

Reducing The Financial Risk And Increasing The Output By Adopting And Suitable Locating Of Financial Strategies

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Abstract

The finance strategy is a dimension of strategy which is placed in finance management and different finance decisions should be adopted by mentioning the four types. The present study's concentration is on defining and presenting the different financial strategies. Through the present article, the method of selecting and executing the financial strategies, the quality of managing the company, adopting the suitable strategies in financial risks, increasing the total risk and whole output have been explored. For this, the financial strategies were explored, and then the suitable strategies were presented for reducing the financial risks, total risk and increasing the output.

Key Terms: Financial Strategies, Financial Supplying Strategies, Working Capital Strategies, Investment Strategies, Dividend Strategies

1. Introduction

Strategy, since its introduction for the first time in management literature became a general and known term accordingly. Like other concepts in management and financial management, strategy is also used to mean different things. This concept is often used instead of the two concepts of politics and planning. Strategy should be a picture of what the entity wants in the future to reach. By definition, planning is an important process in the implementation of the strategy. Financial planning is often used to determine the steps required to achieve specific goals. Planning models to simulate communications are used for analysis, but they do not constitute a strategy. When Managers speak about a financial strategy they usually mean they a plan to identify financial resources. Such strategies are action plans to achieve their financial goals Financial strategy is a framework to guide decisions that will determine the nature and direction of the organization's finances; so financial strategy is a series of dynamic and related reactions and responses given based on different environmental conditions and reactions of other organizations in the environment. In contrast, fiscal policy will include specific financial variables. For example, perhaps a company adopted 30 percent of earnings per share and another adopts policy of credit sales to cash sales. In contrast, a financial strategy includes an examination of the likelihood of different economic scenarios and other environmental variables, defining and determining the effect of each of these variables on the company's activity, consideration of alternative responses, partial exchanges and assessing the likelihood of competitors' responses [3]. On the basis of the images created for the future, different decisions are taken on different variables that are under the control of the company. Financial managers must

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simultaneously so take multiple decisions in an environment with constant changes in this matter. Each of these decisions will affect other decisions. Since the environment is constantly changing, decisions should be based on the latest information constantly be evaluated and revised. In the real world financial managers must find a way to link together the various financial theories and this is the role of financial strategies.

1.1 The concept of strategy

Strategy is a comprehensive plan that shows how the company continues to achieve its mission and objectives [16]. The strategy includes a plan to create mutual relationship with environmental factors which are contradictory to the goal of the organization [10].

2. Financial Strategies

Financial strategy indicates finance and investment on company resources to achieve corporate objectives, namely to increase shareholder wealth. A time period is equal to the period of general financial strategy of the company [4]. In general, developing a financial strategy happens in three stages:

- Guidelines or strategies to determine how to meet the preferences of customers through exclusiveness
- The allocation of resources, in other words, the process of financing and implementation of new strategies to enhance the level of customer satisfaction
- Performance assessment, or evaluation of successes and failures resulting from business activities

At this point the administrators identify opportunities, barriers, pros and cons in the implementation of their strategy [18]. In view of the discussions about the formation of financial strategy and its role in integrating organizational goals together, it seems financial strategy is the most central strategy that is considered by corporate executives ahead. The communication of this strategy with other organizational strategies is very important [1,2,18].



Figure 1: Interaction between strategies

Identifying possible strategies that maximize the net present value of a company, allocating scarce capital for competing opportunity and the implementation and evaluation of selected strategies aimed at achieving stated goals. For a profit-driven company, the most important strategic goal is optimizing the wealth owned the company. This means that achieving the highest possible profit in line with the needs of various stakeholders, including shareholders, lenders, customers, suppliers, government employees. For a profit-oriented entity the most important strategic goal is optimizing the wealth owned by the company. In other words, it is assumed that the company's goal is to maximize shareholder wealth. In practice this can be interpreted in this way: to achieve the maximum possible profit while meeting the needs of the various stakeholders of the entity.

Stakeholder groups or individuals that have legal interest in the activities of an organization are generally these customers, employees, society, shareholders, suppliers and creditors [10, 23].

