors that need to be addressed for the municipality to fully experience the benefit of financially influenced decisions. This study, has also identified strategies that can be adopted to proactively address these factors, whilst developing employee's technical skills confidence.

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