

# Board-Level Financial Oversight in Industrial Enterprises: Linking EBITDA, Working Capital, and Strategic Growth Execution

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*Abstract—Board-level financial oversight in industrial enterprises is often reduced to periodic performance monitoring centered on EBITDA and top-line growth. While these metrics provide valuable insight into operational profitability, they frequently fail to capture liquidity strain, capital intensity risk, and structural vulnerabilities embedded within working capital dynamics. In capital-intensive industrial environments, growth execution requires more than margin expansion; it demands disciplined alignment between EBITDA performance, cash conversion efficiency, and strategic investment sequencing. This paper argues that board-level oversight must evolve from reactive financial review toward integrated financial governance architecture. By linking EBITDA discipline with working capital governance and strategic capital allocation, boards can transform financial supervision into a forward-looking mechanism that shapes enterprise resilience and competitive positioning. The study develops a conceptual framework positioning financial oversight as a strategic capability embedded in governance systems rather than a compliance-oriented review function. The analysis contributes to corporate governance literature by extending oversight theory beyond agency monitoring toward growth execution architecture.*

*Keywords—Board governance; Financial oversight; EBITDA discipline; Working capital management; Strategic growth execution; Capital-intensive enterprises; ROCE; Corporate governance architecture.*

## I. INTRODUCTION

Industrial enterprises operate within financial ecosystems characterized by capital intensity, operating leverage sensitivity, and liquidity exposure. In such environments, board-level financial oversight plays a decisive role in shaping not only performance accountability but long-term strategic viability. Yet in practice, financial oversight is frequently confined to reviewing quarterly EBITDA trends, revenue growth figures, and high-level budget variances. This approach, while procedurally compliant, often fails to anticipate structural vulnerabilities that accompany growth in asset-heavy organizations.

EBITDA has become the dominant performance anchor in board discussions. It offers a simplified view of operating profitability, isolates core earnings from financing and accounting structures, and facilitates comparability across firms. However, in industrial enterprises where depreciation, working capital requirements, and capital expenditure commitments materially influence risk exposure, EBITDA alone provides an incomplete governance lens. Strong EBITDA performance may coexist with deteriorating liquidity, rising leverage, or inefficient capital deployment.

Working capital dynamics frequently represent the hidden variable in strategic growth execution. Expansion initiatives increase receivables, inventory buffers, and supplier commitments, often compressing cash flow despite improved margin metrics. Boards that monitor earnings without parallel liquidity oversight risk approving growth trajectories that strain financial stability. In capital-intensive settings, the tension between profitability and liquidity becomes structurally significant.

This paper advances the argument that board-level financial oversight must evolve into an integrated governance architecture linking EBITDA discipline, working capital governance, and capital allocation sequencing. Oversight should not be confined to retrospective review but should function as a forward-looking design mechanism that aligns financial health with strategic growth objectives. In this conception, the board transitions from financial auditor to strategic steward.

The study develops a conceptual framework illustrating how boards can institutionalize early warning systems, capital discipline thresholds, and integrated financial dashboards to preserve resilience under expansion pressure. By reframing oversight as strategic capability, the paper extends corporate governance theory beyond agency monitoring into the domain of growth architecture.

The sections that follow examine the limitations of traditional financial monitoring, analyze the structural blind spots of EBITDA fixation, and develop a governance model linking margin performance with liquidity discipline and capital strategy.

## II. THE LIMITS OF TRADITIONAL BOARD FINANCIAL MONITORING

Board-level financial oversight in industrial enterprises has historically evolved around standardized reporting cycles and compliance-oriented review processes. Quarterly financial statements, variance analyses against budget, and EBITDA trend assessments form the backbone of governance routines in many organizations. While such mechanisms provide necessary transparency, they are frequently insufficient in environments characterized by high asset intensity and operational volatility. The structural weakness of traditional oversight lies not in the absence of information, but in the fragmentation of financial indicators from strategic context.

In many boards, EBITDA functions as the primary signal of operational health. Positive EBITDA trends are interpreted as evidence of managerial effectiveness, cost control discipline, and market competitiveness. However, EBITDA abstracts away critical structural dimensions of industrial enterprises. It excludes capital expenditure burdens, ignores working capital expansion, and may mask underlying deterioration in asset productivity. A board focused narrowly on EBITDA may overlook liquidity compression, leverage amplification, or declining return on capital employed.

