

Forces Shaping Working Capital Management Practices: A Preliminary Study

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Abstract: This exploratory study is an attempt to identify forces that influence working capital management practices. Focus groups and unstructured interviews were conducted to identify factors influencing decision making process in working capital particularly in complex organizational settings. The qualitative data analysis showed that organizational context played an important role in working capital management practices. Finally, this study develops a number of propositions and future research directions are suggested.

Key words: Working capital management, organizational context, data analysis, decision making process, Malaysia

INTRODUCTION

We often hear warnings for companies to tighten working capital during economic recessions. Reason (2008) advised companies to re-evaluate receivables terms, payables period and inventory levels to ensure companies to stay liquid before the global financial crises struck many countries around the world. Claessens *et al.* (2000) found that during Asian financial crisis the performance of Eastern Asian large corporations collapsed partly due to ineffective Working Capital Management (WCM). Hence, effective WCM is essential not only to immunize companies during periods of instabilities but can be managed strategically to improve competitive position and profitability during periods of growth.

This study undertakes a preliminary work to gain insights into firms management of working capital. This study is part of a large research project where initial broad research question how Malaysian listed companies managed working capital has been narrowed and the preliminary work has developed a set of propositions for the subsequent field research.

WCM: PURPOSES AND FUNCTIONS

WCM is related to all aspects of managing current assets and liabilities (Emery *et al.*, 2004; Hampton and Wagner, 1989; Hill and Sartoris, 1992; Scherr, 1989; Weide and Maier, 1985). Increasing the speed of a cash cycle through receivables and payables management

helps generating more profitability and liquidity (Johnson and Soenen, 2003). Effective inventory management is critical to the management of liquidity and profitability.

It is generally accepted that the individual components of WCM cash, receivables, payables and inventory management influence performance (Schilling, 1996). The decisions made in any one of working capital components has an impact on the other components (Pogue *et al.*, 1983). WCM processes involve a number of decisions, including the investment of available cash, maintaining an appropriate level of inventories, managing account receivables and account payables. However, WCM is not limited to these functional tasks but is implicated in multiple levels of interaction both internally and externally (suppliers, customers, distributors, bankers and retailers). For example, credit officers are required to investigate credit history of clients in order to understand their financial worthiness. Four essential working capital components will be explained as.

The purpose of the first component, cash management is to determine the optimal level of cash needed for operations and investment in marketable securities suitable for the nature of business operation cycle (Emery *et al.*, 2004; Gitman, 2009; Scherr, 1989). The challenge of cash management is to balance the appropriate level of cash and marketable securities that reduce the risk of insufficient funds for operations and minimizing opportunity cost of holding excessively high level of these resources. Thus, a company's competencies

should include the ability to formulate a cash management strategy including the synchronizing of cash inflows and outflows, planning and forecasting.

Inventory management (the second component) plays an important role in the activities of purchasing, producing and marketing. Maintaining the appropriate inventory levels may contribute to lower holding cost (Hill and Sartoris, 1992). A company's ability to respond to consumer demands is largely dependent on how efficient it manages inventories and how committed suppliers are to supply materials for production, sale or rendering services. Therefore, closer relationships with suppliers are important for companies to cope with fluctuation of consumer demands.

The third component is account payables, one of the major sources of unsecured short-term financing (Gitman, 2009; Hill and Sartoris, 1992). Company and its suppliers agreed to established a relationship or partnership which specifies arrangements of supplies and payment terms (Hill and Sartoris, 1992). As a consequence, a strong alliance between a company and its suppliers will improve ability to fulfil market demands and strengthen credit record for future expansion.

The management of account receivables (4th component) is largely influence by the credit policy and collection procedures. A credit policy specifies requirements to establish the worthiness of customers and collection procedure guidelines, so as to reduce delays in collecting outstanding receivables (Hill and Sartoris, 1992; Richards and Laughlin, 1980). Aligning the receivables management between cash, inventory and payables management is challenging and important, acts as stimulus to researchers to argue for integration of the WCM components.

