

ROLE OF CHANGES IN NON-CASH INVENTORIES IN LIFE CYCLE OF ORGANIZATION ON PERFORMANCE OF BANK

Arsalan Sotoudeh

M.A Student of Business Management, Islamic Azad University, Rasht Branch, Rasht, Iran

Shahram Gilaninia

Associate Professor, Department of Industrial Management, Islamic Azad University, Rasht Branch, Rasht, Iran

Corresponding E-mail: drqilaninia45@gmail.com

Abstract

Organizations like living creatures have a life cycle. On the one hand, every step of the process are faced with its specific problems and on the other hand, in transitional steps between periods, they encounter specific problems. Like living creatures, the growth of economic units shows first relationship between flexibility and control. Service control systems need to change commensurate with changes in the competitive environment, business missions, and general strategy in the life cycle. Mistake in determining accounting budgeting policies for each life cycle stage affects the inefficiency of resource allocation. Thus, during the life cycle stages, providing relevant, accurate, and timely information based on multiple management needs is a challenge for financial managers.

Keywords: Non-Cash Inventory, Performance, Organization Life Cycle

Introduction

One of significant economic characteristics of companies is their different life cycle. According to the theory of the life cycle, companies in different stages of their life cycle have financially and economically distinct patterns and behaviors. In this way, the financial and economic characteristics of a company are affected by the stage of the life cycle of the company (Xu, 2007). Businesses have different stages of their life since their inception and each one has to choose the right strategies with respect to the four stages of the life cycle. These steps are not exhaustive, but they can provide a framework for evaluating, designing and developing strategies. One of the important variables in the formulation of corporate strategies is the fact that the company is at one stage of the life cycle, ie, the stages of its emergence, growth, maturity and decline (Rostami & et al, 2014). Companies and firms based on the company's life cycle theory, like all living things, are born, grow, die, and pass curve or life cycle. In a young age (Growth period), organizations are very flexible, but in most cases they are uncontrollable. Control is increased and flexibility is reduced and ultimately, with aging, they will decrease control capability (Rahimian & Rajabi, 2015).

Theoretical Literature

The organization can pass like a newborn, stages of creation, childhood, rapid growth, maturity, evolution, stability, aristocracy, primary bureaucracy, bureaucracy, and ultimately death and in the meantime, they may have complications such as ineffective relationship, death in childhood, founder trap, entrepreneurship trap, and early aging. Moving in the opposite direction of the curve is not possible (Adizes, 1989).

Using financial ratios to evaluate company performance is not new. A simple research in literature can reveal thousands of publications in this field. Implicit studies often differentiate themselves from others by developing and using

dependent variables (financial ratios), or using analytical techniques based on machine learning or different statistical techniques. For example, Hurigan (1996) claimed that the development of financial ratios should be a separate product of the evolution of accounting practices and activities in United States. The principle of financial ratios and initial use of them dates back to the late 19th century. Financial ratios calculated using variables found primarily in financial statements could yield the following benefits: (Ross & et al, 2003)

- Measuring managers' performance along rewards;
- Performance measurement of sectors in multilevel companies;
- Future planning by providing historical information for existing or potential investors;
- Providing information for creditors and suppliers;
- Assess competitors' competitive positions;
- Evaluation of the financial performance of the property

Apart from the advantages described above, financial ratios are also used to predict future performance. For example, they are used as inputs for empirical studies or to develop models for predicting financial losses (Altman, 1968; Beaver, 1966). Indeed, a large range of recent studies have focused on analyzing the potential bankruptcy prediction as a means of identifying the characteristics (in terms of financial ratios) of companies with good or bad performance and their potential values (Kumar & Ravi, 2007).

Thousands of studies on bankruptcy predictions differ from other studies and this is partly due to a single set of financial features or using a different set of prediction models (statistical or machine-based learning) (Alfaro, García, Gámez & Elizondo, 2008; Holsapple & Wu, 2011; Lee, Han & Kwon, 1996; Martín-Oliver & Salas-Fumás, 2012; Olson, Delen & Meng, 2012; Wilson & Sharda, 1994). Despite the fact that many of these studies have succeeded in predicting bankruptcy outcomes, often, they are not successful in identifying and explaining the features that can be used to determine the company's performance (Gilaninia & Asadi, 2016). There is no global agreement that lists the issues, depending on the type, calculation methods, and the number of financial ratios used in the initial studies. For example, Gombola and Ketz (1983) used 58 financial ratios to identify patterns of financial ratios in retail and manufacturing organizations, While Wu (2006) used 59 ratios, Cinca, Molinero, and Larraz (2005) used 16 ratios, Uyar and Okumus (2010) used 15 ratios, and Karaca and Çigdem (2012) used 24 ratios. However, most reference books and research studies published in popular magazines used a number between 20 and 30 that are most used for financial ratios, which is often enough to assess the performance of a company.

Statement of Problem

Life cycle literature shows that sustainable patterns of development in organizations occur over time, even in contradictory types of companies with different organizational activities and structure (Miller & Friesen, 1980; Quinn & Cameron, 1983; Hanks, Watson, Jansen & Chandler, 1994). Accordingly, organizational characteristics vary throughout the life cycle stages in responding to chaos and ongoing environmental changes (Auzair & Langfield-Smith, 2005; Moores & Yuen, 2001). However, previous studies have shown that organizations tend to pursue strategies that have been effective in the past, but they may be inappropriate and inefficient in the new development phase (Greiner, 1972). Brignall (1997) argues that service control systems need to change commensurate with changes in the competitive environment, business missions, and general strategy in the life cycle. Mistake in determining accounting budgeting policies for each life cycle stage affects the inefficiency of resource allocation (Czyzewski & Hull, 1991).