2.1 Types of Financial Strategies

The next fiscal strategy in the area of financial management and various financial decisions should be adopted with regard to the four types of financial strategies. This strategy is divided to finance strategy, capital structure, investment strategy, strategy of working capital, capital budgeting and investment strategy which financial managers must decide about them according to the strategy of the organization so that it creates most aligning with the organization's strategy yet provide more profits for their stakeholders [29, 13].

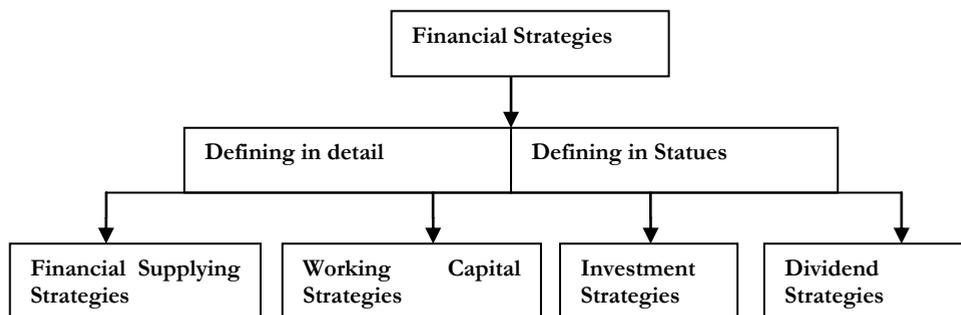


Figure 2: Types of Financial Strategies

Total risk in explaining the financial strategies has been formed from two parts:

- Business Risk (Marketing)
- Financial Risk

Commercial risk (business) a risk that is inherent linked to natural essential business features, leading to implementation of specific competitive strategies. The risk is concerned with anything other than financial risk arising from the financial structure. Financial risks are related to the combination of debt and equity.

In the decision concerning the implementation of these strategies, dimensions are considered (commercial risk) and (return on investment, cost of financing, dividend policy) which are referred to as strategic reference points; of the composition of these two dimensions will result in the following four strategies which is shown in figure (2) [1,3,4,5].

Table 1: the coherent model of decision making for executing the financial strategies

Attention Center	Control	Referred Strategic Points
Financial Risk Volume	Financial Output	Financial Strategies
Low	Low	Type 1: Risk Aversion
	High	Type 2: Medium and Tendency to Risk Aversion
High	Low	Type 3: Medium and Tendency to Risk
	High	Type 4: Risk

2.2 Financing Strategies and Capital Structure

The ratio of debt stock (although less acceptable) IS another way to obtain funds. The ability to manage companies to change the ratio is limited with the initial loan agreements, reaction by lenders and other market factors. However, managers show some flexibility in determining the structure of capital. Of course, increased financial pyramid increases the risk of the company. This will affect the company's profitability and pricing of its shares in the capital market[10, 17,28].

Company managers prefer internal resources to external sources of funding. These funds come into existence through the operational activities of the company; as a result, the company has more control over them in comparison with the funds from external sources. In addition, these funds are readily available and have no floating issue charge. In the short run amount of internal funds available are fixed or at minimum limit, because The Company's net income and expenses at the beginning arises of the company's operating activities rather than net financial decisions and policies. The company must constantly seek to improve its net interest margin, but it should be noted that these profits rises over a long period of time resulting from the introduction of new technology, economies and efficiency of production. A source of financing with costs higher than financing sources within the company, is sale of assets that are less productive than other assets, aims to invest the proceeds of the sale proceeds from the sale of these assets in assets and parts of the company's efficiency. This re-allocation of assets allows organizations and institutions to transfer funds obtained between projects that compete for resources. Management should clearly decide which projects to sell or in other words sacrifice the interests of these projects to other parts of the project. Such decisions should be made with great care. Usually this is an option with the lowest priority to finance the departments and growing units [10, 16, 27].

