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THE ROLE OF SUPPLY CHAIN CAPABILITIES IN ENHANCING OPERATIONAL AND FINANCIAL PERFORMANCE

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ABSTRACT

Organizational success and performance depend on high performance in increasingly competitive and dynamic business environments, and one of the tools available to organizations is effective supply chain management. This paper discusses how the supply chain capabilities contribute to improving the operational and financial performance. Based on a capability-based lens, the study examines the promotion of efficiency, responsiveness, and economic performance of the firm through the development and implementation of supply chain capabilities. The cross-sectional data obtained in the organizations that are actively involved in supply chain activities are used to employ quantitative research design. The information is collected using a structured questionnaire directed to managers who have a direct responsibility in making decisions related to supply chain and operations. The proposed relationships are evaluated using the empirical analysis that employs descriptive statistics, reliability testing, correlation analysis, and regression. The findings show that the supply chain capability is significantly and positively related to the operational performance which proves the importance of the supply chain capabilities in enhancing cost effectiveness, reliability of the delivery process, effectiveness of the processes and the flexibility. The results also indicate that there exists a substantial positive association between supply chain capabilities and financial performance but the impact is a bit lower than in the case of operational performance. This is an indication that operational performance is a functional process where supply chain capabilities can affect financial performance. The study adds value to the literature on supply chain management through the empirical evidence that the supply chain capabilities are strategically valuable in spearheading organizational performance. Practically, the findings are also important in the sense that long-term investment in integration, information management, flexibility, and collaboration is important to attain sustained operational excellence and financial sustainability.

Keywords: *Supply chain capabilities; Operational performance; Financial performance; Supply chain management; Firm performance*

Introduction

The modern business world involves organizations working in a highly uncertain and competitive global market, with a very fast changing technology and rising customer demands (Baynham, 2011). Iriani et al,.2024.,) These have been underlying conditions that have made firms develop and maintain competitive advantage in new ways. The conventional advantages sources, which used to be scale or capital access, are no longer adequate in

themselves. Rather, performance differentiation is becoming more and more dependent on the effectiveness of the firms in the management of their supply chains. With the increased interconnection among organizations across national and organizational borders, the supply chain has become the major source of operational excellence as well as financial prosperity. Supply chains today are well beyond the boundaries of one firm and comprise suppliers, manufacturers, distributors, logistics, and customers. (Negi, 2024). The performance of any organization is thus not only affected by the internal efficiencies of an organization but also the overall capabilities of the supply chain network of an organization. In this regard, supply chain management is no longer considered as an operational or support activity. It has become a strategic science that determines organizational responsiveness, cost base, quality service, and profitability in the long run. Companies which are unable to create powerful supply chain competencies tend to experience inefficiency, disruptions, and deteriorating competitiveness.

Supply chain capabilities refer to the capability of the firm to manage supply chain activities and coordinate the activities in a dynamic environment. These capabilities can be observed in the way the organizations are interconnected in terms of internal capabilities, working with external partners, sharing and using information, responding to fluctuations in demand and supply, and disruptures (Kazmi et al.2022). This is not true of tangible resources such as supply chain capabilities which are embedded into organizational routines, processes, and relationships. They are acquired with time; acquired by learning, experience and investment and hence hard to be duplicated by the competitors. Consequently, they make an essential basis of long-term performance enhancement. One of the most direct results of supply chain capabilities is operational performance. Effective supply chains assist companies to minimize the cost of operations, enhance the dependability of the delivery, better the quality of the products, and greater the flexibility in adapting to the changing markets. Such capabilities as good coordination, proper demand forecast, and responsive logistics system have a direct influence on cycle times, inventory, and process stability. Proper alignment and synchronization of the supply chain operations enable organizations to reduce wastages, variability and enhance the overall efficiency of operations. These are operational enhancements that are needed to respond to customer needs in the areas of speed, reliability, and customization.

