Print ISSN: 2288-4637 / Online ISSN 2288-4645
doi:10.13106/jafeb.2021.vol8.no12.0169

The Effects of Business Management Practices on Financial Performance: Evidence from Freight Forwarders in the Philippines*

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Received: August 15, 2021 Revised: October 23, 2021 Accepted: November 01, 2021

Abstract

The study aims to investigate the direct effects of business management practices in terms of financial, marketing, human resources, and logistics operations practices on sales revenue and profitability growth of freight forwarding businesses. A quantitative research design and partial least square–structural equation modeling were used to examine the direct effects of the exogenous and endogenous variables. The study reveals that financial, marketing, and human resources practices have a positive and significant effect on sales revenue growth. Furthermore, marketing and logistics operations have a positive and significant effect on profitability growth in the context of freight forwarding in the Philippines, particularly in its country's capital. As the current study only examines the direct effects of business management practices, other researchers may also want to consider identifying other variables as mediation and moderation to test other indirect effects on the financial performance of the business. The findings of the study can significantly benefit the freight industry to consider addressing other challenges or make use of the paper to further develop their strategies and practices to improve their financial performance.

Keywords: Business Management Practices, Strategies, Financial Performance, Freight Forwarders, PLS-SEM

JEL Classification Code: G39, M10, M31, M5, M40

1. Introduction

Trade Liberalization in the globalized era brings an opportunity for business owners and entrepreneurs to widen their horizons in terms of business operation. Liberalization is often associated with an increased level of exposure to a country that is reforming. They can take advantage of this opportunity to expand their foreign production as well as their market. Furthermore, as trade liberalization continues, the cost of living rises. Free trade policies would create a high degree of competition, which would lead to innovation, better pricing, products, jobs, investments, and an increase in savings. (Belderbos & Sleuwaegen, 2005).

The Philippines freight and logistics market was valued billions of US Dollars in 2017 and it was seen to the extent its market value up to 60.22 billion USD in the year 2023, recording a CAGR of 11.35% during the 5-year forecast period. According to the Philippine Statistics Authority (2019), the freight forwarding services industry leads the Transportation sector and the Storage Sector in terms of establishments. Among industries, freight forwarding services had the highest number of establishments with 600 or 21.0 percent of the total establishments for the sector. Freight truck operation followed closely with 580 establishments or 20.3 percent. Customs brokerage (ship and aircraft) ranked third with 251 establishments or 8.8 percent. According to PSA (2019) in their annual report for 2016,

***Acknowledgements:**
This study would not be possible without the knowledge and inspiration from people who in one way or another had participated in the study. The researcher would like to express his sincerest gratitude to the following who took part in this study: Polytechnic University of the Philippines for their support and assistance; and to the freight forwarders in the Philippines who took part in the study and answered the research instruments.

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the total employment generated by the sector was 191,817 workers in 2016. Paid employees constituted 189,220 or 98.6 percent of the total and the remaining were working owners and unpaid workers. Across industries, the inter-urban bus line operation hired the greatest number of workers with 19,224 or 10.0 percent of the total employment. Freight forwarding services and freight truck operations followed closely with 18,707 (9.8%) and 18,193 workers (9.5%), respectively. Furthermore, freight forwarders play a vital role in the undertaking of international trade.

Exportation is one of the goals of international trade; the process involves producing a product in one country and transporting it to another for consumption and trade in the future. Businesses are interested in obtaining raw materials and commodities that aren't easily available in their own country (Hopewell, 2008). In any industry, owners and managers should always take into consideration all the aspects of the business or what is called the functional areas such as Human Resources, Marketing, Financial, and Operations.

Since there are limited studies that focused on freight forwarders particularly in the four functional areas of business management, and the majority of the research concentrates on SMEs, but in a specific area of business, and not in general, the researcher prompted to explore the direct effects of the major functional areas of management in the context of freight forwarding industry.

2. Literature Review and Hypotheses Development

2.1. Financial Management Practices Impact on Sales Revenue and Profitability Growth

Financial Management is one of the critical areas of business and one of the common causes of business failure. Lack of proper management of finances can hamper and lead to the poor financial performance of the business. The primary goals of a business are to maximize profit and growth, and highly efficient financial resource management has a significant impact on firm profitability and sales growth (Paramasivan & Subramanian, 2010). Working capital and its impact on profitability are two areas of finance that should be investigated. Empirically, there are significant and positive effects when the inventory conversion period is evaluated in terms of the profit margin of the business (Samilogl & Akgün, 2016). Further, effective working capital management has a significant effect on the profitability of the business, and it will not create any liquidity problem.

