

The Role of Managerial Competencies, Inventory Management Practices, and Business Intelligence in Enhancing SME Financial Performance: A Conceptual Framework

Ahmad Shariah*, Nor Hasliza Md. Saad

School of Management, USM, Penang, Malaysia

Email: norhasliza@usm.my

*Corresponding Author Email: shariah@sudent.usm.my

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Abstract

Purpose: This study aims to develop a conceptual framework that integrates managerial competencies (MC) to help organizations improve their financial performance (FP) by enhancing inventory management practices, supported by business intelligence (BI), in small and medium enterprises (SMEs). **Design/methodology/approach:** The conceptual framework was constructed by reviewing models of managerial competencies, inventory management practices, business intelligence, and financial performance measures. A combination of recent literature provides the basis for developing the conceptual framework for the SME financial performance measures. The independent variable is managerial competencies. The mediator variable in this framework is inventory management practices, while the moderator variable is business intelligence. In addition, financial performance was presented as the dependent variable. **Findings:** This study presents a conceptual framework based on the Resource-Based View (RBV) theory, showing how managerial skills influence SME financial performance via inventory management practices. Additionally, business intelligence enhances the effectiveness of these practices. The framework offers an integrated view of the managerial, operational, and technological resources necessary for improving SME financial results. **Originality/value:** This research is valuable for the owners/managers of SMEs seeking to improve internal practices and FP. Moreover, the current study benefits researchers, SME managers, and decision-makers by examining the importance of managerial competencies in enhancing internal practices with the support of BI in SMEs. However, the current study aims to provide theoretical and practical contributions of managerial competencies and BI in SMEs' internal operations and financial performance.

Keywords: Managerial Competencies, Inventory Management Practices, Bi, Financial Performance, Sme

Introduction

Small and medium-sized enterprises (SMEs) are fundamental to economic growth in developing economies (Moh'd AL-Tamimi & Jaradat, 2019; Elseoud et al., 2019). Therefore, focusing on SME performance is a critical issue for today's researchers and scholars due to these enterprises' pivotal roles in improving the economy (Sayal & Banerjee, 2017; Kamukama et al., 2017; Akisimire et al., 2016) and reducing the unemployment rate (Maziriri & Chivandi, 2020). Moreover, many studies have shown that SMEs in developing countries collapse within the first five years of operation due to financial issues (Alsaaty & Makhoul, 2020; Naradda Gamage et al., 2020; Ndiaye et al., 2018; Temtime & Pansiri, 2004). These challenges are especially critical for SMEs, as their limited financial, managerial, and technological resources make them heavily reliant on sound managerial decisions and efficient internal processes to survive and ensure financial stability. Therefore, understanding the managerial, operational, and technological factors that enable SME financial sustainability remains an important area of research (Kurniasari et al., 2025; Nkwinika & Akinola, 2023; Mba et al., 2020; Olawale, 2014).

Previous studies have identified various factors that are associated with SME financial performance. However, the evidence is still spread across managerial, operational, and technological viewpoints. These factors include inventory management and its practices (Ramadan et al., 2024; Orobia et al., 2020), managerial competencies (Ramadan et al., 2024; Mutendereza, 2022; Anoke et al., 2022; Byukusenge et al., 2021; Velu & Manxhari, 2017), family-owned and managed businesses (Tran et al., 2023; Farrington et al., 2018; Ayranci, 2014; Berent-Braun & Uhlaner, 2012), learning capability (Hindasah & Nuryakin, 2020; Gomes & Wojahn, 2017), innovation (Mangifera et al., 2022; Jamai et al., 2021; Bigliardi, 2013), and quality management (Kriemadis et al., 2022; Sainis et al., 2022; Herzallah et al., 2014). More recent research has also emphasised technological factors (Kurniasari et al., 2023; Hastuti et al., 2021), such as information systems (Purwaningsih et al., 2024; Gyamera et al., 2023; Alkhawaldeh et al., 2023) and Business intelligence (Lateef & Keikhosrokiani, 2023; Francis, 2020; Tatić et al., 2018). Recent studies continue to address and highlight the importance of managerial competencies and inventory management practices for SME performance (Ramadan et al., 2024; Panigrahi et al., 2024). Moreover, growing research also recognises BI as a vital resource for enhancing organisational decision-making and performance. (Adewusi et al., 2024).

Despite this growing body of research, researchers have largely investigated managerial competencies, inventory management practices, and BI separately (Ramadan et al., 2024; Orobia et al., 2020; Maaitah, 2023; Ameen et al., 2025). Consequently, research remains limited on how managerial skills create financial value through internal operational practices, especially inventory management, and on whether Business Intelligence (BI) strengthens the link between inventory management practices and SMEs' financial performance. This fragmentation creates a significant gap in understanding how managerial, operational, and technological resources work together within resource-constrained SMEs. Theoretically, the Resource-Based View (RBV) provides a foundation for bridging this gap by treating managerial competencies as strategic human resources (Collins, 2021), inventory management practices as operational capabilities (Rashid et al., 2026), and BI as a technological resource (Madhala & Helander, 2024). Thus, their interaction may improve financial performance.