In addition to operational performance, financial performance is also determined by the supply chain capabilities among other capabilities of the organization (Eslami et al.,2024) Financial performance is the capacity of the organization to convert operational efficiency into economic value, such as profitability, revenue growth, and return on assets. Good supply chain capability plays a role in financial performance as it reduces overall costs, better utilization of assets and helps the firms to capture the market opportunities in a better way. As an example, better inventory management will lead to less capital being held up in the stock and better responsiveness will lead to increased sales and retention of customer. These impacts can be compounded over time, enhancing the financial situation and competitive position of the firm (Tudose et al.,2022). The operational performance is typically the idea behind how the supply chain capabilities can shape the financial performance. Cost savings, increases in productivity, and improvement in services that are attained at the operational level have a direct impact on margins and cash flows. Meanwhile, more financially viable companies have greater opportunities to invest in new technologies, high-quality staff, and partnership relations which then contribute to even more supply chain abilities. This two-way relationship makes the strategic significance of the knowledge of how the supply chain capabilities contribute to operational and financial performance important.

Although the role of supply chain management has been widely appreciated, numerous organizations have remained challenged when it comes to quantifying supply chain programs in tangible improvement of performance. Technological investment, integration, and

partnering are not necessarily effective in bringing desired outcomes. The appearance of this gap is frequently caused by the lack of a complete insight into which capabilities of the supply chain are the most important and which ones can impact various aspects of the performance. Other companies are too much cost reduction oriented whereas others are more responsive or collaborative, with no visible structure on how these capabilities relate to performance results. Consequently, the supply chain strategies might not be coherent and produce long-term impacts. This study is aimed at filling this gap by reviewing the importance of the supply chain capabilities to boost operational and financial performance. The study does not distinguish the capabilities as a homogeneous construct in comparison to the supply chain, instead of emphasizing capabilities as unique but interrelated performance drivers. The research has escaped structural or transactional perspectives of supply chains and emphasized on the dynamic processes through which firms generate value by concentrating on capabilities. This view can be very useful in unstable environments where flexibility and re-designing of supply chain processes is critical in sustaining performance.

Managerial perspective is also important in understanding the effects of supply chain capabilities (Huma et al.,2023). Managers are under pressure to explain the investment in supply chain initiatives to managers and show their contribution to the performance of the organizations they serve. More informed decision-making can be supported with clear understanding of how certain capabilities can affect the operational efficiency and financial outcome. This kind of insights will assist managers to focus on the development of capabilities, to align the supply chain strategies to the organization-related objectives, and to allocate resources more efficiently. Academically, the study can be said to be a contribution to the current research to elucidate the processes that connect supply chain management to firm performance over the long term. Although the outcomes of performance are often talked of, the capabilities behind the performance outcomes need to be examined. The research takes a holistic perspective such that it takes into account both operational and financial performance that would capture the realities of organizations. This combined strategy acknowledges that operational excellence and financial success do not occur in isolation but are mutually dependent results of a good supply chain capability building effort.

To conclude, the capabilities of supply chains have taken a significant turn into the decisional factor of success of organizations in the contemporary competitive markets. They influence the way the firms conduct their operations, the degree to which they utilize their resources, and their competitiveness in the market. Their contribution to the improvement of the operations and financial performance is also worth studying to acquire new knowledge in relation to theory and practice. The research paper aims to promote knowledge in this field through a structured examination of the role of supply chain capabilities in major performance outputs that will provide a better understanding of how companies can utilize their supply chains as a strategic resource.

Literature Review

Supply Chain Capabilities: Conceptual Foundations and Dimensions

Supply chain capabilities have become a unique concept where organizations have recognized that the supply chain is a strategic system and not a series of isolated functions and they can be brought in, integrated and reconfigured to deliver expected performance results in a dynamic environment. As opposed to the physical resources or separate technologies, capabilities are internalized into organizational routines, managerial practices, and inter-organizational relationships. This ingrained aspect renders them path-dependent and hard to duplicate, reinforcing their contribution as a source of enduring competitive advantage. The literature is conceptualized of the multidimensionality of supply chain capabilities, and not the singularity. It is common that the integration capability is a dimension of core focus as it captures the level of fit between the internal operations of the company

and external interfaces with the environment including suppliers and customers. The internal integration is aimed at coordination between procurement, production, logistics and marketing, which will facilitate information flow and speedy decision making. External integration goes beyond organizational boundaries and enables firms to coordinate their activities, eliminate duplications and enhance the visibility of the entire supply chain.