Kaur and Singh (2014) noted in their study that one factor that affects the sales and profitability of the business in an inverse way is the aggressiveness of the firm in terms of investment decision which also has a positive risk on how sales and profit varies. Afrifa et al. (2018) noted that the availability (unavailability) of cash flow has a significant effect on working capital management and eventually, significantly affects the performance of the firm. They further noted that working capital management should be efficiently managed to further improve the firm's performance. In the study conducted Tahir and Anuar (2016) showed that financial practices such as average collection period, working capital level, current assets to total asset ratios, and sales ratio have a significant effect on the profitability of the firm. However, a study conducted by Muhammad et al. (2016) showed that there is a negative relationship between working capital management and profitability in the tobacco industry in Pakistan. In the reviewed literature the research come up with the following hypotheses:

H1a: *Financial Practices of freight forwarder has a significant and positive effect on sales revenue growth.*

H1b: *Financial Practices of freight forwarder has a significant and positive effects on profitability growth.*

2.2. Marketing Management Strategies Impact on Sales Revenue and Profitability Growth

Marketing is a set of activities and institutions, courses for producing, connecting, distributing, and trading offerings that create value for consumers, clients, stakeholders, and the public. Moreover, one of the crucial components is the role of marketing people or departments in the firm. It gives the organization a notion of what should be given in the market to meet an individual's needs and wants. According to O'Sullivan et al. (2009), the majority of scholarly research on marketing performance metrics is focused on the notion of marketing accountability, which has a significant impact on the performance of businesses and the state of the marketing position. According to Clark and Ambler (2001), measurement of marketing performance is done to assess the relationship between marketing activities and business performance.

While there is empirical evidence showing firms that continue to spend in marketing activities contribute to the increase in shareholders' wealth, Rao and Bharadwaj (2008) stated that this evidence is sometimes abstract and difficult to apply to specific organizations. Morgan et al. (2004) concluded that more marketing accountability leads to better marketing and organizational performance. Morgan et al. (2002) and Ambler et al. (2004) stated that marketing performance metrics are intended to develop more critical decision-making as well as firm performance. Farris et al. (2010) stated that 67% of marketing professionals and senior managers regarded that market share as an advantageous tool in measuring the performance of the firm.

The core of marketing theory is market intelligence. Every decision made by a company should ideally be founded on a familiar understanding of how that company's target markets are likely to react to various value schemes and marketing mix forms. Companies that are more market-centric and adept at gathering, disseminating, and reacting to market intelligence consistently achieve higher levels of performance—such as product success, consumer acceptance, and monetary returns—than their less market-focused competitors (Edeling & Himme, 2018). Primarily, marketing is the purpose that is in charge of meeting consumer needs. Marketing competency refers to a company's ability to recognize markets and link customers. As a result, marketing competency encompasses mechanisms built within firms to interpret customer needs through effective information acquisition, supervision, and use. Furthermore, marketing competency encompasses the processes that enable a company to form long-term client relationships (Edeling & Himme, 2018).

Additionally, previous research has recognized that partnership amongst sales and marketing has advantageous effects in terms of organizations' performance. Likewise, Hughes et al. (2012) claimed that refining the sales and marketing crossing point helps in the improvement of market-based capabilities, which correspondingly leads to enhancements in general business performance. Moreover, as cited by Le Meunier-Fitzhugh and Massey (2019), structuring sales and marketing as a single unit and creating cross-functional project teams improve the interface, as do providing opportunities for job rotation and establishing cross-functional meetings. However, employing cross-functional training and co-locating sales and marketing do not influence this working relationship. Finally, reducing conflict and increasing collaboration between sales and marketing is shown to independently, and positively, influence business performance. Based on the various studies noted, the researcher come up with the following hypotheses:

H2a: *Marketing Strategies and Practices have a significant and positive effect on Sales Revenue Growth.*

H2b: *Marketing Strategies and Practices have a significant and positive effect on Profitability Growth.*

2.3. Human Resources Management Practices Impact on Sales and Profitability Growth

Human Resource is the most vital of all the operations of an organization. Human resources activities and practices are mainly in terms of recruitment, training, performance assessment, and other processes. As a firm, one must think about how to find and hire the best quality people that are available in the workforce as well as how to retain them in the organization (Miller et al., 2011). One of the activities of human resources that affect the organizations' performance is training and development (Khan et al., 2011). They noted a significant positive effect on the performance of the firm. This activity of human resources shows that firms invest in their human capital development which will provide sustainable development in the future (Tuan, 2020).