Accordingly, this conceptual study develops an integrated framework that examines the mediating role of inventory management practices in the relationship between managerial competencies and SME financial performance, while proposing BI as a moderator of the relationship between inventory management practices and financial performance. The framework explains how managerial, operational, and technological resources may interact to enhance SME financial performance.

Literature Review

This paper focuses on three critical, contemporary factors that contribute positively to SMEs' financial performance: managerial competencies (human factor), inventory management practices (a critical internal operation in the SME manufacturing sector), and Business intelligence (a technological factor). Human capital development is related to the human dimension of business organisations (Sung & Choi, 2014). It is crucial for a business organisation to have, develop, and retain talented people (Hongal & Kinange, 2020), including the management team (Rabbi et al., 2015). Authors have shown that talented human resources include knowledge, skills, and abilities (Saadat & Eskandari, 2016), which are considered managerial competencies (Semertzaki, 2017). Studies have shown that managerial competencies positively contribute to organisational effectiveness and efficiency (Almatrooshi et al., 2016; Mufti et al., 2016), and are thus directly linked to organisational performance (Veliu & Manxhari, 2017; Mufti et al., 2016). Studies showed that managerial competencies in the SME context include managerial skills, knowledge, practical abilities, leadership, strategic thinking, problem-solving, human, and entrepreneurial skills, and these competencies directly and positively enhance business internal operations and thus, financial performance (Ramadan et al., 2024; Elhawi et al., 2023; Raéd, 2023; Anoke et al., 2022; Orobia et al., 2020; Liridon & Manxhari, 2017; Abd Aziz, 2016). Managerial competencies are the skills, knowledge, and abilities necessary for effective management practices and decision-making (Martina et al., 2012). Research indicates the critical role and impact of managerial competencies on organisational performance, regardless of size, field, or industry (Aslan & Pamukcu, 2017; Suh et al., 2012; Andreeva & Kianto, 2012; Bierly III & Daly, 2007). In the SME context, numerous studies have sought to identify the managerial competencies that enable these enterprises to succeed in their ventures effectively and efficiently. These studies have demonstrated that the competencies required for SMEs vary with enterprise size (Oztemel & Ozel, 2021; Aliyu, 2017; Tehseen & Ramayah, 2015; Man et al., 2008; Singh et al., 2008). Scholars agree that these competencies could be classified into three main categories: knowledge, skills, and abilities, but they differ within these categories. For instance, knowledge competency includes modern knowledge (Nikitina & Lapiņa, 2019) and industry-specific knowledge (Aliyu, 2017), as well as market conditions (Aliyu, 2017). It is concluded that knowledge, particularly modern knowledge, aligns with today's business requirements and trends (Shet & Pereira, 2021). Modern knowledge supports a manager's ability to stay well-informed and effectively utilise contemporary information, trends, and technologies to drive organisational success (Nwafor, 2023). Studies have also linked knowledge and modern knowledge competency to enhanced internal operations and organisational overall performance (Stanisavljev et al., 2010), both financial (Ghali & Habeeb, 2018; Veliu & Manxhari, 2017) and non-financial (Okwemba, 2019; Oztekin et al., 2015; Verle et al., 2014). These studies have demonstrated the positive impact of possessing up-to-date and adequate knowledge on reducing running costs of internal operations (Ying et al., 2019), enhancing efficiencies and effectiveness (Almatrooshi et al., 2016), making accurate decisions

(Mahrinasari et al., 2021; Abubakar et al., 2019), and thereby improving organisational overall performance (Almatrooshi et al., 2016; Mufti et al., 2016). Collectively, the reviewed studies suggest that managerial competencies represent a strategic organisational resource that enhances decision-making quality, operational effectiveness, and resource utilisation. Managers with relevant knowledge, skills, and abilities are consistently linked to better organizational results, regardless of industry or company size (Khan, 2019). This pattern across multiple studies highlights the crucial role of managerial competencies in SME success. The second category includes managerial skills. Managerial skills, as a concept, vary depending on how they are used (Burgoyne & Stuart, 1979). Accordingly, managerial skills are classified into several categories based on their function. These categories are human skills (AHMAD & AHMAD, 2021; Marvel & Lumpkin, 2007; Tang et al., 2012), entrepreneurial skills (AHMAD & AHMAD, 2021; Marvel & Lumpkin, 2007; Tang et al., 2012), problem-solving (Hagras et al., 2017), leadership (Paulienè, 2017), planning (Moghaddam et al., 2019), controlling (Trivellas & Drimoussis, 2013), and organising skills (Belov et al., 2020). Scholars indicated that managerial skills help managers effectively incorporate and control organisational resources (MAURYA & SHARMA, 2017) and account for the managerial roles (Esmaeili, B., & Hosseini, 2012), thus enhancing internal operations (Parente et al., 2012), competitiveness (Leyva Carreras et al., 2018), and overall performance (Mehralian et al., 2020). However, many authors and researchers have identified technical skills as one of today's critical managerial skills required at different managerial levels and across functional areas (Łupicka, A. and Grzybowska, 2018; Aslan & Pamukcu, 2017; Tyrańska, 2016; Sidek et al., 2014). The studies indicated the positive impact of these skills on organisational performance, including SMEs (Wahyuni & Sara, 2020). The third primary competency is managerial abilities. Managerial abilities enable managers to perform their roles effectively to achieve organisational goals and objectives (Almatrooshi et al., 2016). The impact and role of managerial ability on business performance have been documented by many studies, both in general and in the SME context (Al Idrus et al., 2022; Ibidunni et al., 2022; Mashavira & Chipunza, 2021; Veliu & Manxhari, 2017).