The quarterly review mentality further reinforces reactive governance behavior. Financial discussions often center on historical performance—explaining deviations rather than anticipating structural risk. This backward-looking orientation reduces the board's ability to influence strategic execution proactively. By the time liquidity strain or capital misallocation becomes visible in aggregate financials, corrective options may be limited or costly.

Another limitation emerges from the separation between strategy and liquidity oversight. Strategic

growth initiatives—capacity expansion, geographic diversification, new product lines—are frequently evaluated on projected earnings contribution. Yet the liquidity implications of such initiatives may receive less attention. Inventory buildup, receivable extensions, and supplier renegotiations materially affect cash conversion cycles. When boards evaluate growth primarily through earnings projections, they risk approving expansion trajectories that undermine financial resilience.

Moreover, industrial enterprises operating across multiple plants or markets face performance asymmetries that consolidated reporting can obscure. One facility may generate strong margins while another experiences working capital inefficiency. Without granular oversight mechanisms, board-level review may rely on aggregated figures that conceal localized vulnerabilities. Governance maturity requires transparency at the operational unit level, not solely enterprise consolidation.

Traditional oversight models also underemphasize capital intensity risk. Asset-heavy organizations commit substantial resources to machinery, infrastructure, and automation. Depreciation schedules, maintenance cycles, and replacement timing influence long-term productivity. Boards that do not integrate asset lifecycle analysis into financial discussions risk deferring modernization or overinvesting during expansion cycles.

In sum, conventional board financial monitoring tends to emphasize retrospective profitability rather than forward-looking resilience. EBITDA fixation, quarterly review bias, and fragmented liquidity oversight collectively constrain the board's strategic influence. To fulfill its governance mandate effectively, the board must transition from passive monitor to integrated financial architect—linking earnings performance, liquidity discipline, and capital strategy into a unified oversight framework.

The next section examines the dual role of EBITDA as both governance anchor and potential blind spot, exploring how boards can contextualize this metric within broader financial architecture.

## III. EBITDA AS GOVERNANCE ANCHOR — BUT NOT A STRATEGY

EBITDA occupies a central position in board-level financial discourse for good reason. It isolates core operating performance by excluding financing costs, taxes, and non-cash accounting charges, thereby offering a standardized metric of operational efficiency. In capital-intensive industries, EBITDA provides comparability across firms with differing capital structures and depreciation policies. As a governance anchor, it allows boards to assess margin performance and operational discipline.

However, EBITDA becomes problematic when elevated from indicator to strategy. The metric's abstraction from capital expenditure and working capital requirements creates structural blind spots. An industrial enterprise may report improving EBITDA while simultaneously increasing debt to finance asset expansion or extending receivable cycles to support revenue growth. In such scenarios, apparent margin strength may coexist with deteriorating balance sheet resilience.

Operating leverage further complicates EBITDA interpretation. High fixed-cost structures amplify the sensitivity of earnings to volume fluctuations. During periods of strong demand, EBITDA may rise disproportionately, encouraging optimistic projections. Yet in downturns, the same leverage can compress margins rapidly. Boards that treat EBITDA growth as inherently sustainable may underestimate cyclical exposure.

Depreciation blindness represents another limitation. While EBITDA excludes depreciation to highlight operational earnings, asset-heavy enterprises depend on continuous reinvestment to maintain productivity. Ignoring depreciation in strategic evaluation may obscure the long-term capital intensity embedded within the business model. Board-level oversight must therefore contextualize EBITDA within capital replacement cycles and return on invested capital metrics.

Additionally, EBITDA does not capture liquidity timing mismatches. Growth often requires increased inventory and extended receivables, which consume cash despite improving earnings. Without parallel working capital monitoring, boards risk approving expansion that weakens liquidity buffers. EBITDA performance may appear robust while free cash flow deteriorates.

The solution is not to discard EBITDA but to reposition it within integrated financial governance. Boards should interpret EBITDA as one component of a broader architecture linking profitability, liquidity, and capital efficiency. By embedding EBITDA analysis within cash conversion cycle metrics and ROCE thresholds, governance can transform this metric from isolated anchor to integrated decision tool.