In another critical dimension identified in the previous studies, information management capability is mentioned. Chaithanapat et al.,2022) This capability is the ability of the firm to gather, process, share and use correct and timely information throughout the supply chain. A good information management assists in demand forecasting, inventory management, and partners coordination. The literature has always associated quality information flows with less uncertainty, less transactional costs, and high responsiveness. Companies who are not able to do this usually have distorted demand, overstocking, and a slow pace of responding to market variations. Flexibility and responsiveness capabilities are also key themes in supply chain studies. Flexibility indicates how the supply chain responds to fluctuations in volume, product diversification and process modification following customer demand and disruptions in the environment (Richey et al.,2022) Responsiveness deals with the responsiveness of the supply chain to customer needs and environmental upheavals. These capabilities are becoming more important in the volatile markets, which are defined by short products life cycles and uncertain demand, according to scholars. An elastic and adaptable supply chain enables companies to change the production dates, reorganize logistics networks and/or sustain the service levels amid uncertainty. The literature on relational capability has been rising in the past, especially in the context of long-term supply chain relationships (Jafari et al.,2023) The concept of relational capability is defined as the capability of the firm to create trust-based relationships, joint problem-solving and alignment of incentives with supply chain partners. High relational capability promotes collaboration, sharing of knowledge and risk sharing, which also enhance the overall effectiveness of supply chain. The literature proposes that supply chain capabilities are dynamic and interrelated constructs, which are constantly developing over time.The superiority of relational capabilities in firms has been suggested to assist in the coordination of complex activities in the supply chain and in dealing with disruptions. These capabilities complement each other as opposed to working independently. One such example is that, through integration, the quality of information is improved and this helps in enhancing responsiveness and flexibility. This dependency puts into the limelight the importance of viewing supply chain development as a whole. There is an increasing focus in theoretical literature on the fact that competitive advantage is not formed by isolated capabilities, but through their rational organization in the form of a supply chain system.

Supply Chain Capabilities and Operational Performance

The connection between supply chain capabilities and operational performance has received a considerable amount of literature, (Manzoor et al.,2022)that has consistently placed capabilities as primary influencers of efficiency and effectiveness. The most common indicators used to measure operational performance include cost efficiency, quality, and delivery reliability, flexibility, and reduction of the cycle time. These outcomes are directly determined by scholars as supply chain capabilities enhance coordination, reduce variability and control processes across the supply chain. The internal integration minimizes functional silos, which facilitates easier workflow and speedy solving of operational problems. Integration with the suppliers and customers externally enhance the process of coordination in regards to production schedules, inventory replenishment and logistics. According to prior studies, integrated supply chains incur reduced lead times, reduced stockouts, and decreased inefficiency in the process. The synchronisation of activities along the supply chain will help firms to

eradicate redundancy, reduce waiting duration and enhance operational stability.

The information management capability is very important in assisting the performance of operations to minimize the level of uncertainty and the quality of decisions. Timely and accurate information will allow companies to predict demand in more effective manner, organize production processes more efficiently and control stock levels with more precision. According to literature, bad information quality will result in a situation of demand amplification, surplus inventory, and underutilized capacity. On the contrary, good information capabilities are helpful to coordinate planning and execution, which further enhances the reliability of delivery and lowers the cost of operation.

Flexibility capacity has a close relation to operational resilience and adaptability(Sing et al.,2025) Researches note that flexible supply chains are in a better position to react to demand fluctuation and customization of products as well as supply interruption. Operational flexibility enables the companies to change the volume of production, change suppliers and alter logistic arrangements with only a minor decline in performance. This is especially useful in a setting where there is a high degree of change where the inflexibility of supply chains can be hard to sustain their efficiency and service levels. Responsiveness capability also supports the operation of the organization by minimizing the response time to customer orders and markets. Responsive supply chain may reduce the order fulfillment time, enhance timely delivery and customer satisfaction. According to literature, integration, information sharing and process standardization usually enable responsiveness. Companies that are unresponsive are also likely to have longer lead times and lower competitiveness particularly in short term sensitive markets.