DATA COLLECTION AND ANALYSIS

The preliminary work aims to gain insights into WCM practices in Malaysian listed companies. Sekaran (2003) suggests that preliminary work is essential to provide the researcher with in-depth information about the topic of the study which could be done through unstructured interviews and review of relevant literature. The findings of preliminary work are then used to guide the research in moving forward. It is imperative to acknowledge that the preliminary findings are insignificant and it would be premature to begin development of a conceptual framework at this stage. The development of the conceptual framework, via the subsequent multiple-case approach is further discussed in other part of the research project and provides more rigorous explanations of WCM practices.

Table 1: Participants; designation and business domain

Participants	Participant designation	Company/Business domain
A	Treasurer	A/Utility services
B	Deputy treasurer	B/Fast food chain restaurant
C	Group finance manager	C/Automotive manufacturer
D	Procurement manager	D/Oil and gas manufacturer
E	Group finance manager	E/Vessels services
F	Group financial controller	F/Port services

Six informants from Malaysian listed companies participated in the discussions. The focus group discussion was conducted in a conference room of a well known hotel located in Kuala Lumpur, Malaysia and the unstructured interviews were conducted at participants corporate offices. The key informants consisted of senior managers (finance), procurement manager and treasurers because of their understanding regarding WCM practices. The participants represented a broad range of manufacturing and service companies to better contribute to greater understanding of various WCM practices (Table 1). This arrangement is most appropriate in the preliminary stage, since it enables identification of the maximum number of related variables (an inductive approach) and allows propositions to be developed (Slagmulder, 1997).

Unstructured interviews and a focus group discussion were conducted to allow participants to tell their stories. After each point was related by the informants, researcher repeated the point or raised another question to ensure the stories were captured accurately and fully. This process facilitated elaboration, enabling rich interpretations to be drawn from the discussions which were recorded using a digital device and transcribed for analysis. The transcripts were reviewed several times to ensure verbatim accuracy, then the data was cleaned, replacing all names and company identifications with pseudonym and preparing the transcriptions for coding purposes.

Coding process: Qualitative data analysis is a complex process and requires a systematic approach. The analysis process involves coding data into organised categories which pertain to one or more logical explanations or set of ideas (Lofland *et al.*, 2006; Miles and Huberman, 1994). The particular coding processes employed are those proposed by Corbin and Strauss (2008) and Auerbach and Silverstein (2003).

NVivo8 Software plays an important role in facilitating the coding process. The transcripts were transferred to NVivo8 Software where texts were labelled with codes and memos were written to further interpret the findings and inform the analysis process. The actual coding processes from open coding to categorizing codes, identifying themes, then through to determining perspectives of WCM practices are described.

Table 2: Categorizing codes

Categories	Quotes
Economic conditions	Participant A: during recession, all the projects are postponed, so suddenly we have a lot of inventories inside the store, sometimes we have to hire additional space for inventories (code known as economic recession). Participant D: the port operation depending heavily on the imports and exports of the country, if there is a downturn of the country's economic, the business volume is down means the income is affected (code known as economic activity)
Materials and energy cost	Participant A: if the coal price gone up, we cannot pass that to the public. We cannot peg the fuel charges (code known as rising energy cost). Participant B: when the procurement say it's cheap now. The price is going up (soon) better buy more (now) (code known as rising material cost)

Open coding is a process where data in text form is segregated and organized to represent blocks of raw data (Corbin and Strauss, 2008). Researcher creates as many codes as seem important to explain the subject of study (Auerbach and Silverstein, 2003). At this stage, the study produced 93 codes of which the following is an example:

Participant A: during recession, all the projects are postponed, so suddenly we have a lot of inventories inside the store, sometimes we have to hire additional space for inventories

Participant A indicated that economic recession was affecting the company's working capital performance. This statement is important and affects inventory levels, so a code was created and labelled as economic recessions. This process was repeated until all the transcripts were reviewed.