Each entity makes internal capital through operating activities, the sale of its assets and in other ways. After deciding which part of the company's cash flows must be paid to shareholder, the company keeps the rest of the capital for investment. If required capital

is more than internal funds available to a firm, the firm should pay attention to external resources; the problem of obtaining funds from sources outside the company like deciding on the company's dividend policy is a troublesome problem. However, while the dividend profit is solved when the dividend percentage is determined, but estimating the amount of funds needed should be provided through external resources is a new starting point for management problems. Methods of providing funds require much more difficult decisions. Managers are facing several options to finance the financial needs such as short term supply versus the long term financing methods (time) and funding through the issue of shares in exchange versus financing through borrowing (capital structure). Financial analysts still have not solved all issues with funding from sources outside the company. Despite the lack of agreement between the financial theorists, managers have to provide funds from outside the company to invest in company. Investigating how these funds are used partially gives us awareness about the factors that managers take into account when deciding about time and capital structure. It seems that the managers use a sequential process in the selection of their financing from outside the company. In the case they generally prefer to use internal resources to external resources, however, when they want to make use of foreign funds borrowing is their first choice because it is the cheapest method of funding from external sources required. Administrators also prefer short-term debt to long-term debt, especially when interest rates are high. In principle this is to avoid being caught in higher rates for long-term loans. As a last resort, managers decide to issue new shares. Thus, leverages of the firms will grow over time [2, 10, 13, 15,16,21,25].

Reducing the price of common stock or preferred stock is convertible to lower prices and common loans are much more, because the matter is that managers are more willing to assess ordinary shares at the best time, when stock market assessed prices of higher value and because the managers have greater access to information, the market to this decision management with the reduction of stock price of the company. Since the bondholders and preferred shares have priority in terms of claims on companies they suspect changes in shareholder value. So managers pursue the concept of priority based on importance to minimize the adversely effect of the market price of ordinary shares when co-financing from outside sources. If the manager control is relatively large and %50 percent of stake is in his possession but is not in a position to be able to buy more shares, in that case funding from the loan can be one of the ways ahead of him. On the other hand, a group of managers who do not have any idea of the final vote when in need of money can easily issue stock (Of course, if the Group considers that its financial position is not satisfactory and borrowing can increase the risk of financial crisis) if a company is in trouble Creditors by virtue of the provisions of the loan agreement may impose controls on company executives and replace managers. Control does not necessarily mean to issue rights to shares or securities scrap but the financing of the controls should be considered [10].

Any company or entity will provide its own funds from sources inside or outside the company. Local resources are accumulated and undistributed profits during the past years and the proceeds from the sale of assets less productive. If these resources are enough, companies prefer to use the funds to meet their requirements and not to refer to money and capital markets but if the funds required by the Company is more than

the amount of funds available within the firm, they are forced to go through the money and capital markets to provide these resources. In general, two sources are available outside the company for funding: Loans and bond issuance and dissemination of shares. Each of these methods has implications for domestic and foreign-funded companies as well. Now, according to the theory of strategic reference points and two strategic reference points (focus and control) this strategy can be located. As is clear in Figure 4 companies that focus their attention inside the company try more to implement their required funds from sources inside the company, but if the focus of the company is on external environment, it tries to use opportunities available in the organization to obtain funds needed. Also based on control reference point, if the company has a severe control over its resources, it tries to lower interest between shareholders and invest the rest of the profits earned in different designs. But if the company is more flexible to raise funds it could provide funds with selling its assets and even different units [3,5,10,11,13,16,26,27].