Thus, during the life cycle stages, providing relevant, accurate, and timely information based on multiple management needs is a challenge for financial managers (Gilaninia & Tanyani, 2015). It is a difficult task especially for management accountants working in service organizations whose have unique feature of the "timely" service organization and there is a short-term inter-organizational communication between them and customers (Homburg & Stebel, 2009). This feature raises difficulties for service managers in terms of operational planning, quality control, performance measurement and tracking and cost control (Brignall, Fitzgerald, Johnston & Silvestro, 1991; Brignall, 1997).

However, literature review shows that compared to MCS studies, more research has been done on the life cycle of organization. Moores, K., & Yuen (2001), Auzair & Langfield-Smith (2005) and most recently Kallunki & Silvola (2008)

have done some empirical work published about MCS. The purpose of this article is to increase the body of limited knowledge of this region. In particular, it is examined the relationship between the design of MCS and the life cycle stages of organization in the professional companies and massive services. It is argued that the control system of service companies over time need to be changed to meet the needs of management. The challenge of most service organizations is the unique addressing of features that were identified due to problems in quality control, performance measurement and cost control. Despite this challenge, literature review shows that more research on the management control system (MCS) has led to further research on the organization's lifecycle.

Early studies provide empirical evidence that the structure of patterns of financial ratios varies between retail and manufacturing firms (Gombola & Ketz, 1983). Cinca & et al (2005) proved that the size of the company and its location affects the structure of financial ratios. Uyar & Okumus (2010) examined effect of the recent global financial crisis on Turkish general industrial companies using financial ratios, and found that companies are financially weak during the crisis period. So according the content expressed following model is offered to examine role of changes in non-cash inventories in life cycle of organization on performance of bank branches

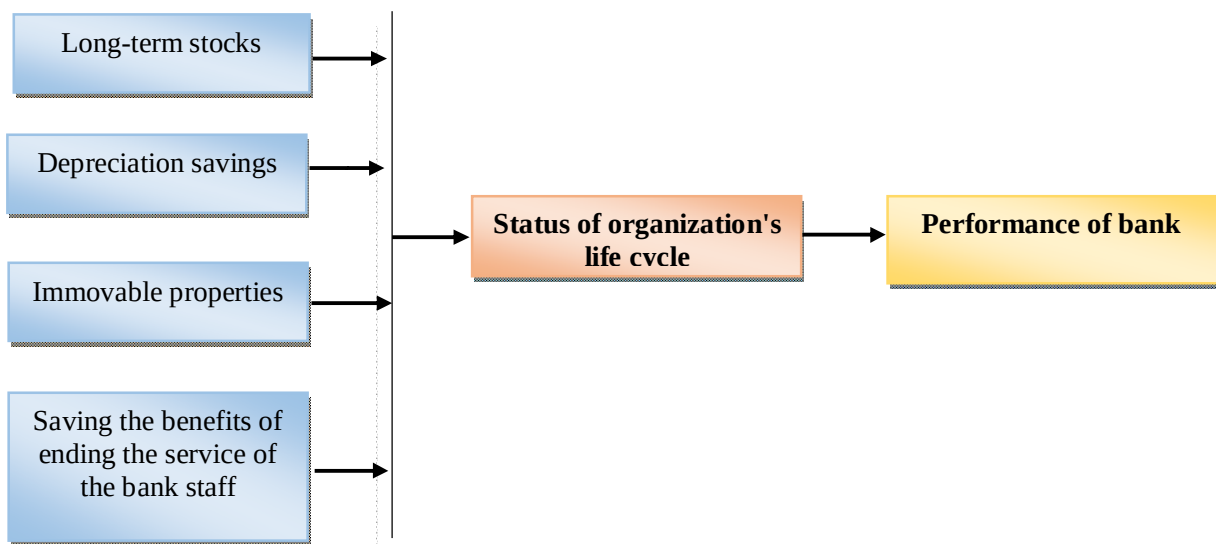


Figure (1): The basic analytical model of research (Gilaninia, 2017) and adjusted model (Gilaninia, 2012)

According to above model, hypotheses of the study can be written as follows:

- Long-term stocks affect life cycle of organization.
- Depreciation savings affect life cycle of organization.
- Immovable property affects status of organization's life cycle.
- Saving the benefits of ending service of bank staff affects status of organization's life cycle.
- The status of the organization's life cycle affects performance of bank branches.
- Long-term stocks affect performance of bank branches due to life cycle of the organization.
- Depreciation savings affect performance of bank branches due to life cycle of organization.
- Immovable properties affect performance of bank branches due to life cycle of organization.
- Saving the benefits of ending the service of bank staff affect performance of bank due to life cycle of organization.

Discussion and Conclusion

Economic units, like living creatures, have a life cycle. On the one hand, every step of the process are faced with its specific problems and on the other hand, in transitional steps between periods, they encounter specific problems. Like

living creatures, the growth of economic units shows first relationship between flexibility and control. Companies and firms based on the company's life cycle theory, like all living things, are born, grow, die, and pass curve or life cycle. In a young age (Growth period), organizations are very flexible, but in most cases they are uncontrollable. Control is increased and flexibility is reduced, and ultimately, with aging, they will decrease control capability. Service control systems need to change commensurate with changes in the competitive environment, business missions, and general strategy in the life cycle. Mistake in determining accounting budgeting policies for each life cycle stage affects the inefficiency of resource allocation. Thus, during the life cycle stages, providing relevant, accurate, and timely information based on multiple management needs is a challenge for financial managers. It is a difficult task especially for management accountants working in service organizations whose have unique feature of the "timely" service organization and there is a short-term inter-organizational communication between them and customers. This feature raises difficulties for service managers in terms of operational planning, quality control, performance measurement and tracking and cost control.

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