



Explaining the pattern of application of the theory of constraints in Iranian commercial banks

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Abstract

The aim of the present study was to explain the pattern of application of the theory of constraints in Iranian commercial banks. The present study was conducted with a mixed approach (qualitative and quantitative). Also, in terms of data certainty, it is an exploratory research and in terms of purpose, it is in the field of applied research. In the qualitative part, the multifaceted grounded theory approach was used to explain the pattern of application of the theory of constraints in Iranian commercial banks. In this combined method, in addition to paying attention to the research background and theoretical foundations, theoretical data is collected and empirical data is collected through interviews with experts. The above combined method enriches the research and its results. With the purposeful snowball sampling method and until theoretical saturation is reached, 8 university professors, managers and bank accountants were interviewed and data were collected. In the quantitative part, the model was validated by distributing a questionnaire to 34 experts. According to the experts, four dimensions of banking performance, banking operations management, resource management, and loan management, fourteen components, and sixteen indicators were identified. This study shows that using theoretical and empirical data and adapting them to valid theoretical frameworks can provide valuable insights for operational and strategic decision-making in the banking industry. Given the increasing importance of data and advanced analytics, banks can benefit from this approach to stay at the forefront of innovation and provide better services to their customers.

Keywords: Management Accounting, Theory of Constraints, Bank, Performance.

JEL Classification: D24, D2, R3, P42, E23

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INTRODUCTION

The Theory of Constraints leads to the improvement of activity cycle times and the reduction of organizational costs ([Campbell, 1995](#)). The application of the Theory of Constraints concepts in the banking industry is a novel subject, and thus, explaining the capital adequacy ratio through the system performance accounting model can lead to systemic thinking in banks ([Khezripour et al., 2020](#)). The Theory of Constraints helps improve the operational indicators of an organization ([Balderstone & Kay, 1999](#)). The Theory of Constraints is one of the decision-making techniques in strategic management accounting and one of the modern performance evaluation theories that, with a systematic approach to the firm and aligned with cost leadership strategy, considers growth strategies. The use of the Theory of Constraints concepts in explaining economies of scale, which is a concept from managerial economics, can lead to systemic thinking in banks. The concept of economies of scale refers to changes in product output relative to changes in inputs and the advantage of cost reduction due to increased output volume ([Salehi & Khanmohammadi, 2019](#)).

METHODOLOGY

The present study was conducted using a mixed-method approach (qualitative and quantitative). In terms of the certainty of information, it is an exploratory research study, and in terms of purpose, it falls within the realm of applied research. In the qualitative section, the multidimensional grounded theory approach ([Goldkuhl and Cronholm, 2010](#)) was used to explain the model of applying the Theory of Constraints in Iranian commercial banks. In this combined method, in addition to considering the research background and theoretical foundations, theoretical data were collected, and empirical data were gathered through interviews with experts. This mixed method enriches the research and its results. Using purposive snowball sampling until theoretical saturation was reached, interviews were conducted with 8 university professors, managers, and bank accountants, and data were collected. In the qualitative section, MAXQDA software was used for data analysis. Finally, the final paradigmatic model was developed in the qualitative section. In the quantitative section, the paradigmatic model was distributed in the form of a researcher-made Likert-scale questionnaire among 34 experts, and the validity and ranking of the models dimensions and components were tested.

RESULTS

The first stage in the multidimensional grounded theory is reflecting on the research areas of interest and revision. The second stage is theory creation, which includes four steps: 1) inductive coding equivalent to open coding, 2) refining concepts through Scott and Howells ([2008](#)) conditional guide table, 3) Strauss and Corbins ([1998](#)) three-dimensional theory pattern, and 4) explaining the paradigmatic pattern. The third stage is data-based clarification, which involves theoretical matching, transparent validation of empirical data, and assessing theoretical coherence. According to Table 2, fourteen concepts or codes were extracted from theoretical and empirical data, including: eliminating functional constraints in the banking system, optimizing banking system bottlenecks, optimizing scheduling programs in banking services, enhancing quality, performance evaluation, use in operational decision-making, continuous performance improvement, increasing operational efficiency, optimal allocation of financial resources, eliminating non-value-added activities in banking operations, using constraints as opportunities to provide better customer service, optimizing and eliminating loan management constraints, optimizing liquidity management, and reducing banking costs by reducing functional constraints. Infrastructure factors were found to be highly dependent.

CONCLUSION

The purpose of the present research was to explain the pattern of applying the Theory of Constraints in Iranian commercial banks. In this regard, according to experts, four dimensions banking performance, banking operations management, resource management, and loan management along with fourteen components and sixteen indicators were identified. Banks should focus on removing obstacles and constraints that affect the efficiency of banking operations. This may include optimizing processes, automating tasks, and eliminating unnecessary steps in banking services. Additionally, identifying and improving bottlenecks in the banking system, such as slow processes or limited resources, can enhance efficiency and service speed. Optimizing scheduling programs in banking services, including queue management and staff scheduling, can improve customer experience and operational efficiency. Enhancing the quality of banking services and implementing effective performance evaluation systems helps banks identify their strengths and weaknesses, enabling continuous improvement. Using advanced data and analytics in operational decision-making will assist banks in optimizing processes, managing risk, and delivering better customer service. Adopting a continuous improvement approach in performance allows banks to respond more flexibly to market changes and customer expectations. Optimal allocation of financial resources and eliminating non-value-added activities lead to increased efficiency and reduced costs. Optimizing loan and liquidity management, including identifying opportunities to provide better customer service and managing risk, should be prioritized. The extracted concepts can serve as a foundation for designing banking strategies, improving processes, and developing new products and services. The research findings align with the studies by Zhou et al ([2025](#)) and Khazripour et al ([2020](#)).

Contribution of Authors

The authors jointly contribute to the preparation and publication of the article.

Ethical Approval

Informed written consent was obtained from individuals for the publication of their anonymous information in this study.

Sponsor

This study had no sponsor.

Conflict of Interest

No conflict of interest was declared by the authors.

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