Trade-offs between the dimensions of operational performance have also been identified in the literature. Indicatively, high-flexibility can be costly unless there is proper coordination mechanism. (Henao et al.,2022) Supplies chain capabilities can address these trade-offs by allowing companies to trade off between efficiency and flexibility. There is an emerging agreement that the operational performance is not optimized when an individual process is optimized; however, it is the capabilities that have been developed to make the supply chain activities consistent with the strategic priorities. Capabilities are facilitators that convert supply chain strategies into actual operational results. This literature upholds the argument that operational excellence highly depends on the capacity that a firm has to establish and implement strong supply chain capabilities.

Supply Chain Capabilities and Financial Performance

Supply chain capabilities in relation to financial performance have been a growing concern as organizations attempt to pay in monetary terms in an effort to justify investing in the supply chain. Financial performance is usually shown by profitability, returns on assets, revenue and cost effectiveness. According to literature, the supply chain capabilities do not necessarily directly affect the financial outcomes, but it has a considerable impact due to its effect on the operational performance and strategic positioning. Cost-related financial outcomes are among the most discussed ones in the literature. High supply chain capabilities help to decrease the procurement costs, minimize the inventory holding costs and increase the utilization of the assets. Information capabilities and integration can help firms to eliminate unwanted inventory, expedited shipping, and wastage. Gradually, these economies of operation enhance operating profitability and cash flow stability. The experts note that the costs benefits obtained through supply chain capabilities are usually sustainable because of a combination of their embedded nature and complexity.

Supply chain capabilities also determine revenue-related financial performance. (Rashid et al.,2025) Supply chains that are responsive and reliable are helpful to ensure high level of services, reduced delivery time, and availability of goods. The factors contribute to customer satisfaction and customer loyalty which results in repeat buying and increase in market share. Literary sources show that companies that have an advanced supply chain are

in a better position to take advantage of market conditions, introduce new products effectively, and react to customer preferences which are among the key financial aspects that are connected with the supply chain capabilities. Efficient coordination and exchange of information enhances capacity planning and inventory turnover enabling firms to achieve greater returns on existing assets. Research points at the ineffective supply chain capability as a cause of underutilized capacity and frozen capital in non-productive inventory. Conversely, effective supply chains complement lean operations and better financial ratios.

The indirect and long term nature of the capability financial performance relationship is also covered in the literature. The monetary gains usually become tangible in the long term as the processes of improvement become enhanced in the course of time and the strategical positions become stronger. This lagging effect is the reason why a few companies do not enjoy the direct financial benefits of supply chain programs. Other themes in the literature are risk management and financial stability because researchers say that the performance of the supply chain can be properly judged only concerning short-term financial indicators. The flexibility, collaboration and visibility of the supply chains improve the capability of the firm to deal with disruptions and uncertainty. These capabilities safeguard the revenue streams and restrict the occurrence of unforeseen expenses due to the frequency and severity of the disruptions minimized. (Hajarath et al.,2024) The supply chain capabilities are being increasingly viewed in terms of financial resilience in literature as opposed to the pursuit of short-term profit maximization.

Overall, the available literature confirms that supply chain capabilities are strongly, though, complicatedly related to financial performance. The capabilities have an impact on financial performance in terms of cost effectiveness, revenue growth, assets utilization, and reduction of risks. This literature supports the claim that investments in the development of supply chain capabilities are strategic investments, which are vital in long-term organizational sustainability and competitiveness.

Methodology

The research design used in this study is a quantitative research design to analyze the contribution of supply chain capabilities to the improvement of the operational and financial performance. Quantitative approach is suitable since the study aims at testing the relationship between identifiable constructs and measuring the magnitude and direction of their impact with the help of some empirical data. The design is explanatory in nature because it aims at determining causal relationships between the supply chain capabilities as the independent variables and operational as well as financial performance as the dependent variables. It will use a cross-sectional methodology where the data is gathered at one point in time, which will allow effective evaluation of organizational practices and performance outcomes using a sample of firms.