Inventory management involves activities and decisions related to inventory levels, reorder points, determining optimal quantities at the right time, and maintaining optimal holding costs (Yunusa, 2021; Oroma, 2016). The studies of Karim et al. (2017), Gul et al. (2013), and Dong and Su (2010) showed that holding too much inventory would increase working capital, which will result in depletion, shrinkage, and wastage of inventories and, thus, low financial performance (Gul et al., 2013). Moreover, Dong and Su (2010) identified additional consequences, including supply chain disruptions, inventory shortages, product unavailability, and out-of-stock situations. However, previous studies have shown that the knowledge, skills, and abilities of management teams and decision-makers are necessary for inventory management practices to avoid the consequences of poor inventory management (Orobia et al., 2013). Generally, literature shows that SMEs in developing countries lack formal inventory systems (Ngubane et al., 2015; Kasim et al., 2015; Mazanai, 2012), procedures (Ngubane et al., 2015; Kasim et al., 2015) and structures (Ndiaye et al., 2018; Ngubane et al., 2015; Hamisi, 2011). Moreover, the studies showed that SMEs in developing countries rely on mental records (Wadesango et al., 2015; Ibrahim & Musah, 2014) and have proper financial reporting (Orobia et al., 2020). Thus, these issues and factors clarify how most SMEs in developing countries manage their inventory. Accordingly, the role of managerial competencies in SMEs can be explained and justifiable (Raza Bilal et al., 2017). Overall, the

literature shows that effective inventory management practices are more than just an internal operational task; it is a strategic capability that directly and positively impacts organisational performance (Panigrahi et al., 2024). These studies reveal that inventory decisions influence costs, customer satisfaction, resource utilization, and thus, profitability (Jean, 2024). Therefore, inventory management practices are a vital organisational skill that can play a crucial role in the financial success of SMEs.

Business intelligence (BI) is considered a top priority for organisations to improve decision-making processes effectively and efficiently (Isik et al., 2011). Not all BI initiatives have met expectations in the SME context due to various issues (Gudfinnsson & Strand, 2017). One reason for this is the lack of modern knowledge, skills, and awareness within management (Kfoury Skyrius, 2016). However, BIS offers analytics capabilities for experts and non-experts alike and can be used without extensive consultation with experts or scripting (Fields, 2014). Various studies highlighted the impact of information technology in general, and of information systems and BI specifically, on enhancing organisational internal operations and, thus, performance. Studies showed that BI can be applied at different levels, stages, and costs (Gudfinnsson & Strand, 2017; Puklavec et al., 2018; Muriithi & Kotzé, 2013). Tatić et al. (2018) showed that a significant number of SMEs use or have at least one information system (i.e., Enterprise Resource Planning, Customer Relationship Management, Data Management Systems, Warehouse Management System (WMS), and these systems are considered to provide the required data for BI, which can be considered as the building block for a BI system. However, studies in the BI context have shown that managerial knowledge, skills, and willingness are among the main barriers to the use of BI in SMEs, alongside financial issues (Mathrani, 2021; Tatić et al., 2018). However, scholars agree that SMEs can adopt BI in their operations by applying several strategies to reduce BI costs and maximise benefits (Zheng & Khalid, 2022; Stjepić et al., 2021). Low-cost strategies include Cloud-Based BI Solutions, Open-Source BI Tools, Scalable Solutions, and Leveraging Existing Software, which includes using BI features available in different familiar software such as Microsoft Excel or Google Sheets (Khan et al., 2024; da Costa Santos, 2020; Naghdipour, 2014; Sallam et al., 2011). The literature generally highlights that SMEs are progressively able to access business intelligence via affordable, scalable solutions (Champa, 2025). Although financial constraints and managerial readiness can still hinder BI adoption (Alzubi, 2025), prior research shows that BI enhances information quality, forecasting accuracy, operational efficiency, and strategic decision-making (Siddiqui, 2025). Accordingly, these advantages make BI a valuable resource for enhancing organisational performance.

Despite growing academic interest in SME performance, significant theoretical and practical gaps still exist. Previous studies have examined managerial competencies, inventory management practices, and business intelligence separately, with limited efforts to integrate these variables into a single framework. Managerial competencies (skills and knowledge) are linked to better financial results in many studies (Stor and Haromszeki, 2022), but how these skills lead to superior financial performance remains poorly understood, particularly the mediating role of inventory management practices. Additionally, business intelligence is important for decision-making and efficiency (Maaitah, 2023), its impact on inventory management practices in SMEs context is under-researched (Ameen et al., 2025). Most previous studies focus on large enterprises or examine the relationships between research variables in isolation, leaving a lack of comprehensive models for resource-constrained SMEs

facing rising competition. To address these issues, this study proposes an integrated framework exploring how managerial competencies, inventory management practices, and business intelligence collectively influence SME financial performance, guided by the Resource-Based View (RBV).