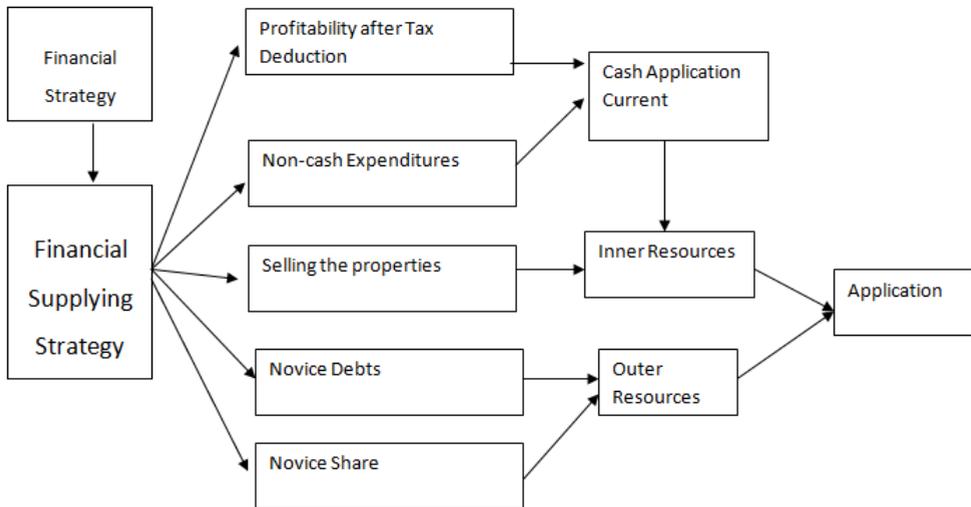


Figure 3: the strategic Resources points for Executing Strategic Financial Supplying

Financing decisions relating to business and finance optimized for meeting financial goals and also verifying the fixed capital and working capital to be managed effectively. Financial managers must have enough knowledge about appropriate resources available and the cost of these resources to ensure appropriate capital structure for example, an appropriate congruence between debt and equity. The managers also need an understanding of earnings and cash flows. Keeping in mind the fact that less interest would not be appropriate unless the entity has an appropriate cash to pay off the assets and working capital cycle is supported [10].

Financial decisions also require enough knowledge about risk assessment. Having too much debt creates a higher risk for the company because lenders are now a priority to get their funds. Much decisions related to risks are related to international trade in which the company faces risks related to exchange rate fluctuations and managers should be

aware of the different protection tools available, such as hatching. It seems that the manager uses a sequential process to follow when financing the funds required. They generally prefer required funds through internal resources and external resources. External sources of funding will be used when all internal funds are finished. Selection of foreign funds in securities with the lowest risk may be released earlier than other securities. For companies, debt financing through loans is a financing instrument with the lowest risk possible. As a last option also managers of the company decided to provide needed funds through issuing new shares [10].

Managers also take other conditions into account when issuing new shares. Financing through equity is the most expensive source of financing for companies because the high cost of issuing equity combined with the cost of float. In addition, market shows a positive reaction to issuing new shares of corporate. The ability of small and medium companies to issue new shares is limited. There is another issue related to the pricing and valuation of equity shares. Company managers might think Company stock is priced less than its real value, and therefore the stock will dilute current shareholders by selling new shares. So the pricing companies are reluctant to issue new stock. They may hope that stock prices will rise later and then issuing new shares will be more attractive for them. While the company cannot wait to get the best time to release stocks Perhaps the company use other sources of financing. Borrowing of money and capital markets is the preferred sources to finance. Suppose that the company is profitable, then it is possible to increase your investment without increasing debt ratio of debt to its stake. If this ratio is maintained and the amount of the debt allows increase to the extent that is possible to hold the increase in revenue, the company will not increase risk. However, the amount of new loans held by the amount of net income is limited by the company, which kept income also depends on the company's net income and payment of dividends to shareholders [1,10,13,14,15].

Table 2: The consistent pattern of decision-making for executing the financial supplying strategies

Attention Center	Control	Referred Strategic Points
Financial Risk Volume	Financial Supplying cost volume	Financial Supplying Strategies
Low	Low	Type 1: financial supplying by retained earnings and depreciation
	High	Type 2: financial supplying by loaning, Bonds and lease
High	Low	Type 3: financial supplying by selling the capitals
	High	Type 4: financial supplying by scattering the share

2.3 Locating Financing Strategies

Using two strategic reference point (the focus and extent of control) these 4 strategies are located. Financial strategies based on the original species, each fund strategies can be considered equivalent to any of the financial strategy. Accordingly:

- Funding Strategy through equity is consistent with financing risk strategy.
- Funding Strategy through borrowing and issuing bonds or balanced financial strategy is consistent with willing to take risks.

- Funding Strategy through the sale of assets with a balanced financial strategy is consistent with willing to risk aversion
- Funding Strategy through retained earnings is consistent with the strategy willing to risk aversion.

