ABSTRACT

The impact of supply chain management extends beyond reducing costs and influences a firm performance. While the links between supply chain and firm performance are logical, it has proven difficult to determine them empirically. So, this paper aims to determine the financial impacts of the supply chain on firm performance by developing a proxy to assess the consequences of improved supply chain management on firm performance.

The research established econometric model to validate the proxy of supply chain performance. The samples use a secondary financial data of 120 manufacturing companies in Thailand from the period 2002 to 2011. Enterprise value (EV) that represents a firm performance was given a dependent variable and a new developed proxy that represents supply chain performance was given an independent variable including traditional measurements of supply chain performance.

Findings from the research are increases in change in the proxy lead to an increase in change in the rate of return on capital employed (ROCE) and a change in the rate of cash to cash cycle length, both of which are traditional measures of improved supply chain management. Moreover, as the rate of change of the proxy increases, so does enterprise value at a level that is statistical significant, indicating that improving supply chain management practices has a positive impact upon improved firm performance. This result is benefit to supply chain team able to convey the result to top management better understand how supply chain management can contribute to company success.