The next section explores working capital as the hidden strategic variable in industrial enterprises and examines how liquidity governance complements margin oversight at the board level.

#### IV. WORKING CAPITAL AS THE HIDDEN STRATEGIC VARIABLE

In industrial enterprises, working capital is often treated as an operational metric delegated to finance teams rather than as a board-level strategic variable. Yet in capital-intensive organizations pursuing growth, working capital dynamics frequently determine whether expansion translates into resilience or fragility. While EBITDA reflects operating profitability, working capital governs liquidity timing. The interaction between these two dimensions defines financial stability.

Working capital consists primarily of receivables, inventory, and payables—components that fluctuate with sales volume, production cycles, and supplier relationships. In growth environments, receivables expand as sales increase, inventory buffers rise to support delivery reliability, and supplier payment terms may tighten under scale pressure. Even when margins improve, these dynamics can compress cash flow, reducing liquidity flexibility.

The cash conversion cycle (CCC) offers a critical lens through which boards can evaluate liquidity efficiency. By measuring the time required to convert invested resources into cash inflows, the CCC captures the temporal dimension absent from EBITDA analysis. A lengthening cash conversion cycle during growth signals that earnings are being reinvested into operational buffers rather than converted into available capital. If unmonitored, this dynamic may necessitate increased borrowing, elevating leverage risk.

Export-oriented industrial enterprises face amplified

working capital complexity. Extended shipping times, international payment terms, and customs procedures lengthen receivable cycles. Currency exposure further introduces volatility into receivable valuation. Inventory planning must account for longer supply chains and demand uncertainty across markets. These factors elevate the strategic significance of working capital governance at the board level.

Liquidity discipline becomes particularly critical during capital expansion phases. Investment in new capacity often coincides with increased production volumes and associated inventory buildup. If capital expenditure and working capital growth occur simultaneously without coordinated sequencing, liquidity strain can emerge even under favorable earnings conditions. Boards that fail to integrate working capital forecasts into strategic discussions risk endorsing expansion trajectories that erode financial stability.

Moreover, working capital efficiency directly influences return on capital employed. Excess inventory, delayed receivables collection, or inefficient supplier negotiations increase capital intensity without generating proportional returns. From a governance perspective, working capital is not merely a cash management issue; it is a determinant of asset productivity and competitive positioning.

Board-level oversight must therefore elevate working capital from operational afterthought to strategic pillar. Integrated dashboards linking EBITDA trends with cash conversion metrics provide early warning signals of structural imbalance. Growth initiatives should be evaluated not only on projected earnings contribution but on their impact on liquidity elasticity.

When boards embed working capital governance into strategic oversight, liquidity becomes aligned with growth execution rather than reactive financing necessity. The following section develops this integration further by examining how EBITDA discipline and working capital governance jointly shape strategic growth execution.

#### V. LINKING EBITDA AND WORKING CAPITAL TO STRATEGIC EXECUTION

Strategic growth execution in industrial enterprises requires the synchronized management of profitability and liquidity. EBITDA and working capital represent complementary dimensions of financial architecture; neither alone provides a complete governance picture. Effective board oversight depends on integrating these metrics into coherent strategic evaluation.

Growth initiatives—such as capacity expansion, geographic diversification, or product innovation—are often justified by projected margin contribution. However, the liquidity implications of these initiatives may unfold over different timelines. Increased sales may require longer receivable cycles, expanded inventory buffers, or upfront supplier commitments. If EBITDA growth is not matched by working capital discipline, free cash flow may deteriorate, constraining investment flexibility.

The tension between margin expansion and liquidity stability becomes particularly visible during rapid scaling. Boards evaluating growth proposals must assess whether projected EBITDA improvements offset anticipated working capital expansion. Scenario modeling that integrates both earnings and liquidity projections enhances decision robustness. Without such integration, growth execution may generate accounting success alongside financial fragility.

Capital sequencing plays a crucial role in aligning these variables. Staggering capacity investments to coincide with validated demand and stable receivable performance reduces liquidity stress. Boards should require integrated capital and working capital forecasts before approving expansion programs. This discipline transforms oversight from retrospective review into forward-looking architecture.