2.4 Working Capital Strategies

Working capital strategies is to determine the size and composition of the sources and uses of working capital so as to increase shareholder wealth, working capital is a set of amounts that can be invested in current assets. Working capital management is to determine the size and composition of the sources and uses of working capital so as to increase shareholder wealth. Companies use various working capital strategies to affect the company's liquidity. This strategy will determine their level of risk and return. If a company's current liabilities are deducted from current assets, net working capital is achieved [9,19,21,30].

A variety of working capital strategies

- **Conservative working capital strategy:** In this strategy, current assets will be in the maximum possible amount and current liabilities will be in the least amount possible.
- **Balanced Investment Strategy:** In this strategy of current assets and current liabilities will be placed in moderation.
- **Aggressive Working capital strategy:** In this strategy, current assets in the least amount possible amount and current liabilities will be in the maximum possible amount [2,3,10,16]

Table 3: The consistent pattern of decision-making to implement working capital strategies

Attention Center		Control	Referred Strategic Points
Financial Volume	Risk	Output volume	Working Capitals Strategies
Low		Low	Type 1: preserving
		High	Type 2: medium tend to preserving
High		Low	Type 3: medium tend to braveness
		High	Type 4: braveness

Locating Working Capital Strategies:

Four Capital Strategies are allocated in the image above. Based on the types of financial strategy it can be said that:

- Aggressive Capital Strategy is consistent with the risk-taking financial strategy
- Balanced Capital Strategy of willing to take risks (when the company adopts aggressive strategy in the context of current assets) is consistent with balanced financial strategy willing to take risks.
- Capital Strategy Balanced willing to risk taking (when the company adopts aggressive strategy in the context of current assets) is consistent with financial strategy willing to take risks.
- Capital Working Strategy is consistent with balanced financial strategy willing to take risks [3,9,10].

2.5 The Strategy of Capital Investment (capital budgeting)

After you create the appropriate capital structure for the company, which aims to minimize the cost of capital and capital structure are to be of low risk, how to invest on financial resources for value creation, is another the task of strategists and financial managers. Medium and long-term strategy in the field of investment and development projects and completing its finance and investment policy is the basic responsibility of the Board, Economic Development and Commerce Deputy. Implementation of various investment projects is done by taking advantage of the collective wisdom, practical methods, taking into account all factors and environmental realities performed. The nature of an investment nature is usually not Renewable, long-term and is often chosen from among several solutions [11,12].

Opportunities, capital budgeting or investment strategy can be divided into 4 categories:

1. Replacement of existing assets with similar assets
2. Replacement of existing assets to optimized reduction
3. Development of productive capacity by adding new assets to current product lines or expanding existing production lines with an investment capital to help boost sales
4. Risky Investments

Yet based on strategic reference point (the focus and extent of control) 4 strategies are located and classified. Organizations and companies that focus their attention on external environment and are flexible enough focus more on venture capital. Companies or business units that focus their attention on internal environment and controlled severely, focus more to investments that aim to increase production capacity. Companies that focus their attention within the organization, focus greater efficiency of the organization use the strategy of replacing inefficient and expensive assets to achieve this goal [2,3, 6,7].

Table 4: The consistent pattern of decision-making for executing investing strategies

Attention Center	Control	Referred Strategic Points
Financial Risk Volume	Output volume	Investing Strategies
Low	Low	Type 1: investing in Duty Unites (reducing the cost)
	High	Type 2: investing in Duty Unites (developing in current product's marketing)
High	Low	Type 3: investing in Duty Unites (increasing the quality)
	High	Type 4: investing in Duty Unites (developing in novice product's marketing)

Locating Investment Strategy (capital budgeting)

Based on strategic reference point (the focus and extent of control) 4 strategies are located and classified. Organizations and companies that focus their attention on the external environment and are flexible enough focus more on strategic investment. This classification can be based on two criteria: Risk investment projects and evaluate projects. For example, if an organization is faced with strategic investment usually subjective indicators and quality evaluation, are crucial. According to a variety of financial strategies and coordination model we can say that:

- Strategic investment strategy is consistent with the kind of risky financial strategy
- Investment strategy to increase the production is consistent with balanced risky financial strategy.
- Investment strategy Replacement of current assets with similar assets must be consistent with a balanced financial strategy tending to take risk.
- Investment strategy Replacement of current assets with the aim of reducing costs is consistent financial strategy tending to take risk [2,3,10,18,23].