Based on earlier discussions, this study makes a theoretical contribution by developing a comprehensive framework that integrates managerial competencies, inventory management practices, and business intelligence, all rooted in the Resource-Based View (RBV), in order to explain SME financial performance. The importance of this research has grown as SMEs increasingly face pressure to boost operational efficiency, cut costs, and improve profitability within limited resources (Bakare et al., 2024). According to Mohamed (2024), Inventory management practices has shifted from becoming a routine task to be a strategic necessity, while Adewusi et al. (2024) study indicated that business intelligence tools present new opportunities for better decision-making. However, SMEs often struggle to harness these tools effectively due to limited managerial competencies (Champa, 2025). Consequently, understanding how managerial competencies, inventory management practices, and business intelligence interact to impact financial performance is crucial for advancing theory and guiding managerial strategies.

Contributions of the Study

This study contributions to existing research through broadens the Resource-Based View (RBV) by incorporating managerial competencies, inventory management practices, and business intelligence into a unified theoretical framework. Additionally, the study also details how managerial competencies (IDV) influence financial performance (DV), with inventory management practices serving as a mediating factor. Additionally, it also advances the business intelligence role through moderates the link between inventory management practices and financial performance. Furthermore, the study develops an integrated framework for SME research that combines variables such as managerial competencies, operational practices, and technological factors affecting financial performance. Finally, the proposed framework offers practical insights for SME managers aiming to enhance financial performance through resource optimization and operational excellence.

However, the study broadens the Resource-Based View (RBV) by showing how managerial competencies can lead to better financial performance through operational capabilities, such as inventory management practices, in addition to emphasizes business intelligence as a strategic technological resource that boosts the value of internal operational capabilities. This combined approach enhances RBV literature in the SME context and offers a thorough explanation of how managerial, operational, and technological resources work together to improve financial performance.

Resource-Based View (RBV) Theory

Literature explained that the Resource-Based View (RBV) is one of the most important comprehensive theories that can give a clear view concerning firm performance and the competitive advantage in SMEs (Lukovszki et al., 2021; Chumphong et al., 2020; Karedza and Govender, 2020), as it considers resources as key to reaching superior business performance (Orobia et al., 2020). Lubis (2022) indicated that the resource-based view of the organisation (RBV) focuses on the firm's internal environment as the driver for organisational competitive

advantage and success. Based on the RBV, variations in financial performance can be explained by managerial competencies and by the relationship between IT and business performance (Orobia et al., 2020; Kim et al., 2011). According to this study, managers' different managerial competencies can determine how inventory is managed, thereby explaining the business's financial performance. Thus, managers of SMEs need to continually acquire knowledge, experience, and skills relevant to a changing environment (Valdez-Juárez et al., 2016). The RBV explains how organisations can enhance financial performance by managing limited organisational resources, including human resources (Kamboj et al., 2015; Ismail et al., 2014). The theory highlights the essential role of organisational resources in enhancing financial performance (Chumphong et al., 2020; Assensoh-Kodua, 2019; Khan et al., 2019). The proponents of the RBV state that organisational resources can provide sustainable performance if they are valuable, rare, inimitable, and non-substitutable (Rauf et al., 2019; Bandaranayake et al., 2021). The Resource-Based View (RBV) paradigm can help explain how the interdependence among managerial competencies, inventory management, competitive advantages, and business intelligence affects SMEs' financial performance (Ra'ed, 2023; Abdallah et al., 2021). To adopt technologies and information systems, managers also need appropriate competencies to utilise technological resources effectively (e.g., BI) to support financial performance (Božič & Dimovski, 2019). The moderating role of business intelligence (BI) within the developed framework highlights its role in enhancing managerial competencies (Chen & Lin, 2021; Hung & Chen, 2020). The literature shows that BI provides superior decision-making capabilities for identifying opportunities for improvement (Abou Helal, 2022), analysing and forecasting market trends (Abu-ALSondos, 2023), and making the best strategic choices (Abou Helal, 2022). In inventory management, BI can enhance managers' ability to optimise inventory and operations and reduce costs, thereby directly impacting financial performance (Panigrahi et al., 2024). As a mediator, inventory management practices can illustrate how efficient inventory practices can overcome the gap between managerial competencies and financial performance (Muchaendepi et al., 2019; Ampadu, 2017), as effective inventory management practices can help managers and decision-makers maintain the optimal stock levels, reduces inventory waste, and meets customer demand at the right time and quality for enhancing profitability (Rubel, 2021; Kanguru, 2016). From the RBV's perspective, the interconnections among managerial competencies, inventory management practices, and business intelligence illustrate a comprehensive approach to enhancing financial performance (Panigrahi et al., 2024; Jafari, 2023). This approach draws on limited, unique organisational resources and capabilities and integrates advanced analytical tools to support managers' decision-making and organisational operations.

The Resource-Based View theory provides a strong theoretical foundation for the proposed framework. According to RBV, organizations achieve superior performance when they effectively utilize valuable internal resources and capabilities. In the context of SMEs, managerial competencies represent strategic human resources, inventory management practices represent operational capabilities, and business intelligence represents a technological resource that supports effective decision-making. Integrating these resources enables SMEs to improve internal operational efficiency, reduce costs, and ultimately enhance financial performance.