The frequency of codes differs in terms of volume some codes appear many times whilst others are only mentioned a few times. The frequency of recurring codes does not represent the importance of the variables as each code carries some ideas that may be considered important to the informants and hence, their WCM practices. At this stage, any ideas or propositions that can explain WCM practices in the Malaysian context are invaluable.

The coding process identified some comments that are relevant to >1 code. For example, the statement (below) was labelled as conventional ways but can also be considered as working capital policy. To distinguish the most appropriate codes, the descriptions of relevant codes were reviewed and compared to the context of the statement. Following the given example, the informant indicated conventional ways of managing working capital had influenced how the working capital policy had been set up, hence, the coding.

We have been following the conventional ways, like 30-60 days payables and 60 days receivables. So, used to the system

Problematically, the coding process may generate a large number of codes which leads to potential dangers. When working with too many codes, we may face difficulties in interpreting, linking and explaining the data (Miles and Huberman, 1994). Thus, it is essential for the

researcher to make sense of the data and organize it in a logical and explanatory manner. This brings the coding discussion to the next level.

Categorizing codes is a process of grouping codes into categories that bring some meaning to and highlight relationships between them. This process is also known as axial coding (Corbin and Strauss, 2008) or repeating ideas (Auerbach and Silverstein, 2003). Table 2 exemplifies the grouping of codes into categories.

The categorizing activity includes comparing the meaning of each code and linking it into a category or creating a standalone category that adds values and logical explanations to the emerging determining perspectives. Two examples illustrate the grouping of codes expressing similar meanings and relationships. In the first example, participants A and D's statements expressed the influence of the Malaysian economic conditions on business performance while in the second example, participants A and B's statements expressed the concern that material and energy costs were affecting their operations. As in the open coding process, the researcher found codes which were related to >1 category, so similar steps (as described previously) were taken to overcome these issues. The categorizing process was repeated until all the codes had been compared and contrasted, creating 28 categories from 93 codes as shown in Table 3.

The cognitive process of organizing codes into particular categories shapes the raw data into logical patterns, according to the researcher. Corbin and Strauss (2008), indicate that the more efforts made when working with data, the more likely the researcher is to have the aha moment, discovering reasons behind the data. This takes the discussion to the next, higher level in the data analysis process.

Themes are the dominant notions that group together a number of categories which share common relationships (Auerbach and Silverstein, 2003). Following a similar process to categorizing codes resulted in 11 themes being created from the 28 categories as illustrated in Table 4.

The coding process is now approaching a preliminary understanding of WCM practices. Themes are organized