Risk concentration monitoring further strengthens this alignment. Dependence on a limited number of large customers may amplify receivable exposure even when margins remain healthy. Boards must evaluate revenue concentration not only in terms of earnings volatility but also liquidity risk. Diversification strategy becomes intertwined with working capital resilience.

The linkage between EBITDA and working capital also influences leverage strategy. Industrial enterprises frequently utilize debt to finance growth.

However, debt servicing capacity depends not solely on earnings but on cash conversion efficiency. Governance frameworks should therefore incorporate liquidity-adjusted leverage thresholds rather than relying exclusively on EBITDA multiples.

By embedding integrated profitability and liquidity oversight into board processes, strategic growth execution becomes structurally disciplined. EBITDA performance is contextualized within capital efficiency and liquidity elasticity, ensuring that expansion strengthens rather than destabilizes enterprise architecture.

The next section proposes a structured board-level financial oversight architecture designed to institutionalize this integration and enhance governance maturity.

## VI. DESIGNING A BOARD-LEVEL FINANCIAL OVERSIGHT ARCHITECTURE

For board-level financial oversight to evolve from reactive monitoring to strategic stewardship, it must be institutionalized within a coherent architecture. Such architecture does not replace executive management functions; rather, it structures how financial signals are interpreted, prioritized, and linked to strategic intent. In industrial enterprises characterized by capital intensity and operational complexity, this oversight architecture must integrate profitability metrics, liquidity controls, capital discipline, and risk visibility into a unified governance framework.

The foundation of this architecture is integrated financial dashboards tailored specifically for board use. Unlike operational dashboards designed for managerial detail, board-level dashboards must synthesize key structural indicators: EBITDA trends segmented by business unit, cash conversion cycle evolution, return on capital employed, leverage ratios, and capital expenditure commitments. Crucially, these metrics must be presented relationally rather than independently. For example, EBITDA growth should be displayed alongside working capital expansion and capital intensity to highlight structural interdependencies. This relational presentation prevents metric isolation and enhances strategic comprehension.

Early warning systems constitute the second

structural layer. Industrial enterprises often experience gradual deterioration in liquidity or asset productivity before earnings are visibly affected. Boards require predefined trigger thresholds—such as working capital-to-revenue ratios, ROCE deviations, or debt service coverage levels—that prompt strategic review when exceeded. These thresholds transform oversight from retrospective explanation to anticipatory governance.

Capital discipline committees or structured investment review protocols further embed financial oversight into strategic execution. Boards should ensure that significant capital expenditures are evaluated not only through project-level return metrics but through enterprise-wide capital allocation coherence. This includes assessing cumulative capital commitments, sequencing alignment with liquidity capacity, and long-term asset productivity implications. Oversight architecture must therefore integrate investment governance with liquidity forecasting.

Risk visibility mechanisms complete the architecture. Industrial enterprises face exposure to demand cycles, currency volatility, commodity price shifts, and operational disruptions. Financial oversight should incorporate structured risk mapping linking these external variables to internal financial sensitivity. Scenario-based reporting—illustrating how EBITDA and liquidity respond under adverse conditions—strengthens board preparedness.

Importantly, oversight architecture must maintain clarity without micromanagement. The board's role is to define structural financial boundaries and monitor systemic indicators rather than manage operational detail. Clear delineation between executive execution and board oversight preserves governance integrity while enhancing strategic alignment.

When institutionalized effectively, board-level financial oversight becomes a strategic capability. It enables proactive capital sequencing, disciplined growth execution, and early detection of structural imbalance. In capital-intensive industrial enterprises, such architecture is not optional; it is foundational to sustainable expansion.

The next section examines how operational complexity—particularly in multi-plant or geographically dispersed enterprises—intensifies the

need for sophisticated financial oversight systems.

## VII. OVERSIGHT UNDER OPERATIONAL COMPLEXITY

Operational complexity significantly amplifies the governance demands placed on boards of industrial enterprises. Multi-plant structures, diversified product portfolios, and cross-border operations introduce performance asymmetries that consolidated reporting often conceals. Effective oversight must therefore penetrate beyond aggregate financial statements into the structural composition of enterprise performance.

In multi-plant organizations, EBITDA may vary substantially across facilities due to differences in asset age, workforce productivity, and market exposure. Aggregated reporting may obscure underperforming units whose capital intensity erodes overall return metrics. Boards must require segmented financial transparency to identify structural inefficiencies and assess whether capital reallocation is warranted.