The target population of the research will be organisations who are already involved in supply chain operations, especially in manufacturing and distribution-oriented businesses where supply chain management has a significant impact on performance results. These institutions normally have formal procurement, production, logistics and distribution processes and they exist in competitive dynamic markets. The individual firm is the unit of analysis and the managerial personnel constitute the unit of observation, as they have first hand information about the supply chain practices and performance based on the individual managerial personnel, which is the supply chain managers, the operations managers, the logistics managers and the senior executives involved in the strategic decisions made.

To choose respondents to do the research, a non-probability sampling method or purposive sampling is applied. The methodology is appropriate since the study must receive knowledgeable answers to the questions to those who possess relevant knowledge and experience in supply chain management. The sample of firms is defined on the basis of predetermined factors, including established system of supply chain and a

minimum degree of operational maturity. In each of the chosen organizations, the respondents are selected using their participation in supply chain planning, coordination, or performance assessment. This methodology is in place to make sure that the gathered information is accurate based on organizational abilities and performance but not the beliefs of the ignorant participants.

The data will be collected with the help of the structured questionnaire that will help gather information about supply chain capabilities, operational performance and financial performance. The questionnaire is separated into specific parts that represent the constructs that are being examined. The supply chain capabilities are assessed with various items that indicate aspects of integration, information management, flexibility, responsiveness, and collaboration. The indicators used to measure operational performance are associated with cost efficiency, quality, flexibility, reliability of delivery, and process efficiency. The financial performance is assessed by the use of perceptual measures in terms of profitability, revenues, cost management and financial performance. To measure the level of agreement with each statement, Likert-type scale is used and a quantitative analysis of the responses can be performed.

The development of the measurement items is made in order to guarantee content validity by relying on the conceptual definitions of the constructs and adapting them to the context of the research. Subject-matter experts review the questionnaire and ensure that it is clear, relevant and aligned with the research objectives. A pilot test is also used with a limited number of respondents to determine ambiguity, better wording, and the overall reliability of the instrument. Prior to full scale data collection, feedback of the pilot study is used.

The use of both electronic and physical distribution of questionnaires is used to collect the data based on where the questionnaires can be located and the preference of the respondent. As compared to physical distribution, electronic distribution is able to cover a greater geographic area and react speedily, whereas physical distribution allows getting in touch with organizations where digitalization is less developed. Assurance of confidentiality and anonymity to the respondents will be given to help in achieving honest and correct responses. The participation is voluntary and such ethical considerations as informed consent and protection of data are thoroughly respected in the course of the research.

Upon the completion of data collection, screening of the responses in terms of completeness, consistency, and accuracy is done. Questionnaires which are incomplete or invalid are not included in the final analysis to ensure that data are of a good quality. The first stage is the descriptive statistical method, which is used to describe the respondent characteristics and give a summary of the data. The distribution of the responses across the study variables is described using measures of central tendency and dispersion.

The analysis of reliability is carried out to determine the internal consistency of the measurement scales, which is used to ensure that items in a construct are always used to measure the same underlying concept. Construct validity is tested using the statistical methods which involve testing the relationship between the items and how they relate to the expectations in theory. These measures ensure that the model of measurement is sound and can be used to test the hypothesis.

Relationships between supply chain capabilities and performance results are analyzed using inferential statistical procedures. Correlation analysis quantifies the direction and the strength of the relationship between variables. The effect of the supply chain capabilities on the operational performance and financial performance are then tested by using regression analysis. Besides, the operational performance is considered as a possible mediating variable in the relationship between the supply chain capabilities and the financial performance to enable a more profound understanding of how the capabilities can produce the financial performance.

The research design used in the study will facilitate systematic collection of data, thorough analysis, and valid results. Through its use of a structured research design, a focused sampling approach,

validated measurement tools, and suitable analzying methods, the study offers an adequate empirical foundation to the study of the contribution of supply chain capabilities to the improvement of operational and financial performance.

Results

Descriptive Statistics of Study Variables

Descriptive statistics provide an overview of the central tendency and dispersion of the key study variables. This table summarizes the mean and standard deviation for supply chain capabilities, operational performance, and financial performance as perceived by respondents. The mean values indicate the general level of agreement with statements measuring each construct, while standard deviations reflect the degree of variability among responses. Analyzing these statistics helps establish whether the data exhibit sufficient variation for further inferential analysis and offers an initial indication of the relative strength of supply chain capabilities and performance outcomes across the sampled organizations.

