

Exploring Operational Efficiency, Sustainability, and Firm Performance: Evidence from the Pokhara-based Industries

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Abstract

Operational efficiency, sustainability, and firm performance have emerged as critical components of organizational success in a dynamic business environment. This study aims to explore operational efficiency, sustainability, and firm performance in the Nepalese industry. This study is based on qualitative interviews with 10 participants from the manufacturing and services sectors. The qualitative data were manually coded at first, then sub-categorized, and finally categorized to generate themes. This study concludes that operational efficiency, sustainability practices, and firm performance are interconnected and collectively determine long-term organizational competitiveness in Nepalese industries. Technological adoption, digital transformation, human resource competence, quality management, and effective leadership practices enhance the operational efficiency of the firm. Nepalese industries operate within a challenging institutional environment characterized by policy inconsistency, regulatory uncertainty, limited enforcement mechanisms, and weak institutional support. Although sustainability awareness is gradually increasing among consumers and business communities, price sensitivity still dominates market behavior. This research is significant for policymakers seeking to improve operational efficiency, promote sustainable practices, and enhance firm performance in both the manufacturing and service sectors. Policymakers may formulate stable and industry-supportive policies that encourage technological modernization, digital transformation, and sustainable industrial development.

Keywords: Firm performance, Industry development, Nepalese industry, Operational efficiency, Sustainability

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Introduction

Operational efficiency, sustainability, and firm performance have emerged as critical components of organizational success in a dynamic business environment. Firms are required to optimize resource utilization and to be more efficient while addressing environmental, social, and governance obligations. Operational efficiency maximizes resource utilization in order to provide output at the lowest feasible cost. It improves the connection between financial performance and ESG (Fathurohman, 2025). Firm performance is mostly determined by its efficiency (Handoyo et al., 2023). Operational excellence and a successful operations strategy are essential for competing in dynamic marketplaces (Abbasi & Kaviani, 2016). It indicates how a business may provide clients with the appropriate quantity and quality of goods while using fewer resources, including labour, money, and time (Christian, 2025).

Sustainability is a core driver of corporate performance and global sustainability. It fosters long-term business success and societal progress (Nnedu, 2025). Sustainability and long-term competitiveness of the firm depend on

adopting environmental, social, and governance (ESG) practices (Tripopsakul, 2025). Sustainability practices of the firm improve organizational performance and stakeholder participation (Díaz Duarte et al., 2025). A firm can enhance its sustainability level by increasing employee involvement in environment, social, and HR based decision-making (Farooq et al., 2019).

Firm performance is affected by financial, operational, and strategic aspects to assess an organization's overall efficacy and success (Nnedu, 2025). It primarily measures financial, market, growth, innovation, and other performance metrics (Bolton et al., 2023). Firm performance encompasses not just financial measures but also operational efficiency, innovation capability, and sustainability outcomes (Gustantini et al., 2026; Zahra et al., 2025). A well-performing firm can generate sustained profits, which can create job opportunities and increase the income level of people. Successful businesses are essential for emerging economies (Taouab & Issor, 2019).

Sustainable firm performance and operational efficiency are multidimensional components of long-term organizational success (Zahra et al., 2025; Gustantini et al., 2026). Businesses must balance economic, environmental, and social responsibilities while achieving great performance in today's business and societal activities (Shrestha & Rai, 2022). Nonetheless, a large number of Nepalese industries continue to use traditional production methods that have poor operational efficiency and minimal incorporation of strategies focused on sustainability (Shakya et al., 2025). Industries in Nepal are under growing pressure to maintain their competitiveness in a fast-evolving economic context. For this, sustainability issues like wasteful resource usage, environmental deterioration, and slow technical innovation are essential to address. Although the adoption of sustainability techniques like CSR and green finance is increasing and frequently lacks strategic integration into core business operations (Shrestha & Rai, 2022; Karmacharya et al., 2025).

This study aims to explore operational efficiency, sustainability, and firm performance in the Nepalese industry. It has the following specific objectives: exploring the firm's operational efficiency; investigating sustainability practices adopted by the Nepalese industry; exploring ways to enhance firm performance; and identifying policy implications and the future outlook. This research is significant for policymakers seeking to improve operational efficiency, promote sustainable practices, and enhance firm performance in both the manufacturing and service sectors.