Based on the Resource-Based View, this study focuses on managerial competencies, inventory management practices, and business intelligence as strategic organisational resources and capabilities that contribute to superior financial performance in SMEs.

Theoretical Framework and Hypothesis Development

Building on previous studies' findings and gaps, this study aims to develop a theoretical framework that can be tested in the SME context and thus make a significant contribution to the current SME literature. Moreover, this framework is grounded in the Resource-Based View (RBV), which explains how valuable organisational resources and capabilities contribute to superior financial performance (Ahmed et al., 2018). Managers who make strategic decisions, develop plans, and implement business strategies aligned with their valued competencies (knowledge, skills, and abilities) will lay the foundation for enhancing internal operations, such as inventory management and practices (Orobia et al., 2020). Figure 1 shows the developed model that focuses on one independent variable (managerial competencies) and one mediator variable (inventory management practices), in addition to one moderator variable (business intelligence BI), while the dependent variable is presented as SME financial performance.

The study conceptual framework and developed hypotheses were proposed in this study based on the findings of previous studies (i.e., Ramadan et al., 2024; Sobhy & Raafat, 2023; Kabii & Kinyua, 2023; Brzaković et al., 2023; Jafari et al., 2023; Zaheer et al., 2023; Mazikana, 2023; Elbashir et al., 2022; Wang et al., 2022; Shet & Pereira, 2021; Aidara et al., 2021; Cong & Thu, 2021; Mashavira & Chipunza, 2021; Orobia et al., 2020; Masoud & Al Khateeb, 2020; Abd Aziz, 2019; Ahmad and Zabri., 2018). The proposed conceptual framework comprises five hypotheses, as presented in Figure 1 below, which will be detailed in the following sections.

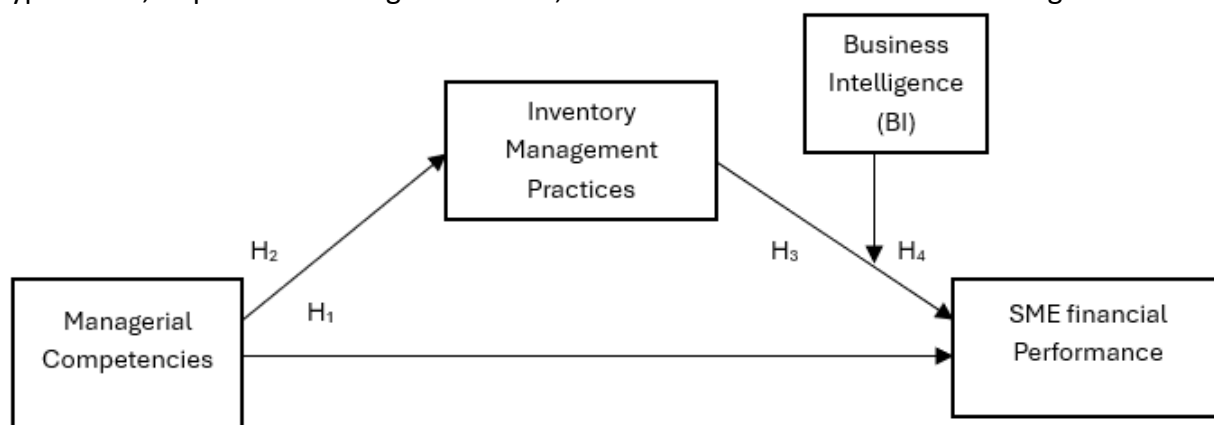


Figure 1 Proposed Conceptual Framework Based on the Resource-Based View (RBV).

Figure 1 presents the proposed conceptual framework of this study. The framework positions managerial competencies as the primary organisational resource that directly and indirectly influences SME financial performance through inventory management practices. Inventory management practices are proposed as an operational capability that mediates the relationship between managerial competencies and financial performance. Business intelligence is introduced as a technological resource that strengthens the relationship between inventory management practices and financial performance. The framework is grounded in the Resource-Based View (RBV), which emphasises the strategic value of organisational resources and capabilities in generating superior performance outcomes.

The present study developed five hypotheses based on the above framework, which aim to measure three direct relationships, one moderator, and one mediator. H₁, H₂, and H₃ measure the direct relationship between managerial competencies and SME financial performance (H₁), Inventory management practices (H₂), and inventory management practices on SME financial performance (H₃). Meanwhile, H₄ measures the moderating effect of BI on the relationship between inventory management practices and SME financial performance. Additionally, the present study developed one indirect hypothesis to measure the mediating effect of inventory management practices on the relationship between managerial competencies and SME financial performance. H₅ measures the indirect relationship between managerial competencies and SME financial performance through inventory management practices. However, the following subsections explain the associations between the study variables utilized by this paper.