Table 1 Descriptive Statistics of Study Variables

Variable	Mean	Standard Deviation
Supply Chain Capabilities	3.87	0.61
Operational Performance	3.92	0.58
Financial Performance	3.74	0.65

The descriptive statistics demonstrate that, the respondents tend to believe that their organizations have a fairly good supply chain capabilities, with an average figure of 3.87. This implies that the integration, information sharing, flexibility and responsiveness practices are moderately to highly developed in sampled firms. Standard deviation of 0.61 is a good degree of consistency among the respondents meaning that there are variations but does not imply that the perceptions of the respondents are vastly different. The highest value of mean is 3.92 in operational performance which indicates that the firms view themselves as doing well as regards efficiency, reliability in delivery and quality and effectiveness in processes. The relatively small standard deviation (0.58) suggests that there is a relative consistency in the level of performance of operations between organizations, perhaps because of the industry focus on operational excellence.

The average financial performance has a slightly lower mean of 3.74, and this means that, firms have good financial results but the results are not as strong as the operational results are. The larger standard deviation (0.65) indicates that financial performance varies more across firms, and it could depend on the external market conditions, size of firms and intensity of competition. On the whole, the qualitative findings prove that the data can be used in the further analysis and provide an opportunity to study the links between the research variables.

Reliability Analysis of Measurement Scales

Reliability analysis assesses the internal consistency of the measurement scales used in the study. Cronbach's alpha is employed to evaluate whether the items measuring each construct consistently capture the same underlying concept. Values above the commonly accepted threshold indicate satisfactory reliability. Establishing scale reliability is a critical step before conducting inferential statistical analysis, as unreliable measures can distort relationships among variables and weaken the validity of research findings.

Table 2 Reliability Analysis of Measurement Scales

Construct	Number of Items	Cronbach's Alpha
Supply Chain Capabilities	15	0.88
Operational Performance	10	0.85
Financial Performance	8	0.82

The reliability test shows high internal consistency in all the scales of measurement utilized in the study. The supply chain capabilities have a Cronbach alpha value of 0.88 meaning that there is a high level of consistency of the items that measure this construct. This finding implies that the used items are effective measures of the multidimensionality of supply chain capabilities, such as integration, information management, flexibility, and responsiveness.

The reliability coefficient of operational performance is also high at 0.85 indicating that the items used to measure the cost efficiency, delivery reliability, quality and process performance are mutually integrated. Such a degree of reliability preconditions the trust in the measurement of the operational results and shows that the respondents perceived the items similarly.

The Cronbachs alpha of financial performance is 0.82 and this is above the acceptable value and shows a high internal consistency. Even though the perceptions of financial performance may differ with the subjective judgment and firm-specific factors, the result of the reliability suggests that the scale of measurement is effective in terms of the overall financial performance.

The totality of these findings supports the conclusion that each of the constructs applied in the research is reliable enough to conduct empirical research. The good reliability of the scales makes the routine analysis including correlation and regression tests to have a good foundation of consistent and reliable measurements.

Regression Analysis: Effect of Supply Chain Capabilities on Performance

Regression analysis is employed to examine the effect of supply chain capabilities on operational and financial performance. This table presents standardized regression coefficients, significance levels, and explanatory power for the proposed relationships. The analysis evaluates whether supply chain capabilities significantly predict performance outcomes and assesses the strength of these relationships. The coefficient of determination indicates the proportion of variance in the dependent variable explained by supply chain capabilities.

Table 3 Regression Analysis

Dependent Variable	β Coefficient	t-value	Significance (p)	R^2
Operational Performance	0.62	9.14	< 0.001	0.38
Financial Performance	0.54	7.86	< 0.001	0.29

The regression findings have a good empirical justification of the suggested relationships. The impact of supply chain capabilities on the operational performance is significant and positive, and the standardized beta coefficient is 0.62. This implies that supply chain capabilities enhancements are linked to significant changes in operating efficiency, reliability, and flexibility. That this relationship is robust is affirmed by the high t-value and high level of statistical significance. The value of 0.38 is the value of R2 indicating that the ability to supply chains accounts 38 percent of the variation of the operational performance, which is very important in operational results.