Table 3: Categories and quotes from participants

Categories	Participants quotes
Exchange rate	Currently Ringgit Malaysia (RM) is weakening so most of the new contracts normally quoted in RM
Economic conditions	Looking at the country's economy like GDP, so we also estimate the demand for the service, it is used to be 1.5 multiply by GDP
Rising material and energy cost	When the procurement say it's cheap now. The price is going up (soon) better buy more (now)
Bank imposed regulations	Financial institutions imposed gearing level you want to expand but at the same time you have to maintain your gearing level
Government enforced regulations	We are governed by the government acts; we cannot just simply impose anything
Consumer demands and relationships	The company integrates or disintegrates normally they will look into the current market, like us the market (changes) are overseas and local markets
Seasonal effects	In motor industry, you see slowdown, especially (during) festive seasons
Conventional ways	We have been following the conventional ways, receivables 30-60 and 60 days payables, so used to the system
Employees attitude and disciplines	You cannot overcome the problems but the problems are within your control (people that contribute to performance)
Employees skills and competency	We spent a lot of money on ensuring the competency of the people
Vertical information flow	The whole linkages are controlled by the financial controller
Horizontal information flow	Integration is done through the regular interface meetings from relevant departments
Centralized decisions	They (financial controllers) basically working closely (with) Managing Director or CEO. They are the one who will determine the direction of the company, at the level
Decentralized decisions	We do not know what really happen at the branches level or subsidiaries, may be they can make better decision, rather than just being standardized
Budget emphasis	It (budget) has to be a two way thing; the board will look into the earning per share that board wants
Cash flow projections	Normally for acquiring more vessels they are looking at the cash flow (projection)
Maximizing resources	What they (consumers) need is what we eventually have to produce anything that we produce ahead maximizing the capacity to sell outside
Financial strength	The company is included in the billion (dollar) club, so the financial (aspect) is not (an) issue, for small company like before the decision is very critical
Plant capability	We have to see the plant capability, so we have to analyse plant capability and market demands
Plant reliability	The reliability of the plant suddenly plant shutdown due to some failures
Product processing cycles	There is always timing difference in term you need to buy raw material 1st before actually come out with the final products
Performance monitoring arrangements	Some companies used certain ratios to measure WCM that the management is comfortable at
Frequent monitoring activities	It's a regular feedback because these people have important things to attend
Employees performance evaluation	We want them to fulfil the Key Performance Indicators (KPI)
Working capital policy	All depend on how your businesses are related because if you integrate something that do not support each other policy does not work
Collection procedures and credit policy	What we will do is we will make sure we have refined credit limit before we do business with them. Then make sure they pay within (terms)
Managing suppliers	When the supplier failed to deliver products at the right time, it caused projects delayed
Ongoing planning	We have the earnings growth lets draw down on what kind of sales do we need and what kind of production that we need, it is virtually impossible may not be

Table 4: Themes development

Themes	Categories
Market conditions	Consumer demands and relationships; seasonal effects
Economic factors	Exchange rate; economic conditions; rising materials and energy cost
Financing	Bank imposed regulations
Government regulation	Government enforced regulations
Use of budget	Budget emphasis; ongoing planning; cash flow projection
Monitoring performance	Frequent monitoring activities performance monitoring arrangements; WCM policies; collection procedures and credit policy
Utilizing WCM components	Maximizing resources; financial strength; plant capability; plant reliability; product processing cycles; managing suppliers
Information flow arrangement	Vertical information flow; horizontal information flow
Structural designs	Centralized formal channels; decentralized informal channels
Basic assumptions	Attitude and disciplines skills and competency
Values	Conventional ways; employees performance evaluations

Table 5: Determining perspectives of WCM practices

Determining perspectives	Themes
Perceived environment	Market conditions; economic conditions; financing; government regulations
Budgetary control	Use of budget; monitoring performance; utilizing WCM components
Organizational structure	Information flow arrangement; structural designs
Organizational culture	Basic assumptions; values

in an illustrative manner to form one or more set of ideas or frameworks (Auerbach and Silverstein, 2003; Lofland *et al.*, 2006). This process generated four preliminary determining perspectives that are believed to influence the WCM practices. Table 5 shows the process

of organizing themes to formulate a preliminary understanding of the determining perspectives of WCM.

FORCES SHAPING WCM PRACTICES: PRELIMINARY FINDINGS

The previous study showed the coding process followed to gain early insights into WCM practices. The coding process identified four preliminary determining perspectives that have influenced WCM practices in Malaysian listed companies which are: Perceived Environment Uncertainty (PEU), budgetary control,

organisational structure and organisation culture. In this study, four perspectives will be discussed and linked to extant literature.

Perceived environment uncertainty: The degree (high-low) of PEU has been found to influence the decision making approach (Duncan, 1972; Sawyerr, 1993). Low PEU refers to situations in which certain probabilities can be assigned to outcomes while high PEU refers to situations where probabilities cannot be assigned (Duncan, 1972). In an environment perceived as low uncertainty, control arrangements would predominately employ cost control (Sawyerr, 1993). In terms of working capital, managers are expected to be more focused on internal processes and the decision making focus is intended to achieve specified targets.