Human resources policies symbolize the organization's intention about the company's practices that should be employed, although human resource practices mainly reflect what the firm's actual HR activities are (Boon et al., 2019). Motivation and ability of the employee also accounted for their performance (Mom, et al, 2019). According to Barrick et al. (2013), work design research is currently focusing on how the firm may enrich employees' work by taking motivation into account. According to the findings, there is a link between motivating work design and positive outcomes in terms of employee motivation and the degree of performance that results in meaningful experiences. Furthermore, Coleman (2007) stated that human resources education and experiences are empirically significant to the profitability of the business. Collins and Clark (2003) noted that high human resources management practices lead to higher organization performance in terms of sales revenue and stock revenue. Furthermore, Lee et al. (2018) noted that human resources can predict the firm's performance. With the presented studies mentioned, the researcher further developed the hypotheses as follows:

H3a: *Human resources management practices are significantly and positively affecting the firm's performance in terms of sales growth.*

H3b: *Human resources management practices are significantly and positively affecting the firm's performance in terms of profitability growth.*

2.4. Logistics Operation Practices and its Effects on Firms' Performance

Operation management is the processes or systems that produce goods or provide services. It is composed of forecasting, capacity planning, managing inventories, scheduling, quality assurance, employee motivation, and decision making (Stevenson, 2014). As part of the business operation, supply chain management is the handling of the entire production flow of a good or service — starting from the raw components all the way to delivering the final product to the consumer. Supply chain management is the management of the flow of goods and services, between businesses and locations, and includes the movement and storage of raw materials, work-in-process inventory, and finished goods, as well as an end-to-end order fulfillment from point of origin to point of consumption. Logistics, on the other hand, focuses on various activities such as transportation, storing, and the flow of goods, services, and information within the supply chain network (Zelbst et al., 2010). According to Kilibarda et al. (2016), a number of local freight forwarders have established themselves as providers of logistics services, with a diverse range of services ranging from contractual partnerships to outsourced logistics with businesses and direct customers.

One of the approaches to minimize the costs of transporting goods is through freight consolidation. According to Cetinkaya and Lee (2002) arrangement of small shipments to a larger one is freight consolidation. This is much cheaper to load and transport in the same vehicle. It also gives more opportunities to minimize the cost of transportation. In transportation practice, when a vehicle is dispatched with an empty load means it is a waste of transportation capacity. According to Walters (1999), one of the drivers of operational value is sales revenue growth, which might be one of the decision criteria for logistics activities. Previous research has found that logistical capabilities have a major impact on a company's performance (Lu & Yang, 2006, 2010). Further, they noted, that one of the logistics capabilities that directly affects the firms' performance in terms of financial and non-financial factors is customer responsiveness and reliability, and time of delivery.

In the context of the manufacturing industry, Dubey and Samar Ali (2013) noted that to increase the performance of the firm, logistics competencies should also be improved. However, it is further noted that transportation negatively affects performance due to the quality of infrastructure. Furthermore, operations management cannot be equated to a positive impact on a company's profitability; it must be backed with business strategies (Weeks et al., 2010). Logistics operations also have a similar impact on profitability regardless of the type of business to which the company belongs (Liberatore & Miller, 2016). With the information provided in the literature, the researcher came up with the following hypothesis:

H4a: *Logistics operations practices are significant and have a positive effect on the firms' performance in terms of sales growth.*

H4b: *Logistics operations practices are significant and have a positive effect on the firms' performance in terms of profitability growth.*

Based on the drawn hypotheses by the researchers, the following research paradigm is presented in Figure 1.

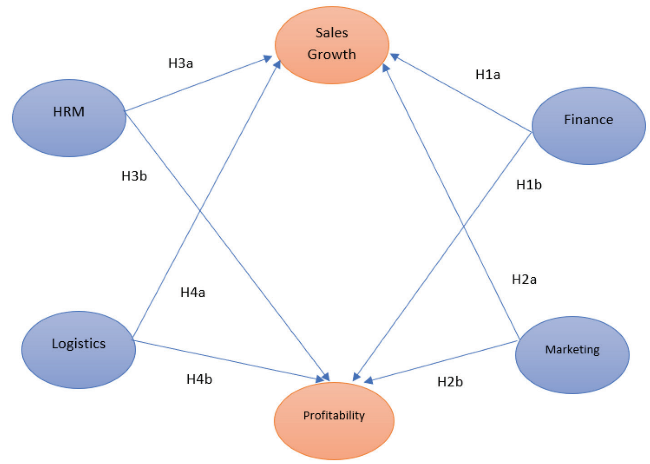

Figure 1: The Constructed Model

3. Research Method

The research made use of Partial Least Square – Structural Equation Modeling (PLS-SEM) to determine the direct effects of the exogenous variables (financial, marketing management, human resources management, and logistics operations practices) on the endogenous variables (sales and profitability growth). Structural Equation Modeling allows the researcher to answer various questions through multiple regression and using latent variables to analyze various factors (Ullman & Bentler, 2012). The number of respondents was based on the accredited freight forwarder in the National Capital Region which is 695. The researcher uses Cochran's formula to determine the sample size as follows:

$$n_0 = \frac{Z^2 pq}{e^2}$$

$$n = \frac{n_0}{1 + \frac{n_0 - 1}{N}}$$

Where:

n = sample size

p = is the estimated proportion of the population attributed in the question

N = population

e = margin of error at 0.05

q = is $1 - p$

Computation:

$$n_0 = \frac{(1.96^2(0.5)(0.5))}{(0.05)^2} = 385$$

$$n = \frac{385}{1 + \frac{385 - 1}{695}} = 248$$

The survey questionnaire consists of three parts. The first part pertains to the demographic profile of the respondents which is composed of the following.

Table 1 revealed that 240 or 89.6% of the respondents were corporations while 6 or 2.2% were partnerships. In terms of Capitalization, 136 or 50.7% had 3,000,001–15,000,000 capitalization and 32 or 11.9% had above 100,000,000. In terms of source of funding, 150 or 56% relied solely on investors and 10 or 3.7% relied on family and friends, and other sources of funding. In terms of the number of employees, 82 or 30.6% had 41 and above employees and 14 or 5.2% with 31–40 employees. In terms of the number of years in operation, 72 or 26.9% have been operating for 21 years and above, while 14 or 5.2% have been operating from 16 to 20 years.

Part two of the research instrument pertains to business management practices in terms of financial, marketing, human resources, and logistics operations which is answerable by a 5-point Likert scale 1 = not effective, 2 = less effective, 3 = somewhat effective, 4 = effective, and 5 = very effective. Part three pertains to the sales revenue and profitability growth which is answerable by a 5-point Likert scale 1 = strongly disagree, 2 = disagree, 3 = somewhat agree, 4 = agree, 5 = strongly agree. The research instrument underwent reliability and validity tests through composite reliability and Cronbach's alpha, and convergent and discriminant validity as follows.

Table 2 illustrates the indicator loading of all constructs/items as well as the average variance extracted, composite reliability, and the Cronbach alpha measurement. Convergent validity is commonly used to test the validity of the construct by using the average variance extracted. The average variance extracted value of 0.7 and higher is considered very good, but 0.5 is acceptable.

In the study, the AVE is within the range of 0.429 to 0.715. Since some of the average variance extracted is less than 0.5, it may be non-acceptable but according to Saeed (2018), 0.4 average variance extracted is acceptable if the composite reliability is higher than 0.6. This has also been supported by Fornell and Larcker (1981). Since all the composite reliability values are more than 0.7 for all the items, the instrument is said have good to excellent consistency in terms of financial practices (CR = 0.879; CA = 0.842), marketing practices (CR = 0.937; CA = 0.929), human resource practices (0.952; CA = 0.947), and

Table 1: Profile of the Respondents

Profile		***F***	**%**	**Profile**		***F***	**%**
Form of Business Organization	Sole Proprietorship	11	4.1	Number of Employees	1–10	64	23.9
	Partnership	6	2.2		11–20	61	22.8
	Corporation	240	89.6		21–30	47	17.5
	Multinational	11	4.1		31–40	14	5.2
					41 and above	82	30.6
Capitalization	Below 3 million	43	16				
	3,000,001–15,000,000	136	50.7	Number of Years in Operation	1–5 years	69	25.7
	15,000,001–100,000,000	57	21.3		6–10 years	70	26.1
	Above 100,000,000	32	11.9		11–15 years	43	16
					16–20 years	14	5.2
Source of Funding	Personal Savings	47	17.5		21 years and above	72	26.9
	Bank Loans	51	19				
	Family or Friends	10	3.7				
	Investors	150	56				
	Others	10	3.7				

n = 268.

