

The Mediating Role of Organizational Capabilities on Impact of Enterprise Resource Planning Implementation on Financial Performance of Listed Manufacturing Firms in Sri Lanka

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Abstract

An enterprise resource planning (ERP) system is an integrated suite of software applications designed to automate a wide array of core businesses across functional areas and to improve efficiency and effectiveness by integrating all systems those increase financial performance. According to the Resource Based View approach, companies can properly manage their resources through the organizational capabilities also play an important role in improving financial performance. This research aimed to investigate the impact of ERP implementation on financial performance through the organizational capabilities as mediating variable at manufacturing companies listed on Colombo Stock Exchange period in 2024. The sample consisted of 284 firms, including both ERP adopters and non-adopters. The research adopted a quantitative approach, utilizing a structured questionnaire to collect primary data, which were analyzed using descriptive statistics, correlation, and regression analyses. The results showed that the implementation of ERP system has significant effect on financial performance and organizational capabilities. Organizational capabilities also have a significant effect on financial performance. In addition, organizational capabilities have proven to mediate the relationship between ERP implementation and financial performance of the company. This study shows evidence that ERP implementation makes an integrated operating system and can increase organizational capabilities by utilizing existing resources, and ultimately will also increase company financial performance. This study provides recommendations for owners, investors, stakeholders and policymakers by examining the impact of ERP implementation on financial performance mediating by organizational capabilities. As limitations, it is challenging to find organizational capability measures. This study only used one intervening variable so that the information obtained from the results is still limited.

Keywords: ERP implementation, financial performance, listed manufacturing firms, organizational capabilities, Sri Lanka