

WORKING CAPITAL DETERMINANTS IN THE CONCEPT OF LIFE CYCLE OF THE ORGANIZATION

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Abstract

Activities of any company depend on what life cycle stage the company stands on. There are many researches that consider theoretical aspects of company's processes through the prism of life cycle concept. At the same time, more empirical studies on working capital determinants become published. Despite these facts, the study on working capital in the life cycle stages has the significant scientific novelty in this research area.

Working capital is the considerable part of finance management because it reflects the management of short-term assets and liabilities, thereby visualizing the current status of companies' activities. Besides, working capital management affects directly both the profitability and liquidity of the company. Efficient working capital management should be the base of corporate strategy, aiming to increase the welfare of shareholders.

Concerning working capital determinants, there are many of them revealed on developing markets; only few appeared to be most relevant: financial leverage, profitability level, size and age of the organization etc. The relevance of studying working capital is valid throughout the life cycle stages due to significant influence on profitability, but not all the determinants listed above are significant on every life cycle stage.

The practical importance of research consists of defining the most suitable model in order to test the determinants of working capital on Russian companies. It helps to optimize the working capital of companies, thereby improving their operational result.

Keywords: operational activity, life cycle stages, the financial leverage, an operational cycle, profitability, an operational cash flow, working capital

JEL: G31, G32

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