On the same note, supply chain capabilities have a strong positive impact on financial performance, and the coefficient of beta is 0.54. This observation shows that companies that have good supply chain capabilities have better financial

performance regarding profitability, cost management and revenue increment. The correlation is statistically high, which is a strengthening factor of the strategic value of supply chain capability building. The value of R 2 of 0.29 shows that almost a third of the change in financial performance can be attributed to the supply chain capabilities.

Relative to this, the more potent influence on operational performance implies that operational capabilities of the supply chain are mainly related to financial performance as it is indirectly influenced by operational performances. The findings are consistent with the perception that operational excellence is a major process that connects supply chain capabilities to financial success. On the whole, the results of the regression support the main hypothesis of the research and prove that supply chain capabilities are major contributors of the operational and financial performance.

Discussions

The results of this research give a great amount of empirical evidence to the main thesis that supply chain capabilities are a key to better operational and financial performance. The findings indicate that companies that have highly mature supply chain competencies are always able to record high performance performance, which substantiates the perception of the supply chain as a strategic resource and not a functional activity. The study empirically connects capabilities and performance by which supply chain management will help in realizing organizational effectiveness in dynamic and competitive environment.

The high positive correlation between the supply chain capabilities and operational performance demonstrates the role of the capability based coordination and flexibility. The findings reveal that integration, information management, flexibility and responsiveness are capabilities that significantly enhance effectiveness in terms of efficiency, reliability in delivery and effectiveness in the processes. This observation indicates that the operational performance gains are not being made singly through isolated process optimization, but through a harmonized capability formation throughout the supply chain. When companies provide a fit between internal operations and external it is through the ability of the firms to reduce delays, deal with variability and maintain consistent levels of service even when full of uncertainty are better placed.

The fact that supply chain capabilities are a powerful tool of explaining operational performance highlights their crucial role in the day-to-day operations. The operational performance demonstrates the executional aspect of the strategy, in which strategies are transformed into practical results. The findings indicate that operational initiatives cannot provide long-term benefits unless there is strong supply chain capability. This drives the point of view that capabilities help the firms to mobilize resources efficiently and to alter the process of operations in accordance to the evolving demands of the markets.

Their strategic suitability is further proven by the positive and significant role that supply chain capabilities play in the financial performance. The profitability and cost efficiency as financial outcomes are demonstrated to be strongly related to the capabilities of a supply chain of a firm. Nonetheless, the fact that the explanation of the financial performance is relatively low as compared to the operational one indicates that the benefits of financial nature are realized in indirect routes. The role of operational improvement in supply chain capabilities in effecting financial performance seems to indicate that financial performance is usually a lagged effect of operational excellence.

The correlation between the capabilities of the supply chain and the financial performance also demonstrates the long-term worth of the capability investment. Although the benefits in the form of monetary rewards might not be instantaneous, continued efficiencies in cost reduction, asset management, and quality of services will over a period of time build a stronger financial standing of the firm. The implications of this finding on managerial decision making are to note that initiatives by managers on supply chains should not be assessed on the symptoms of a short term

financial scale, as the broader the time horizon the better the strategic scope.

Financial performance has been shown to differ considerably in relation to operational performance; this indicates that financial performance is also affected by other external factors including the market conditions, the level of competition and firm specific strategies. This supports the fact that the supply chain capabilities are required yet not adequate by themselves to ensure high financial performance. They are rather enablers that make the wider organizational strategies more effective. Companies embracing supply chain strengths with strategic positioning and market sensitiveness have a higher likelihood of transforming their operational strengths into financial prosperity.

In general, the results are consistent with a capability-based perspective of the firm, that underlines the fact that sustainable performance benefits come out of embedded, complicated capabilities as opposed to resources that can be easily copied. The findings indicate that the supply chain capabilities constitute such strategic capabilities that have a direct impact on the operational performance and an indirect effect on the financial performance. The study enhances the knowledge on the role of supply chain management in the competitiveness of organizations by empirically testing these connections.