Literature Review

Resource-based theory states that a firm can achieve sustained competitive advantage when it possesses and effectively utilizes resources that are valuable, rare, inimitable, and non-substitutable. These resources include physical assets, human skills, organizational processes, and technological capabilities. Firms that efficiently and strategically manage and leverage these resources enhance firm performance as compared to competitors (Barney, 1991). The dynamic capabilities theory emphasizes a firm's ability to adapt, integrate, and reconfigure resources and capabilities in changing environments. This theory is relevant for operational efficiency and sustainability because firms need to adjust their processes and resources to improve performance over time in dynamic markets (Teece et al., 1997).

Stakeholder theory explains that firms should consider the interests of stakeholders, including employees, customers, suppliers, communities, and society at large. The long-term success of the firm depends on effective management of stakeholder relationships. Firms can build trust, reduce conflict, and improve overall firm performance with stakeholder engagement (Freeman, 1984). Institutional theory focuses on structures and efficiency, including external pressures such as regulations, social norms, and industry expectations (DiMaggio & Powell, 1983).

Triple bottom line (TBL) theory suggests that firm performance should be evaluated across three dimensions: profit, people, and planet. It emphasizes that organizations should not only consider financial results but also their social and environmental impacts. The theory highlights that long-term success depends on balancing economic performance with social responsibility and environmental sustainability. Sustainability is directly linked with operational efficiency and firm performance (Elkington, 1997). Operational efficiency theory argues that it can be achieved by maximizing value while minimizing waste in organizational processes. Organizations can deliver better value to customers by focusing on efficiency, reducing costs, and enhancing productivity, while strengthening their competitiveness and firm performance (Womack & Jones, 1996).

Sustainability reporting improves firm performance by enhancing transparency, stakeholder trust, and operational efficiency. It is a strategic tool that supports long-term value creation when aligned with industry and regional conditions (Nnedu, 2025). Manufacturing firms can enhance their performance by adopting sustainable management

practices (Okupu & Li, 2025). ESG improves firm performance when combined with efficient resource management, highlighting the importance of aligning sustainability practices with operational efficiency, especially in emerging economies (Fathurohman, 2025).

The integration of environmentally sustainable practices (ESP) significantly enhances the firm's performance, environmental sustainability, and green staff integration. Firms can achieve better performance outcomes when their employees are strongly involved in environmental tasks, such as managing waste, energy, and resource utilization. Incorporating workers into sustainability initiatives improves organizational and environmental performance (Qalati et al., 2023). Sustainable business practices significantly improve the firm's performance (Zahra et al., 2025). Leveraging operational efficiency and market competitiveness, green innovation techniques greatly improve firm performance. Firm performance metrics are favorably correlated with green product and process innovations (Wagan et al., 2025).

ESG activities are essential to increasing a company's value and operational efficiency and they indicate that sustainable practices lead to more efficient business operations (Nurjannah & Raharja, 2025). Sustainability positively affects operational performance by lowering costs and improving product quality and delivery (Magon et al., 2018). Improvements in maintenance systems, energy utilization, and process optimization lead to enhanced sustainability outcomes and reduced operational costs. Operational efficiency acts as a bridge between sustainability initiatives and organizational performance (Shakya et al., 2025). Green finance significantly improves sustainability outcomes. Improving regulatory support, supporting customer-oriented green products, and strengthening institutional capabilities are essential to promoting sustainability in Nepal's financial sector (Karmacharya et al., 2025).

ESG adoption, green finance, and sustainability initiatives all have a favorable impact on firm performance through improved efficiency, productivity, innovation, and financial products (Musa et al., 2025; Sharma, 2024; Tripopsakul, 2025). Studies by Qalati et al. (2023) and Okupu and Li (2025) explored that industries can improve their performance by adopting sustainable management practices. However, most of this research is context-dependent between developed and developing economies, with limited empirical evidence from Nepalese industries. Moreover, researchers examine the sustainability and firm performance collectively (Abdullah et al., 2025; Zhou et al., 2023) while the effect of operational efficiency remains underexplored. This gap is extremely evident in the Nepalese industrial context, where empirical evidence is limited. Therefore, this study aims to examine how operational efficiency and sustainability collectively impact firm performance in the Nepalese industrial economy.

Research Methods

This research is designed based on the interpretivism philosophy to explore the multiple realities related to operational efficiency, sustainability, and firm performance. This study follows a qualitative approach using in-depth interviews and observations. A total of 10 participants were involved in the study of the manufacturing and services sectors of Pokhara-based industries. Table 1 shows the demographic profile of the participants.