2.6 Dividend Strategy

Dividend decisions is concerned with determining how much benefit and how often are paid to owners (shareholders) this decision has two elements: the amount that must be paid to the shareholders and value should be maintained to support the company's growth. If the company aims to increase its market value how should it divide income between the shareholders and keep some of it for themselves? The use of cash generated internally is often considered as a free resource for financing. However, this is incorrect, it should be noted that this funds also have costs, such as the opportunity cost, usually to calculate the capital of this payment WACC method was used [10, 15]. In deciding to adopt a dividend policy a company should consider the following factors:

Access to cash: in order to pay the company's profits sit should have access to cash. Even highly profitable companies also sometimes have problems to pay dividends to shareholders. If resources are also available in the form of illiquid assets, especially when there are no banking facilities.

Debt repayment: If the time is ripe for debt repayment and other funds are not available to repay the debt, paying dividends will be difficult.

Restrictive contracts: Some contracts related to loans received by the company include limits on the amount of dividends paid to shareholders or the growth rate of profits.

Expansion Rate: The funds may be needed to avoid trading.

If Stable profitability is equal in other conditions, a company that has stable profitability compared to the profitability of a company that has a higher percentage of fluctuation divided more profits between the shareholders.

Stable Profitability: the company which includes stable profitability process than the company its profitability process includes the different fluctuations divides the high percentages among the shareholders in case of similar conditions.

Control: Use of retained earnings within the company in order to finance new projects will help maintain the ownership and control of the company.

Dividend Competitors policy: Competitors policies could affect the company's dividend payout policy. For example, if the competitors to pursue higher dividend, to reduce the interest paid for financing the new venture will be difficult.

The impacts of warning: this dividend will be relevant to the content. As evidence of the company's dividend for the financial markets and shareholders are deemed is a symptom of the Company for the financial markets and shareholders. Investors deemed Dividend statements as evidence of the company's future prospects. The importance of this aspect of dividend policy is increasing and there are many examples in the press

showing Companies have to increase their dividend profit while financial considerations dictated that no interest is paid [3,5,10,15,16,24].

Given the above factors, different companies have developed specific dividend policies. Dividend policy used in the operation is of three types:

- Dividend at a fixed ratio
- Dividend fixed–warning pattern
- The remaining of dividend from the profit (accumulated)

Dividend at a fixed rate: it is important to have consistency in dividend. Over time, investment opportunities vary profits and cash flows will change. If the issue to be considered alone, it suggests that companies need to change their dividends over time.

When the cash flows are high and little cash is requiring dividend increase and when cash is low in comparison with investment opportunities, profits increase and when cash is low in comparison with investment opportunities it is reduced, but many of shareholders count on dividends and feel deeply upset when it is on unstable and unsustainable. Aside from the fact that reducing DPS to provide money to invest can give the wrong message to investors that might reduce the company's stock price because such an interpretation means that Future and predicted earnings of the company will be greatly reduced. Thus, if the goal is to maximize the company's stock price there should be a balance between internal needs and the needs and wishes of the share holders. Such a relationship looks back to explain the dividend policy. Announcing an aim to keep dividend policy the Board of Directors like declaration of dividends that represents a fixed percentage of profit after tax.