The Relationships among Managerial Competencies with Inventory Management Practices, BI and SME Financial Performance

Managerial Competencies and SME Financial Performance

Successful organizations require proper management knowledge, skills, and abilities (Aslan et al., 2017; Cetin et al., 2016). Managerial competencies play a significant role in effectively managing organizations through managerial functions, as evidenced by Ramadan et al. (2024), Kabii & Kinyua (2023), Bondarenko et al. (2021), Shet and Pereira (2021), Cong and Thu (2021), Mashavira and Chipunza (2021); Orobia et al. (2020), Masoud and Al-Khateeb (2020), Byukusenge et al. (2020), Dzansi et al. (2019), and Ncube and Chimuheka (2019). All these studies proved the effect of managerial competencies on organizational financial performance. For example, Ramadan et al. (2024) highlighted the critical roles of managerial competencies, such as IT knowledge, decision-making, and practical abilities, in enhancing SMEs' financial performance. Orobia et al.'s (2020) study reached a similar conclusion, reporting a significant positive association. Moreover, other studies by Kabii & Kinyua (2023), Bondarenko et al. (2021), and Shet and Pereira (2021) have also demonstrated the significant impact of various managerial competencies on financial performance despite differences in competencies studied. However, the critical competencies in SME context identified by these studies include entrepreneurial skills (Shet & Pereira, 2021; Dzansi et al., 2019), agility (Shet & Pereira, 2021), problem-solving and decision-making (Ramadan et al., 2024; Shet & Pereira, 2021; Mashavira & Chipunza, 2021), practical skills (Ramadan et al., 2024; Shet & Pereira, 2021; Cong & Thu, 2021; Orobia et al., 2020; Byukusenge et al., 2020; Dzansi et al., 2019), leadership (Yahaya & Segbenya, 2023; Shet & Pereira, 2021; Cong & Thu, 2021; Byukusenge et al., 2020), analytical thinking (Shet & Pereira, 2021), task management (Ramadan et al., 2024; Shet & Pereira, 2021; Orobia et al., 2020; Byukusenge et al., 2020; Dzansi et al., 2019), knowledge (Cong & Thu, 2021; Orobia et al., 2020; Byukusenge et al., 2020; Dzansi et al., 2019), strategic vision (Cong & Thu, 2021), and relationship building (Cong & Thu, 2021). These studies collectively agree that managerial competencies enable managers to perform their duties more effectively and efficiently, and are significantly and positively associated with business performance in terms of profit and sales.

According to the Resource-Based View (RBV), managerial competencies represent valuable organisational resources that directly contribute to superior financial performance. Managers possessing appropriate knowledge, skills, and abilities are better positioned to allocate resources effectively, improve operational efficiency, and enhance organisational outcomes.

Furthermore, different studies concluded that managerial competencies help organizations to make effective strategic decisions required for internal operations (MAURYA & SHARMA, 2017; Ellinger & Ellinger, 2013; King et al., 2001), changes (Bhardwaj & Punia, 2013), innovation (Švač & Cagáňová, 2020), development and improvement (Bhardwaj & Punia, 2013). Eventually, almost all of the reviewed literature on the effect of managerial competencies on SMEs showed a significant relationship between managerial competencies and SME performance (Ramadan et al., 2024; Shet & Pereira, 2021; Cong & Thu, 2021; Orobia et al., 2020). Based on the above discussion, the current study proposed the following hypothesis:

H1: Managerial Competencies significantly influence SME Financial Performance.

Managerial Competencies and Inventory Management Practices

Based on the literature, managing inventory involves many practices that aim to oversee raw materials, components, and finished products stocks and availability at the right time and quantity, in addition to other activities, including ordering, storing, and utilising inventory (Karim et al., 2017; Osman et al., 2022). Effective inventory management practices help decision-makers ensure smooth internal operations through planning, controlling, storage, packaging, and transportation practices (Karim et al., 2018; WELDEYES, 2019). However, studies showed that these practices vary by industry, size, and sector (Mahajan et al., 2023; Ajayi et al., 2021; Srour & Azmy, 2021; Orobia et al., 2020; Abd et al., 2018).

However, the adoption of inventory management practices in the SME context is slow due to limited financial resources and a lack of managerial skills (Atnafu & Balda, 2018; Tanco et al., 2015). This claim is proved by Ahmad and Zabri's (2016) study. Their study showed that the level and effectiveness of SMEs' inventory management practices vary with managerial competencies, such as critical thinking, knowledge, leadership, and experience (Rubel, 2021; Chebet & Kitheka, 2019; Shah et al., 2018; Chan et al., 2017). Recently, Alemu et al. (2023) and Truong et al. (2023) noted that management's competencies (intelligence, knowledge, and skills) significantly impact inventory management performance in SMEs in terms of preventing out-of-stock situations and reducing holding costs, making efficient inventory management decisions (Muchaendepi et al., 2019; Moleli, 2018), reducing investment and enhancing supply and distribution services (Hatamlah et al., 2023). Different studies explain the link between managerial competencies and inventory management practices. Effective inventory management practices require knowledge of "know-what," "know-why," "know-when," and "know-how" of managing inventory. Without having the necessary knowledge, skills, and experience, managers cannot manage their inventories efficiently and effectively (Ramadan et al., 2024; Kezaabu et al., 2023; Panigrahi et al., 2021; Orobia et al., 2020). For example, advanced inventory and controlling approaches, including ABC analysis, economic order quantity, reorder points, business intelligence applications, and other inventory modelling tools, are essential tools for businesses to be successful in today's business environment (Ramadan et al., 2024; Ayalew, 2023; Nalubowa, 2021). In addition to the financial impact, Ramli & Zain (2019) added the non-financial impacts such as market share and customer and stakeholder satisfaction (Ramli & Zain, 2019).

