Working capital management, competitive performance and strategic choices of the companies listed in Dhaka Stock Exchange

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Abstract
Working capital policy, composition, efficiency, financing and cash flows affect firm performance significantly (Raheman, Qayyum and Bodla, 2010; Deloof, 2003; Wang, 2002 and Kim and Chung, 1990). However, in recent days performance in absolute term does not ensure sustainability. For long run survival and growth companies have to have consistent better performance than its competitors. This research proposes a matrix to measure firm performance in relation to competitions and its consistency over time which is phrased here as competitive performance. Strategy literature indicates that competitive strategy pursued by a firm dictates its focus on resource utilization and composition (Oliver, 1997; Grant, 1991; Peteraf, 1993). Hence, working capital which is an important resource of any company may be affected by the competitive strategy of the company.

This study therefore investigates the relationship between working capital management practices and competitive performance of firms and also tries to find out whether companies with different competitive strategies differ in their working capital management practices and whether and how do the differences in competitive strategy affect the relationship between working capital management and competitive performance. Last 5 years data of working capital ratios and profitability will be collected from annual reports of the companies listed in Dhaka Stock Exchange. A questionnaire survey will be conducted on the companies listed in DSE to collect information related to degree of control and sophistication in working capital management and the strategic choice/competitive dimension pursued by the companies. It is expected that working capital management practices significantly affect competitive performance of companies and strategic choices made by companies not only influence the working capital policy, composition, and efficiency but also their impact on competitive performance. Managers can use the results of the study to align working capital practices with strategic focus as such to enhance competitive performance.