Table 2: Reliability and Validity Tests of the Constructs

Construct / Item	Indicator Loading	Construct / Item	Indicator Loading	Construct / Item	Indicator Loading
Financial Practices AVE: 0.447, CR: 0.879, CA: 0.842		**Human Resources Practices AVE: 0.444, CR: 0.952, CA: 0.947**		**Logistics Practices AVE: 0.596, CR: 0.936, CA: 0.923**	
FIN1	0.651	HRM1	0.681	LOG1	0.685
FIN2	0.612	HRM2	0.522	LOG2	0.733
FIN3	0.620	HRM3	0.597	LOG3	0.816
FIN4	0.737	HRM4	0.643	LOG4	0.841
FIN5	0.757	HRM5	0.69	LOG5	0.841
FIN6	0.686	HRM6	0.722	LOG6	0.785
FIN7	0.736	HRM7	0.722	LOG7	0.84
FIN8	0.714	HRM8	0.711	LOG8	0.791
Marketing Practices AVE: 0.429, CR: 0.937, CA: 0.929		HRM9	0.659	LOG9	0.751
MAR1	0.550	HRM10	0.683	LOG10	0.600
MAR2	0.664	HRM11	0.733	**Sales Revenue Growth AVE: 0.667, CR: 0.909, CA: 0.875**	
MAR3	0.715	HRM12	0.720		
MAR4	0.679	HRM13	0.603	SALES1	0.787
MAR5	0.686	HRM14	0.697	SALES2	0.845
MAR6	0.643	HRM15	0.714	SALES3	0.852
MAR7	0.706	HRM16	0.766	SALES4	0.791
MAR8	0.725	HRM17	0.674	SALES5	0.808
MAR9	0.701	HRM18	0.517	**Profitability Growth AVE: 0.715, CR: 0.926, CA: 0.900**	
MAR10	0.602	HRM19	0.613		
MAR11	0.686	HRM20	0.690	PROFIT1	0.809
MAR12	0.622	HRM21	0.671	PROFIT2	0.863
MAR13	0.694	HRM22	0.578	PROFIT3	0.869
MAR14	0.657	HRM23	0.645	PROFIT4	0.851
MAR15	0.681	HRM24	0.674	PROFIT5	0.834
MAR16	0.715	HRM25	0.670		
MAR17	0.587				
MAR18	0.621				
MAR19	0.557				
MAR20	0.572				

Note: All items are significant at 0.001 ($p < 0.001$); AVE: Average Variances Extracted; CR: Composite Reliability; CA: Cronbach Alpha.

Table 3: Square Roots of AVE Coefficients and Correlation Coefficients

	Financial	Marketing	Human Resource	Logistics	Sales	Profitability
Financial	***0.691***					
Marketing	0.526	***0.655***				
Human Resource	0.460	0.590	***0.667***			
Logistics	0.381	0.432	0.629	***0.772***		
Sales	0.264	0.459	0.336	0.302	***0.817***	
Profitability	0.244	0.453	0.337	0.382	0.779	***0.845***

Notes: Diagonal elements are the square root of the AVE of constructs, while the off-diagonal elements are the correlation between constructs.

logistics practices (CR = 0.936; CA = 0.923), and sales revenue growth (CR = 0.909; CA = 0.875), and profitability growth (CR = 0.926; CA = 0.900).

Table 3 depicts the relationship among latent variables with the square roots of the average variance extracted to test the discriminant validity. Discriminant validity has been widely used to test the relationship between latent variables in partial least square – structural equation modeling following the Fornell-Larcker criterion and by analyzing the cross-loading (Henseler et al., 2015). According to the Fornell-Lacker criterion, the square roots of the AVE coefficients should be greater than the correlation value of the latent constructs. Based on Table 3, the square roots of AVE coefficients from various constructs in the off-diagonal elements are greater than the value of other latent constructs. Therefore, there is a good discriminant validity of the research instrument.

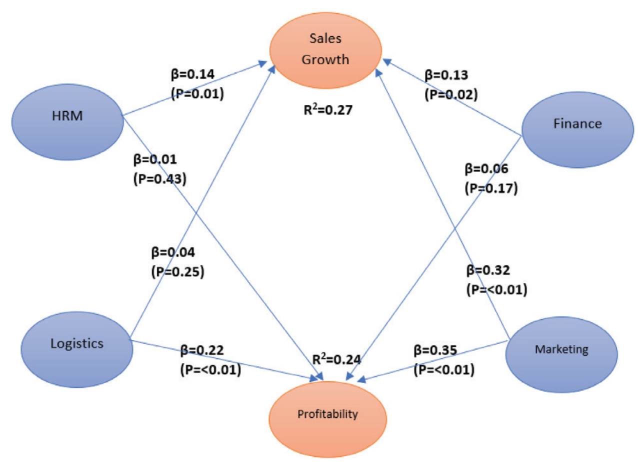

Figure 2: The PLS Path Model with Path Coefficients

4. Results

After gathering, cleaning, and analyzing the data the following results were taken. A Partial Least Square – Structural Equation Modeling (PLS-SEM) was used in the study to investigate the interrelationships of the four exogenous variables which are the financial, marketing, human resources, and logistics practices with the endogenous variables, which are sales revenue and profitability growth. The researcher tested the direct effects of the exogenous variables on endogenous variables.