This complex relationship between managerial competency and inventory management has been studied in the literature (Ramadan et al., 2024; Orobia et al., 2020). The study showed that resource limitations and a lack of timely and accurate data significantly hinder managers'

ability to enhance inventory management practices (Biea et al., 2023; Orobia et al., 2020; Atnafu & Balda, 2018; Moeuf et al., 2018).

From the RBV perspective, managerial competencies are considered an internal resource linked to enhancing internal operations, competitive advantages, and, thus, overall performance (Assensoh-Kodua, 2019; Abd Aziz, 2019). Competencies such as decision-making, problem-solving, modern knowledge, and entrepreneurial skills are directly linked to inventory management practices (Ramadan et al., 2024; Shet & Pereira, 2021; Ncube & Chimuheka, 2019). The Resource-Based View further suggests that valuable managerial competencies strengthen organisational capabilities and improve operational performance.

Therefore, this study proposed the following hypothesis:

H₂: Managerial Competencies Significantly Influence Inventory Management Practices

Inventory Management Practices and SME Financial Performance

The literature has shown that inventory management practices are critical to the success and survival of organisations (Gebisa, 2023; Gitau, 2016; Kamau & Kagiri, 2015), contributing to profitability and financial performance (Akinlabi, 2021; Ahmad & Zabri, 2016; Kamau & Kagiri, 2015). Inventory management practices help organisations ensure the proper handling of inventories, maintaining the accurate and optimal required materials for production and products for customers in a timely manner, thus controlling costs, enhancing internal operations, and improving customer satisfaction and profitability (Masudin et al., 2018; Akinlabi, 2021; Karadağ, 2018). As with other organisational functions (sales, recruitment, marketing, and finance), integrating inventory management practices maximises resource utilization and improves financial outcomes (Rozak et al., 2021; Karim et al., 2018).

Studies have shown that organisations adopt various practices to manage their inventories effectively, significantly contributing to returns, profitability, and sales (Atnafu & Balda, 2018; Gorane & Kant, 2017). Recent studies conducted by Gatari (2023), Ugwu et al. (2023), and Adegbite and Ajagbe (2023) also support these findings. These studies highlighted the positive and significant impact of inventory management practices on organisational financial performance, in terms of cost savings, increasing profits, and enhancing customer satisfaction. Akinlabi (2021), Sokolinskiy et al. (2019), and Chebet and Kitheka (2019) studies similarly showed that poor inventory management practices can significantly lead to inventory waste, that resulting in lost customers and sales. In conclusion, effective inventory management practices are considered important regardless of organisational size and industry (Ngugi et al., 2012). Studies by Ramadan et al. (2024), Obeidat (2021), Wanjira & Niagiru (2018), Mbula et al. (2016), and Kasim et al. (2015) emphasised that all organisations, regardless of their size or industry, should have effective inventory management practices to positively impact their financial performance.

Inventory management practices have a significant positive effect on SME financial performance, as the Resource-Based View (RBV) theory explains. The theory considers inventory management practices as valuable organisational resources (Ramadan et al., 2024; Orobia et al., 2020). Moreover, the theory suggests that efficient inventory management practices directly influence financial outcomes, similar to other unique organisational resources and capabilities (Ramadan et al., 2024; Orobia et al., 2022). In the SME context, the theory highlights the need to effectively manage limited organisational resources (i.e.

inventories) (Ramon-Jeronimo et al., 2019). However, studies still lack an investigation into the relationship between managerial competencies and inventory management practices in SMEs, particularly in the manufacturing sector of developing economies. This study aims to bridge this gap, hypothesising that managerial competencies significantly influence effective inventory management practices, enhancing financial performance.

Therefore, the third hypothesis is:

H₃: Inventory Management Practices Significantly Influence SME Financial Performance.

The Moderating effect of BI on the association between Inventory Management Practices and SME Financial Performance

By providing accurate, timely, and relevant data, Business Intelligence (BI) supports decision-making and enhances organisational operations and performance (Niu et al., 2021; Gauzelin & Bentz, 2017; Wang et al., 2022). In addition to reducing costs, it increases effectiveness, efficiency, profitability, and financial performance (Rahman, 2023; Trieu, 2017; Peters et al., 2016). In SMEs, BI positively impacts competitiveness, competitive advantages, and financial performance (Naznen & Lim, 2022; Irenaus et al., 2020). The relationship between BI SME financial performance and other variables is well documented in various studies (Wang et al., 2022). As discussed before, inventory management practices are the activities and tasks required to handle inventory and keep operations running properly, with the right time, quality, and quantity. All these practices require accurate, effective and efficient decisions, which can be supported by information technology and systems. BI is an advanced technology that analyses various situations and supports decision-makers in making accurate, optimal decisions related to financial performance. The literature in relevant fields highlights the primary goal of BI as improving managerial decision-making by providing solutions and alternatives that reduce decision risks in today's uncertain environment (Yalcin et al., 2022). Setyaningrum et al. (2023), Alzghoul et al. (2022), and Alsaad et al. (2022) added that BI enhances competitive advantages and performance by improving business operations. Hmoud et al. (2023) and Ain et al. (2019) indicated that successful BI adoption is directly linked to managerial competencies and commitment to technology.