Working capital dynamics also differ across plants and markets. Export-oriented facilities may experience extended receivable cycles, while domestic operations maintain shorter liquidity loops. Inventory strategies may vary based on production complexity or supply chain reliability. Oversight architecture must incorporate plant-level liquidity monitoring to prevent localized strain from propagating across the enterprise.

Investment arbitration becomes increasingly complex under operational diversity. Competing capital proposals from multiple units may each present compelling justifications. Without standardized evaluation criteria and centralized prioritization, resource allocation risks reflecting local advocacy rather than strategic optimization. Boards must ensure that capital allocation frameworks integrate cross-unit comparability and enterprise-level return thresholds.

Risk concentration monitoring is equally vital. Exposure to specific markets, customers, or regulatory environments may cluster within certain operational units. Consolidated financial strength can mask localized vulnerability. Board-level oversight should incorporate concentration metrics—customer

dependency ratios, geographic revenue exposure, asset concentration by region—to preserve systemic resilience.

Operational complexity thus transforms financial oversight from a summary review into a network-level governance discipline. Boards that adapt their oversight architecture to reflect structural diversity enhance enterprise stability and strategic agility.

The next section addresses how financial oversight must adapt during periods of rapid growth, when expansion momentum intensifies both opportunity and risk.

## VIII. FINANCIAL OVERSIGHT DURING RAPID GROWTH

Rapid growth is often interpreted as validation of strategic direction. Rising revenues, expanding market share, and improving EBITDA create momentum that reinforces managerial confidence. Yet in capital-intensive industrial enterprises, hypergrowth introduces structural distortion. Financial oversight during such periods becomes more critical, not less. Boards that equate growth with reduced risk frequently underestimate the fragility embedded in accelerated expansion.

One of the primary distortions during rapid growth is optimism bias. Forecasts assume sustained demand, stable pricing, and predictable execution. Capital expenditure proposals multiply as plants seek to expand capacity to meet perceived opportunity. Without disciplined sequencing, cumulative capital commitments can outpace liquidity absorption capacity. Even when EBITDA rises, the simultaneous expansion of working capital and asset intensity may compress free cash flow.

Leverage amplification further compounds risk. Growth phases often coincide with increased borrowing to finance expansion. While leverage ratios may appear manageable relative to EBITDA multiples, cash flow volatility can undermine debt servicing resilience. Boards must therefore evaluate leverage not only through earnings coverage but through liquidity-adjusted metrics incorporating cash conversion cycle dynamics.

Rapid growth also strains organizational control systems. Inventory management may loosen to support delivery reliability, receivable collection may

extend to secure strategic clients, and supplier payment terms may tighten under volume pressure. These adjustments collectively elongate the cash conversion cycle. Without integrated oversight linking EBITDA growth to liquidity elasticity, expansion may generate structural imbalance.

Expansion into new geographies or product segments introduces additional uncertainty. Entry costs, certification requirements, and ramp-up inefficiencies may temporarily dilute margins. Boards must evaluate growth initiatives through scenario-based analysis, ensuring that projected returns remain viable under conservative assumptions.

Financial oversight during rapid growth must therefore emphasize sequencing discipline. Staggered capital deployment aligned with validated demand milestones mitigates overextension risk. Boards should require integrated capital and liquidity forecasts prior to approving major expansion waves.

Importantly, growth periods offer an opportunity to institutionalize governance improvements. When earnings are strong, organizations possess financial flexibility to invest in enhanced reporting systems, risk monitoring tools, and capital allocation frameworks. Boards that leverage growth to strengthen oversight architecture enhance long-term resilience.

Thus, financial oversight under rapid growth is not about constraining ambition but about structuring expansion within disciplined financial boundaries. When boards maintain integrated visibility across profitability, liquidity, leverage, and capital intensity, growth becomes sustainable rather than speculative.

The next section reframes board oversight from reactive monitoring to proactive strategic stewardship, positioning financial governance as a competitive capability.

## IX. FROM OVERSIGHT TO STRATEGIC STEWARDSHIP

Board-level financial oversight, when confined to compliance and performance verification, remains reactive. However, when embedded within integrated governance architecture, oversight evolves into strategic stewardship. In capital-intensive industrial

enterprises, this transformation redefines the board's role from financial reviewer to enterprise architect.