Figure 2 shows the PLS path model with path coefficients. It shows that financial practices significantly and positively affect the sales revenue growth ($\beta = 0.13$; $p = 0.02$), while it has an insignificant effect on profitability growth ($\beta = 0.06$; $p = 0.17$). Marketing practices have significant and positive effects on sales revenue ($\beta = 0.32$; $p \leqq 0.01$) and profitability growth ($\beta = 0.35$; $p \leqq 0.01$). Human resources practices have a significant and positive effect on sales revenue growth ($\beta = 0.14$; $p = 0.01$), while it has an insignificant effect on profitability growth ($\beta = 0.01$; $p = 0.43$). Logistics practices have an insignificant effect on sales revenue growth ($\beta = 0.04$; $p = 0.25$) while it has a significant and positive effect on profitability growth ($\beta = 0.22$; $p \leqq 0.01$). Therefore, the hypotheses H1a, H2a, H2b, H3a, and H4b are supported by the findings. While H1b, H3b, and H4a are not supported. The path model also shows that the four exogenous variables can predict a 27 percent variation in sales revenue and a 24 percent variation in profitability. Other 73 percent for sales revenue growth and 76 percent for profitability growth can be predicted by other variables not tested in the study.

Table 4 shows the direct effects of the PLS Model. Based on the findings, five hypotheses were confirmed. H1a ($\beta = 0.130$; $p \leqq 0.015$, SE = 0.060, $f^2 = 0.047$), H2a ($\beta = 0.315$; $p \leqq 0.01$, SE = 0.058, $f^2 = 0.150$), H2b ($\beta = 0.350$; $p \leqq 0.01$, SE = 0.058, $f^2 = 0.166$), H3a ($\beta = 0.137$; $p = 0.011$, SE = 0.60, = 0.056), and H4b ($\beta = 0.216$; $p \leqq 0.01$, SE = 0.059, $f^2 = 0.084$). Based on

Cohen's effect size, the five hypotheses fall under small to medium effect sizes.

Table 5 represents the model fit and quality indices of the model. It depicts that APC = 0.157 (p = 0.002), ARS = 0.251 ($p \leqq 0.001$), AARS = 0.240 ($p \leqq 0.001$). All p-values of the APC, ARS, and AARS should be less than 0.05 to have a good quality fit. (Kock, 2011). The AVIF and AFVIF values were 1.694 and 2.133 which is less than the ideal acceptable value of 3.3. This means that there are no latent variables that are overlapping. Thus, the model provides a more comprehensive and explanatory prediction among latent variables (Kock & Lynn, 2012). The Tenenhaus Good of Fit (GoF) value is 0.374 which is greater than the threshold of 0.36 under which is said to have a higher explanatory power.

5. Discussion

The present study confirmed that financial practices are positively and significantly related to sales revenue growth. It is consistent with the study of Tahir and Anuar (2016), who showed various financial practices significantly affect the sales and stock ratios of the firm. This finding signifies that an increase in financial practices may lead to higher sales revenue growth. Therefore, financial managers should investigate how to efficiently manage the finances of the organization. The study also shows that marketing practices are significantly and positively related to sales revenue and profitability growth. These findings were supported by various studies, stating that an improved marketing effort will enhance sales revenue and profitability of the company (Katsikeas et al., 2016; Buzzell & Gale, 1987; Hughes et al., 2012). Therefore, marketing efforts must be robust and refined from time to time as it leads to higher sales revenue and profitability that will enhance the firm's performance. Furthermore, the study revealed that human resources practices tend to have a significant and positive effect on sales.

This finding is backed by Collins and Clark (2003), who found that human resource qualities can influence an organization's sales revenue performance, which is further supported by Lee et al. (2018). This suggests that business

Table 4: Direct Effect of PLS Model

Direct Effects	β	SE	P-value	f^2
H1a. FIN → SALES	0.130	0.060	0.015	0.047
H1b. FIN → PROFIT	−0.058	0.061	0.170	0.018
H2a. MAR → SALES	0.315	0.058	<0.001	0.150
H2b. MAR → PROFIT	0.350	0.058	<0.001	0.166
H3a. HRM → SALES	0.137	0.060	0.011	0.056
H3b. HRM → PROFIT	0.011	0.061	0.425	0.004
H4a. LOG → SALES	0.042	0.061	0.245	0.013
H4b. LOG → PROFIT	0.216	0.059	<0.001	0.084

Notes: f^2 is the Cohen's (1988) effect size: 0.02 = small, 0.15 = medium, 0.35 = large; SE = standard error; β = standardized path coefficient.