Dividend at a fixed ratio: alarming pattern: many companies pay dividends in terms of operating procedures and act almost stable. The most common way that many companies have adopted in recent years, is paying the annual after-tax profit and an increase in profits will gradually increase the amount. The company placed this basis in dividend policy with the declared dividend per share to shareholders communicates an important message. This especially happens when company's dividend is not changed in business cycles and market volatility. Because the payment of dividends and profits requires sufficient liquidity a company that comply with this policy gives stakeholders and interest groups the message that the profitability and liquidity strength is in very good condition. Some of the Board of Directors not only considers dividends but also to think about keeping hold a trend in the absolute level of dividend payment. The starting point for deciding on the dividend for the year, the interest paid last year, the dividend rate increases in the past year and whether they can repeat the rate this year and also considering the company's liquidity. For right or wrong decision about the dividend is a very strong signal to market the Board of Directors the confident of the company's future and this issue is supported by unexpected dividend cuts leading to the decline in stock prices of the company. The dangerous thing is that this could turn into a game which the company's executives are looking for signs that they think their stock price will increase. Even some people believe that the aim of this work should not be to shock the market and therefore they propose that the dividend should be equivalent to the profit projected by analysts.

Dividing the remaining profit: When codifying dividend policy, a clear basis cannot fit all companies. Some companies earn lots of cash but have limited investment opportunities (This situation is true in the case of companies that are in profitable the industry and at the saturation stage and don't have a lot of other opportunities for growth). Basically, this type of companies pays a high percentage of their profits in cash to shareholders and as such attracted groups who pay a lot of attention to the dividend. Some other companies do not get any extra cash, but have good investment opportunities (This is true in the case of companies that are in growing industry). Usually these companies do not pay dividends, but always retained earnings and raise its stock price and thus attract investors who are in favor of capital gains [2,4,10,15,26].

Table 5: consistent pattern of decision-making to implement dividend strategies

Attention Center	Control	Referred Strategic Points
Financial Risk Volume	Retained earnings cost volume	Profit sharing Strategies
Low	Low	Type 1: the rest profit sharing (the minimum profit sharing)
	High	Type 2: the cost of verified profit sharing (under-the-medium profit sharing)
High	Low	Type 3: the cost of proved profit sharing in addition to extra profit (profit sharing above the average)
	High	Type 4: the ratio of proved profit sharing (the maximum profit sharing)

Locating financial dividend strategies

Dividend strategies can be located using strategic reference points strategic: focus and extent of control. Based on the types of financial strategy, each dividend strategies can be seen as follows, and each equivalent to financial strategies.

- Dividend strategy a fixed ratio of risky financial strategies.
- Stable dividend strategy is consistent with a balanced financial strategy willing to take risks.
- Dividing Strategy of fixed amount plus an additional fee is consistent with balanced financial strategy unwilling to risk [1,5,10,13,14].

When deciding on the dividend it is needed to address issues such as the percentage of net profit interest that must be paid to shareholders, consistent dividends paid over the years, Redemption of shares issued and the amount of money that must be kept from the profit of the organization. Companies can hold profit during the fiscal year to complete the completion and development program in order to retain all earnings or a percentage of it in the form of cash or cede to stockholders. Usually companies that plan to expand their activities are less likely to remove the liquidity of the company and companies that have passed its period of rapid growth or seek to introduce themselves as profitable company are willing to pay regular dividends. Dividend decisions are concerned with determining how much and how often interest is paid to the owners of the company (stockholders). The owners of a government agency expected profits and bonuses form their investments in two ways:

- The growth rate of capital provided by them
- Cash received in the form of income

So the decision dividend has two elements: the amount that must be paid and the amount have to be maintained to support the company's growth. The second element is a financial decision. Stable regular dividend growth is a main factor in determining the market value of a government agency. The value determined by the stock market for the Company's shares [1,2,3,5,10,11,12,13,15,16,21,30].

Conclusions

Financial strategies are aspects of the company's strategy in the area of financial management and include decisions regarding investment, financing the investment and dividend policy of a financial strategy including the possibility of different economic scenarios, other environmental variables, defining and determining the impact of each of these variables on the company's activity, considering the alternative answers; understanding relative transactions and assessing the likely response of competitors. On the basis of images different decisions were taken about the future of different variables that are under the control of the company. Financial managers must simultaneously take multiple decisions in an environment with constant changes. Each of these decisions will affect the other. Since the environment is changing rapidly, the decisions made must be constantly revised and assessed on the basis of latest information. In the real world, a financial manager should find a way to link different financial theories to each other which is the role of financial strategy.

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