Strategic stewardship requires that financial metrics inform strategic direction rather than merely validate it. EBITDA trends, working capital movements, and capital allocation patterns must be interpreted collectively to shape long-term positioning. Boards that view financial oversight as forward-looking design influence capital sequencing, risk exposure, and competitive investment priorities.

Institutional maturity emerges when boards institutionalize structured dialogue between financial indicators and strategic initiatives. For example, decisions regarding geographic expansion should integrate liquidity elasticity analysis. Technology modernization initiatives should align with ROCE thresholds and asset lifecycle planning. Such integration embeds financial logic into strategic execution.

Financial governance also enhances credibility among external stakeholders. Investors, creditors, and strategic partners assess not only performance outcomes but governance sophistication. Enterprises demonstrating disciplined board-level oversight signal stability and predictability, strengthening access to capital and partnership opportunities.

Moreover, strategic stewardship mitigates internal fragmentation. In multi-plant or diversified enterprises, board-level clarity on capital priorities reduces internal competition and aligns executive incentives. Oversight architecture becomes a coordinating mechanism that harmonizes localized performance objectives with enterprise-wide resilience.

In this sense, board-level financial oversight constitutes an organizational capability. It shapes how information is processed, how risks are anticipated, and how capital is deployed. Firms that institutionalize this capability differentiate themselves not merely through assets or scale, but through governance coherence.

The following section outlines the theoretical contributions of this governance-based perspective, situating it within broader corporate governance and strategic management discourse.

## X. THEORETICAL CONTRIBUTIONS

This study extends corporate governance theory by reframing board-level financial oversight as a strategic capability rather than solely an agency monitoring function. Traditional governance literature emphasizes alignment between shareholders and management, focusing on compensation structures, audit committees, and compliance frameworks. While these elements remain essential, industrial enterprises operating under capital intensity require an expanded conception of oversight.

By linking EBITDA discipline with working capital governance and capital allocation sequencing, this framework integrates financial architecture with strategic execution. It demonstrates that profitability and liquidity oversight are interdependent components of growth architecture. The board's effectiveness lies not only in constraining managerial opportunism but in orchestrating financial coherence under operational complexity.

Furthermore, the study contributes to strategic management theory by embedding financial governance within competitive positioning. Sustainable advantage in asset-heavy industries arises not solely from production capacity or market access, but from disciplined capital and liquidity orchestration. Governance maturity thus becomes a differentiating capability.

The concept of integrated oversight architecture also introduces the notion of governance elasticity—the ability of board systems to adapt as scale and complexity increase. As enterprises expand across plants, markets, or product lines, oversight mechanisms must scale proportionally to preserve financial stability.

## XI. MANAGERIAL IMPLICATIONS

For boards of industrial enterprises, the findings underscore the necessity of moving beyond isolated EBITDA review toward integrated profitability and liquidity dashboards. Early warning thresholds, risk mapping, and capital sequencing frameworks enhance resilience.

For CEOs, strategic growth initiatives should be presented with integrated liquidity and capital forecasts rather than earnings projections alone.

Executive reporting structures must facilitate cross-functional financial coherence.

For CFOs, the development of scenario-based forecasting, working capital analytics, and post-investment capital performance audits strengthens board dialogue and improves allocation discipline.

For diversified or multi-plant groups, segmented transparency and standardized return metrics are critical to preserving enterprise-wide coherence.

## XII. CONCLUSION

Board-level financial oversight in industrial enterprises cannot remain confined to retrospective earnings review. Capital intensity, operating leverage, and liquidity exposure demand integrated governance architecture linking EBITDA performance, working capital dynamics, and strategic growth sequencing.

When boards institutionalize this integration, financial oversight evolves into strategic stewardship. Profitability becomes contextualized within liquidity resilience and capital efficiency. Growth initiatives are sequenced within disciplined financial boundaries. Operational complexity is navigated through structured transparency.

In capital-intensive environments, sustainable competitive strength emerges not merely from scale or market expansion, but from governance coherence. Board-level financial oversight, when architected strategically, becomes a foundational capability enabling resilient and disciplined enterprise growth.

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