In contrast, managers are considering a diverse set of information to make decisions when there is high PEU (Duncan, 1972). The levels of working capital components are difficult to determine and managers are suspected of considering various internal and external factors to enhance the adaptability of WCM components to market changes.

From the initial results, it is evident that PEU influences managerial approaches to working capital components. Participant A provided one example of this:

During recession, all the projects postponed, so suddenly we have a lot of inventories inside the store, sometimes we have to hire additional space for inventories

While a similar situation also affected company F:

The port operation depending heavily on the import and export of the country, if there is a downturn of the country's economic, the business volume is down means the income is affected

These companies are both sensitive to economic conditions where the WCM performance is affected by issues, such as delays in cash collections and high inventory levels.

The evidence further suggests that PEU influences how managers make WCM decisions. As participant D put it:

The key tasks of the financial controllers are to determine the levels of working capital management, how they organized it in respective companies depending on their current market and environment

The earlier mentioned statement implies that financial controllers consider external variables when determining levels of working capital.

In situations where parameters (e.g., consumer demands) are relatively well known, managers are to focus on achieving individual targets. For example, participant F indicated that each business unit was expected to focus on cost control and profitability:

The people who actually manage inventory unit are specified for this (focus on individual task). They are not very much integrated to accounts receivable and all that. Their main purpose is how I maintaining (cost control) these stock levels

In contrast in situations where PEU is high, it has greater influence on organizational performance. Furthermore, it was observed that more interactions occurred between managers, especially in the WCM decision making process. As participant B put it:

The environment change, the group and management actually very understanding of changes in environment right now and we (managers) really look at it (through discussions) and see (speculate) what impact towards the group and how we actual work towards to reducing it overall because each division play a part it is not one division

This statement indicates that company B organizes a series of discussions for managers to interact and learn about market directions.

Budgetary control: Hopwood (1972) recognized that budgetary control influences managerial approaches to achieving intended targets. If in particular circumstances, managers are able to recognize the parameters to improve organizational performance, they are to emphasize financially oriented outcomes (budget emphasis), targeted output (production volume), mandatory monitoring (formal meetings/reports) and corrective action processes (Harrison, 1993; Hartmann, 2000). In terms of working capital, a manager relies on financial performance measures to control subordinates in order to achieve intended WCM targets.

Alternatively, companies operating in volatile markets where knowledge and quick response are key to competitiveness, financial measures only are inadequate to facilitate the decision making process; hence subjective performance measures (i.e., supply chain performance) are indispensable in enhancing organizational adaptability (Van der Stede *et al.*, 2006).

The evidence suggests that budgetary control influences the managerial approach to WCM. The use of budgets to facilitate decisions can be differentiated between companies. There is evidence that some managers rely more on budgets to achieve intended WCM targets while others are considering multiple sources of information to determine suitable WCM levels. For example, participant A indicated the budget had less relevance in managing WCM components:

Working capital planning, we prepare the budget you know, looking at the country's economy like GDP, so we also estimate the demand, so we prepare how much the inventory, how much the cash flow forecast

This company uses more abstract information to determine appropriate levels of WCM components and implies that company A adopts an ongoing planning approach.

In another example, participant B indicated that the fluctuation of external variables highlighted the importance of coordination, thus managers are depending on intensive interactions and multiple sources of information to reach consensus decisions:

Planning for financial expenses, we have to know everyday how much you need in term of payables, receivables and inventory. We have to know how much balance we have for the restricted period. We actually do weekly and 6 monthly (projection) to see if we need to borrow. They (managers) do feedback (discussions and reports) to us their requirements in term of projection. We will compile it at the treasury level

Alternatively, budgeting is extensively used to facilitate managers decision making to achieve intended targets, especially when parameters are known. In such circumstances, the budget is used to control subordinates, thus keeping WCM components at certain levels. Participant F stated:

We know what is the demand level or requirement of regular service, unless there is sudden breakdown on a few equipments, then it would be a need for reorder, then we will place the order otherwise, we will keep at minimal level

Organizational structure is about the formal scope of duties of members within an organization including a description of how the operational tasks are conducted (Daft, 2004; Lawrence and Lorsch, 1967). This involves

how managers share information (flow) and decision making arrangements regarding WCM components (Pogue *et al.*, 1983).