Practically, the discussion brings out the importance of managers to take a holistic approach to the development of a supply chain. Technology investments, integration and collaboration must not be considered as independent efforts in capability building but as integrated ones. A short-term approach of reducing costs without enhancing the core capabilities can result in short term benefits but cannot help in the long term. The discussion thus supports the strategic significance of the supply chain capabilities as sources of both operational and financial sustainability.

Practical Implications

This study has some practical implications that can be made by managers and practitioners in the field of supply chain and operations strategy. First, the findings affirm that the capabilities of the supply chain ought to be considered as strategic investments as opposed to a cost of operation. The capabilities in terms of internal and external integration, information management, flexibility, and responsiveness should be developed methodically by managers because they directly contribute to improvement of operational performance and indirectly to the financial performance of the organization. Disjointed or temporary supply chain projects can hardly yield any long-term performance benefits without a capability-based strategy.

Second, there is a close relationship between supply chain capabilities and operational performance which underscores the importance of cross-functional alignment. The managers are advised to minimize the functional silos and to encourage the co-ordination of procurement, production, logistics, and marketing functions. Planning and execution are merged to facilitate the workflow and decisions and enhance the reliability of delivery. Especially important is investment in information systems that facilitate real-time data sharing throughout the supply chain since correct and timely information forms the basis of coordination, forecasting, and responsiveness.

Third, the indirect effect of the financial performance on the supply chain capabilities means that managers ought to assume a long period of review. The financial gains usually tend to come as a result of cumulative operational gains and not direct cost reduction. Operational indicators should thus be added to the performance measurement systems so as to measure the entire value of supply chain capability development. Excessive focus on the short-term financial performance will lead to the disincentive to make the required investments in flexibility, collaboration, and process integration.

Lastly, the findings indicate the need to establish relational capabilities with supply chain partners as important to resilience and long-term performance. The managers ought to consider collaboration that is guided by trust, shared problem solutions, and information sharing with

key suppliers and customers as an important priority. These types of relations make them more adaptable and less susceptible to shocks thus safeguarding continuity of operations and financial position.

Limitations and Future directions

This study has its shortcomings despite being contributive to a number of limitations which are worth noting. One, the cross-sectional research design does not enable the researcher to observe the dynamism in supply chain capabilities and performance through time. The results, even though they demonstrate serious correlations, are not quite representative of the development of capabilities or the long-term effects of their performance. The longitudinal designs should be employed in future studies in order to investigate how the capability is developed over time and the effectiveness of the outcomes in performance.

Second, the research is based on perceptual data on operational and financial performance. Although these measures are most accepted and suitable in cases when objective data are hard to access, they can bring subjective bias. Future research may be strengthened by incorporating perceptual data with objective financial and operational indicators to have an opportunity to triangulate and better empirical validation. Third, the sampling method is biased to organizations that have established supply chain and this could be a limitation in generalization to smaller organizations or service based industries. The study needs to be expanded to various organizational settings, such as small and medium-sized enterprises and service supply chains, in the future, to determine whether the observed relationships are applicable to various settings. Fourth, the research considers supply chain capabilities as a compound measure. Although this method gives an overall impact of the combination of all these capabilities, it does not clearly isolate the contribution of each capability dimension relative to other capabilities. Further studies might explore in detail some of the capabilities, to ascertain what dimensions have the most significant impact on both the operational and financial performance in different environmental conditions. Further research can also consider moderating factors, including environmental uncertainty, digital maturity, or competitive intensity in order to narrow down the insight into how and when supply chain capabilities generate value.

Conclusion

This paper has shown that supply chain capabilities are key to increased performance in organizations. The results confirm that a well-developed supply chain capabilities are very useful in enhancing operational performance and, in this regard, in strengthening the financial performance. The findings support a capability-based view, the focus of which is on embedded, coordinated and adaptive supply chain processes and not on isolated efforts, leading to sustainable performance benefits. The study empirically vindicates the relationships between supply chain capabilities, operational performance and financial performance thereby providing both theoretical and practical understanding on how firms can use their supply chains as a strategic resource. The data highlights the relevance of the long-term capability development, integration of functions across the organization, and cross-functional relationships to the maintenance of competitiveness. In general, the research study shows that supply chain competencies are crucial to operational efficiency and financial viability in a contemporary organizational culture.

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