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Lean manufacturing, non-financial performance measures, and financial performance

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Abstract

Purpose

The purpose of this paper is to examine how utilization of non-financial manufacturing performance (NFMP) measures impacts the lean manufacturing/financial performance relationship.

Design/methodology/approach

A structural equation model (SEM) is estimated using data provided by 121 US manufacturing executives. In addition to examining direct effects, the study examines whether NFMP measurement mediates or moderates the lean manufacturing/financial performance relationship.

Findings

The results provide substantial evidence that utilization of NFMP measures mediates the relationship between lean manufacturing and financial performance.

Research limitations/implications

The study's findings regarding NFMP measurement suggest that the mixed results of prior studies of the lean manufacturing/financial performance relationship may be due in part to a failure to account for NFMP measurement. Limitations of the study are the non-random sample and its small sample size, relative to the SEM estimated.

Practical implications

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This is the first known study that adopts a SEM framework to examine: how NFMP measurement affects the relationship between lean production and profitability; the direct relationship between NFMP measurement and firm performance; and the impact of lean manufacturing on externally audited, objective measures of firm performance.

Keywords

Performance measures | Lean production | Mathematical modeling | Financial performance

Citation

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