In some companies, managers are encouraged to develop consensus in the WCM decision making process (Fairchild, 2005). Individuals or groups within the organization share information about local markets and conditions obtained from personal or group experience that stimulate the decision making process (Argyris and Schon, 1978; Harrison and McKinnon, 2007; Senge, 1990). Thus, more flexible organizational structures and open interactions are important when making sense of market directions.

Daft (2001) suggests that organizations should employ appropriate information arrangements to suit organizational needs, categorized as vertical and horizontal flows. He indicates that vertical information flow is mainly designed for control and horizontal is for coordination and creating learning organizations. Vertical information flow is associated with centralized decision making, formal reporting systems and standardization to achieve consistency. Alternatively, horizontal information flow is associated with decentralized decision making, horizontal communication flow, informality and fewer rules to encourage learning activities.

In terms of structural design in those companies with a high degree of formalization (strict rules, cost control and standardized procedures), many appear to adopt a centralized decision making approach, undertaken at the top level of the organizational hierarchy (Lawrence and Lorsch, 1967). Meanwhile, companies who adopt a decentralized approach normally encourage managers to consider multiple perspectives in decision making processes (Harrison and McKinnon, 2007) and is associated with intensive interaction, open communication and integrated information flow (Chenhall and Morris, 1986).

The evidence, also suggests that organizational structure influences managerial approaches to WCM. Specifically, it influences information sharing flow and organizational structure design. The evidence identifies two discernible information sharing arrangements: vertical and horizontal flow. For example, participant D indicated that the financial controller was well informed about activities related to working capital:

The whole linkages are controlled by the financial controller, he will keep the inventory record of the stock, financial controller will keep record of receivables who has not paid and collection also done by them and then how much the outstanding need to be paid to suppliers

And a similar arrangement was observed at company E:

Although, I am the group financial controller, there is no reporting line from their finance departments for me. All they do is their CEO reporting to the CEO

These statements suggest that these companies adopt a vertical information flow arrangement. In other words, senior managers are well informed of the conditions of working capital activities in order for the respective senior managers to decide the appropriate levels of working capital components.

In contrast, company B adopts a horizontal flow arrangement as B indicated information was shared horizontally where managers consistently communicate during the decision making process:

We do not have exact meeting but we always communicate in term of projections and we will compile it at the treasury level

In terms of structural design, evidence exhibited two types of structural design that signify different decision making approaches: Centralized and decentralized. Centralized refers to WCM decisions made at top management level whereas decentralized refers to decisions happening anywhere within the organizational structure. Company A employs a decentralized structure where decisions about working capital components are delegated to managers at business units:

We do not know what really happened at branches level or subsidiaries. Maybe they can make better decision rather than being standardized

As mentioned in the budgetary control section, company A faced difficulties in determining WCM levels, thus the business unit managers were in better positions to decide the appropriate level of working capital.

In contrast, participant D indicated that many WCM decisions were made at senior management level, exemplifying a centralised process:

They (financial controllers) basically working closely (with) Managing Director or CEO. They are the one who will determine the direction of the company at the level, the management committee basically just to support, so if you talk about (WCM) actually how the company organize their working capital management, only the CEO and financial controller know

Organizational culture: It has been shown that some companies embed organizational cultures that enable them

to be more effective in particular operational environments (Denison and Mishra, 1995; Hooijberg and Petrock, 1993). In a sense, particular organizational cultures are used to enhance the ability of companies to penetrate their own markets. As in the earlier examples, company F embeds a bureaucratic culture through rules and procedures to improve employees consistency while company A adopts a culture of adaptability utilising learning activities to enhance organizational performance.