Table 5: Model Fit and Quality

Index	Coefficient
APC	0.157, P = 0.002
ARS	0.251, P < 0.001
AARS	0.240, P < 0.001
AVIF	1.694, acceptable if ⇐ 5, ideally ⇐ 3.3
AFVIF	2.133, acceptable if ⇐ 5, ideally ⇐ 3.3
Tenehaus GoF	0.374, small ≧ 0.1, medium ≧ 0.25, large ≧ 0.36

Note: APC: Average Path Coefficient; ARS: Average R-Squared; AARS: Average Adjusted R-Squared; AVIF: Average block Variance Inflation Factor; AFVIF: Average Full Collinearity VIF.

owners should invest in human capital, specifically in their education and experience, to improve their individual performance, which will eventually lead to improved organizational performance.

The study also noted that logistics practices have a positive and significant effect on the profitability of the firm. It is in conformance with the study conducted by various authors which entails that the logistics capabilities of the firms can significantly increase the performance of the organization in terms of its profitability (Liberatore & Miller, 2016; Lu & Yang, 2006, 2010; Dubey & Samar Ali, 2013). Hence, improvements in logistics capabilities must be made to have a positive impact on the profitability of businesses.

As can be seen, freight transportation is expected to increase in the next few years. Freight forwarding will play a big role in trade liberalization. Previous research provided insight on why financial, marketing, human resources, and logistics operations should be investigated as it positively affects firm performance (Tahir & Anuar, 2016; Katsikeas et al., 2016; Buzzell & Gale, 1987; Hughes et al., 2012; Collins & Clark, 2003; Liberatore & Miller, 2016; Lu & Yang, 2006, 2010; Dubey & Samar Ali, 2013). As a result, the current research suggests that these business management functional areas should be enhanced and further expanded not only in various sectors but also in the transportation and logistics industries.

6. Conclusion

This study concludes that financial and human resource management practices have a direct and significant impact on sales revenue growth, whereas logistical operations practices have a significant impact on profitability growth. In the study, marketing practices have a direct and significant impact on both sales revenue and profitability growth. This means that firms should look into their whole operations to gain enhance their financial performance.

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Appendix: Research Instrument

Financial Practices	**5**	**4**	**3**	**2**	**1**
FIN1 The firm continuously controls the costs and expenses of the business operation.					
FIN2 The firm takes advantage of purchase discounts from suppliers or service providers.					
FIN3 The firm ensures to identify risks associated with the financing of the business operation.					
FIN4 The firm always retains the assured amount of capital at the minimum level. (Fixed working capital)					
FIN5 The firm retains an assured amount of capital to meet seasonal demands and special purposes. (Temporary working capital)					
FIN6 The firm retains the amount at a certain stage and increases the amount when sales or time change. (Semi Variable working capital)					
FIN7 The firm ensures the deposit of cash and checks in the bank					
FIN8 The firm regularly monitors receivables and bills.					
Marketing Practices	**5**	**4**	**3**	**2**	**1**
MAR1 The firm ensures that core products are improved using supplementary products that facilitate and enhance the customer experience.					
MAR2 The firm ensures the service product branding using new processes to deliver existing products with added benefits.					
MAR3 The firm uses product line extensions to the current product lines.					
MAR4 The firm uses process-line extensions to alternatively deliver service procedures.					
MAR5 The firm identifies new service product innovation for previously unidentified markets.					
MAR6 The firm sets prices relative to the financial costs of the service rendered.					
MAR7 The firm sets prices relative to the value perceived by customers.					
MAR8 The firm sets its pricing strategies by monitoring the prices of industry players and leaders.					
MAR9 The firm uses discounting scheme depends on the level or frequency of service rendered to the customer.					
MAR10 The company provides a standard price list of the services offered per destination and mode of transportation.					
MAR11 The firm uses personal communications strategies such as selling, telemarketing, and word of mouth.					
MAR12 The firm uses advertising strategies by using billboards, print ads, direct mailing, and internet marketing.					
MAR13 The firm uses sales promotions like sign-up rebates and price promotions.					
MAR14 The firm employs public relations strategies in terms of sponsorship, trade shows and exhibitions, and press releases.					
MAR15 The firm uses instructional materials such as manuals, brochures, websites, and voice mails.					