However, BI roles are supported by the Resource-Based View (RBV) theory. The theory indicates that BI enhances financial performance across organisations of all sizes (Yiu et al., 2021; Gupta et al., 2020). Accordingly, this study aims to test the moderating effect of BI on the relationship between inventory management practices and financial performance in the SME context. Based on previous studies, this study develops the following hypothesis:

H₄: Business Intelligence positively moderates the relationship between Inventory Management Practices and SME Financial Performance.

The Mediating effect of Inventory Management Practices on the association between Managerial Competencies and SME Financial Performance

Today's SME business environment is considered more complex and competitive (Möller et al., 2020; Prasanna et al., 2019); thus, it is crucial to identify factors that affect SME survival and success. As discussed earlier, the Resource-Based View (RBV) theory emphasises the importance of resources and capabilities in enhancing performance (Ramon-Jeronimo et al., 2019).

Based on previous studies, managerial competencies play a vital and critical role in managing inventory (Orobia et al., 2020), as effective inventory management requires knowledge, skills, abilities, and experience in inventory techniques (i.e. just-in-time inventory systems, reorder point levels, and economic order quantities) to minimise costs and optimise inventory levels under uncertainty conditions (Mwangola et al., 2024; Orobia et al., 2020; Kim & Shin, 2019; Atnafu & Balda, 2018). Ramadan et al. (2024) added that managerial skills in inventory management help managers transform inventory into a proactive tool that reduces investment and organisational costs. Recent studies indicated a significant positive relationship between inventory management practices in SMEs and financial performance (Ramadan et al., 2024; Orobia et al., 2020). However, there is a lack of studies examining the mediation effect of inventory management practices on the relationship between managerial competencies and business financial performance (Ramadan et al., 2024; Orobia et al., 2020). These studies also highlighted the financial impacts of cost minimisation, increasing sales, and enhancing customer satisfaction (Orobia et al., 2020; Khan & Siddiqui, 2019; Masudin et al., 2018), in addition to the ability to avoid risks associated with inventory surplus and shortages, which is at the end enhancing operational efficiencies and thus financial performance (Sohrabi et al., 2023; Guo et al., 2018; Karim et al., 2017). All these claims are supported by the RBV theory, as discussed previously.

In conclusion, SMEs need managers with appropriate knowledge and skills in inventory management to improve performance (Muchaendepi et al., 2019; Atnafu & Balda, 2018). Testing the mediating effect of inventory management in the relationship between managerial competencies and financial performance is grounded in the RBV, which posits that effectively managed resources enhance business success (Agyapong & Attram, 2019). Thus, effective inventory management through managerial competence has a significant positive impact on financial performance (Ramadan et al., 2024).

Based on the above discussion and different recent studies, the current study hypothesized the following:

H₅: Inventory Management Practices mediate the relationship between Managerial Competencies and SME Financial Performance.

Practical Implications

The proposed framework offers practical implications for SME owners and managers. Developing managerial competencies, particularly knowledge, problem-solving skills, and entrepreneurial capabilities, can improve the effectiveness of internal operational practices and resource utilisation. Thus, SMEs need to establish formal inventory management practices in order to optimize inventory levels, minimize holding costs, and improve customer satisfaction. Furthermore, affordable business intelligence solutions can be used to support data-driven decision-making and strengthen the effectiveness of inventory management practices. Collectively, these initiatives can enhance financial performance.

Methodology

This paper adopts a conceptual research design that is based on an extensive review and synthesis of the literature on managerial competencies, inventory management practices, business intelligence, and SME financial performance. Relevant studies were reviewed to identify key relationships among the variables in the current study. However, the present

framework was developed through integrating findings from previous studies and grounding the proposed relationships on the Resource-Based View (RBV). The proposed framework provides a theoretical foundation for future empirical studies examining the roles of managerial competencies, inventory management practices, and business intelligence in improving SME financial performance.

Limitations and Future Studies

The current study is conceptual work and therefore does not empirically validate the proposed relationships. Thus, future studies need to test the developed framework using quantitative methods and data collected from SMEs operating across different industries, countries, and contexts. Additional variables, such as environmental uncertainty, digital transformation, management, and organisational culture, may also be incorporated into further studies to enhance the framework's explanatory power.

Conclusion

The current study developed a conceptual framework that integrates managerial competencies, inventory management practices, and business intelligence in order to explain SME financial performance. RBV suggests that managerial competencies directly impact financial performance and indirectly through inventory practices. Additionally, the framework indicates that BI enhances how inventory management practices improve financial performance. The current paper makes a significant contribution to the literature, specifically to SMEs, by integrating managerial, operational, and technological factors into a single model. In practice, the paper emphasises the need to develop managerial skills, implement effective inventory practices, and leverage business intelligence tools to improve decision-making and efficiency. The model lays the groundwork for future empirical studies across various industries and countries. Ultimately, the paper offers key insights for SME managers, owners, policymakers, and researchers aiming to boost organizational performance and ensure long-term sustainability.

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