Denison and Mishra (1995) propose four categories of culture; adaptability, clan, mission and bureaucratic. Adaptability, culture is associated with strategic focus in high uncertainty environments. Employees ability to interpret changes in such environments is essential and they subsequently become mediators, creating new changes. Mission culture is associated with clear targets so employees are assigned to specific tasks (internal focus) to enable improvements.

Clan culture is associated with the adaptation of employees in high uncertainty environments (Denison and Mishra, 1995). There is a greater emphasis on employees commitment to equip themselves (internal focus) with skills and knowledge to improve organisational performance. The final category, bureaucratic culture is associated with internal focus and low uncertainty environments (Denison and Mishra, 1995). Employees are expected to be consistent and obey any instructions given by top management and to improve consistency, companies impose strict regulations, policies, routines and procedures for daily activities.

The evidence suggests that organizational culture is one of the mechanisms used to effectively manage WCM components. Companies may use working capital policy and procedures to navigate performance but the forces that drive WCM performance depend on the people involved in WCM processes. As Participant D stated:

You have to overcome (the problems) from the root causes, the market is just the market, you just have to make (meet) the demand of the market, you can not overcome the problems but the problems are within your control (people that contribute to performance)

The preliminary work finds that companies have differing organizational cultures in relation to managing working capital components. For example, company F uses strict regulations, procedures and guidelines to improve working capital:

They (employees) just follow instructions, they will say ok, my guidelines is I have 30 days to collect, I make sure the collection (done) comes before the time

This implies that company F requires its employees to be consistent, so rules and procedures are implemented to enhance consistency. Similarly in company D:

You have to remember we are operating the plant running 24 h, you cannot assume it runs smoothly, so basically to overcome that (for example) the plant maintenance must be regularly done and then we must have competent people to operate the plant that is why we spent a lot of money on ensuring the competency of the people

However, there is evidence that consistency alone is unable to improve organizational performance as not all companies are able to impose strict regulations when parameters are not clear. It was observed that company A encouraged learning initiatives to improve working capital performance:

Just 3 years ago we have used the key performance indicators; there were a lot of problems, sometimes the rating now we have changed it last time used to be in term of competency. Now, we have performance appraisal. We have core competency, leadership and technical. Technical means the day to day job and on the technical line really technical, the core the way you should have like integrity, caring, leadership how you manage employees

The lower emphasis on rules and procedures in company A may be due to certain issues being difficult to predict and managers are more flexible in finding solutions for any unforeseen problems.

PROPOSITIONS FOR FURTHER RESEARCH

The preliminary work findings, along with a review of relevant literature were used to construct a set of propositions to guide this study during subsequent field research.

The data analysis identified four determining perspectives believed to influence the management of working capital. These perspectives demonstrate different managerial approaches within the WCM practices of Malaysian companies. However, they require further investigation to verify their relationships with WCM practices, therefore, the following propositions relating to management of working capital are presented:

- Proposition 1 is that managers perceptions of environmental uncertainty are associated with the managerial approach to WCM

- Proposition 2 is that budgetary control approaches influence the managerial approach to WCM
- Proposition 3 is that organizational structure influences the managerial approach to WCM
- Proposition 4 is that organizational culture influences the managerial approach to WCM

Future research should aim to answer the primary research question, how is working capital managed in actual organizational settings? The how and why questions are more explanatory and likely to use a case studies strategy (Yin, 2003).

CONCLUSION

In contrast, the use of survey (quantitative) by identifying the frequency and tendency will not be able to provide sufficiently rich information explaining WCM practices. Berry and Otley (2004) stated that the case study is especially suited to understanding the content, processes and contexts of the practice of accounting. Hartley (2004) further confirmed that case studies are increasingly used in organizational studies because of growing confidence in case study methods, as a rigorous research strategy in its own justification.

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