Appendix: Continued

MAR16 The firm ensures as many service outlets as possible to penetrate as many customers as possible.					
MAR17 The firm only selects a specific location for service outlets to maintain the target market.					
MAR18 The firm only has a distinctive service outlet to cater to exclusive markets.					
MAR19 The location of business operation is near logistics hubs such as ports, and airports.					
MAR20 The location of the business operation is near the customer.					
Human Resources Practices	**5**	**4**	**3**	**2**	**1**
HRM1 The firm ensures that the knowledge, skills, and abilities of the candidate for a specific job are documented.					
HRM2 The firm uses few strategies to attract candidates by using online recruitment, joining job fairs, or internal and external advertising.					
HRM3 The firm ensures that resume screening, interviews, and aptitude or psychological tests are administered as part of the screening process.					
HRM4 The firm uses lateral hiring, or internal hiring as part of career development or promotion.					
HRM5 The firm ensures the privacy and security of the candidates.					
HRM6 The owner/manager of the firm introduces the job to the newly hired employees					
HRM7 The owner/manager introduces new employees to fellow employees of the company.					
HRM8 The owner/manager introduces processes, facilities, and other matters to the new employees.					
HRM9 The owner/manager discussed the policies and culture of the company.					
HRM10 The owner/manager ensures to get feedback to the new hire employees through arrange of meetings after the onboarding orientation.					
HRM11 The firm ensures to provide suitable facilities and areas for its workers.					
HRM12 The firm ensures to provide sufficient equipment and materials that are needed to perform the job of the workers.					
HRM13 The firm ensures the maintenance of the cleanliness of the workplace.					
HRM14 The firm ensures proper ventilation and lighting of the workplace.					
HRM15 The firm ensures that employees are protected with hazardous materials and protected under occupational safety and health regulation.					
HRM16 The firm performs need analysis to identify the training and education needed by the employees to perform their tasks.					
HRM17 The firm ensures that employees undergo training and seminars at expense of the company.					
HRM18 The firm imposes training bonds on employees.					
HRM19 The firm identify the best practices and trends and linked to the formulation of training and development for the employees					
HRM20 The firm linked the training and development of the company's performance evaluation and management.					
HRM21 The firm provides additional incentives to employees (commission for the salesperson, profit-sharing for other non-seller personnel)					
HRM22 The firm ensures that employees are involved in decision-making and planning processes.					
HRM23 The firm recognizes the exemplary performance of its employees.					
HRM24 The firm gives its employees enough time for day-offs from their work.					
HRM25 The firm acknowledges employees' career objectives.					

Appendix: Continued

Logistics Practices	**5**	**4**	**3**	**2**	**1**
LOG1 The company uses strategic location for cargo warehousing					
LOG2 The company ensures that the documents are all complete before receiving the cargo at the warehouse.					
LOG3 The company ensures proper counting of cargoes and/or shipments					
LOG4 The company uses clear, readable labels that can easily be read by people as well as scanners or other equipment to further reduce errors.					
LOG5 Proper gate passes are given before releasing the shipment to the warehouse.					
LOG6 The company schedules the pick-up of cargoes/shipments 2 to 3 days before the shipping schedule.					
LOG7 The company ensures that delivery receipts are properly accomplished such as the destination, consignee, shippers, items, and weight.					
LOG8 The company uses the proper mode of transportation as requested by the consignee and/or shipper.					
LOG9 The company ensures timely delivery to the consignee.					
LOG10 The company uses a GPS tracker to ensure the safety and efficiency of the delivery.					
Sales Revenue Growth	**5**	**4**	**3**	**2**	**1**
SALES1 The firms' sales revenue increase from 1% to 3% for the current year during Q1 compared to last year's Q1 sales revenue.					
SALES2 The firms' sales revenue increase from 4% to 6% for the current year during the Q2 compared to last year's Q2 sales revenue.					
SALES3 The firms' sales revenue increase from 7% to 9% for the current year during the Q3 compared to last year's Q3 sales revenue.					
SALES4 The firms' sales revenue increase from 10% to 12% for the current year9 during the Q4 compared to last year's Q4 sales revenue.					
SALES5 The firms' overall sales revenue increase from 1% to 10% for the current year compared to last year's sales revenue.					
Profitability Growth	**5**	**4**	**3**	**2**	**1**
PROFIT1 The firms' profitability increase from 1% to 3% for the current year during Q1 compared to last year's Q1 profitability.					
PROFIT2 The firms' profitability increase from 4% to 6% for the current year during the Q2 compared to last year's Q2 profitability.					
PROFIT3 The firms' profitability increase from 7% to 9% for the current year during the Q3 compared to last year's Q3 profitability.					
PROFIT4 The firms' profitability increase from 10% to 12% for the current year during Q4 compared to last year's Q4 profitability.					
PROFIT5 The firms' profitability increase from 1% to 10% for the current year compared to last year's Profitability.					