Table 1: Demographic Profile of the Participants

Participants	Gender	Experiences (years)	Industry	Nature of products	Number of employees
P1	Male	15	Manufacturing	Construction materials	12
P2	Male	17	Service	Banking	9
P3	Female	6	Manufacturing	Furniture	45
P4	Male	18	Service	Healthcare	27
P5	Male	31	Manufacturing	LPG bottling plant	53
P6	Male	8	Manufacturing	UPVC and Aluminum	13
P7	Female	10	Manufacturing	Garments	21
P8	Male	30	Manufacturing	Timber and furniture	16
P9	Male	5	Manufacturing	Rubber and EVA slippers	17
P10	Female	7	Manufacturing	GI Pipe	65

Participants were operations managers, production heads, quality control officers in the manufacturing industry, and branch managers and operations heads in the service industry. The checklists were developed for the interview to capture the research objectives. An approximate time for the in-depth interview was 45 minutes to one hour for each participant. Prior written consent was obtained from the participants before taking part in the interview. An audio recording was made during the interview with the permission of the participants and transcribed into an English

version. Data was collected from January to March 2026 by adopting research ethics and guidelines. The qualitative data were manually coded at first, then sub-categorized, and finally categorized to generate themes.

Results and Discussion

Operational Efficiency of the Firm

Operational efficiency is a multidimensional and integrative construct shaped by the interaction of technological capabilities, human capital, process optimization, cost efficiency, quality management, and external environment conditions.

Technological Adoption and Digital Transformation

Technological capability emerged as the most dominant of operational efficiency across all forms. Participants consistently reported that automation and digital tools significantly enhanced productivity reduced operational costs and minimized errors. P1 stated: *“technical shift has enabled the industry to sustain high production capacity with significantly less labour force, reducing dependency on an unreliable labour market.”* This highlighted how automation has improved productivity while reducing labor dependence. Similarly, P6 noted that *“the use of advanced technology has resulted in seamless machine performance, reduced errors, and higher productivity.”* Participants P7 and P9 also explained that *“automated machines have increased production speed and reduced material wastage.”* In the service sector, P2 stated that *“technology adoption, especially automation and digital systems, has improved efficiency by reducing costs, speeding up processes, and reducing errors.”* Likewise, P4 highlighted that *“hospital management systems and digital medical records have significantly improved operational speed, accuracy, and coordination.”* The results reveal that technological adoption and digital transformation significantly improve operational efficiency. The findings support the resource-based theory and the dynamic capabilities theory. Empirically, the results is consistent with prior research indicating that digital transformation and industry technologies significantly enhance operational performance and sustainability (Feng & Ali, 2024; Obiki Osafiele et al., 2024; Qin et al., 2026; Rana & Acharya, 2025; Wujarso, 2023).

Human Resource Capability

Human resource capability was identified as a critical enabler of operational efficiency. Participants consistently emphasized skilled manpower, teamwork, and leadership. P1 stated that *“skilled manpower is the most critical factor for efficiency”*, while P3 stated that *“technology is the backbone of the company but skilled manpower is the most critical factor for efficiency.”* Similarly, P8 noted that *“skilled manpower is essential for better productivity and quality.”* Participants in manufacturing sectors P6 and P8 emphasized that *“trained and experienced workers are necessary to operate machinery effectively”*, P8 stated that *“efficiency depends on a well-trained, skilled, and disciplined workforce.”* In the service sector, P4 highlighted the importance of human expertise, *“strong clinical competence, effective teamwork and capable leadership and essential for operational efficiency.”* Additionally, P5 emphasized, *“Teamwork, high energy and diverse skills are instrumental for maintaining operational efficiency.”* These perspectives indicate a shift from labor quantity to labor quality, where efficiency depends on skills and expertise. This is consistent with prior research indicating the strategic importance of human capital (Alam et al., 2024; Haq, 2023; Saeed et al., 2020) and strongly support operational efficiency theory.

Process Efficiency and Workflow Management

Efficient workflow and process management emerged as key determinants of operational efficiency. P3 explained, *“For custom orders, we direct delivery from the factory to the customer to save time.”* P7 highlighted that *“operational efficiency involves smooth coordination between cutting, stitching, finishing, and packaging processes.”* Similarly, P10 emphasized structured practices, *“preventive maintenance, production planning and process standardization and essential to maintain efficiency.”*

In the service operations, P4 highlighted *“optimized surgery scheduling and digital coordination improve patient flow and staff efficiency.”* Inventory management was also identified as crucial, with P1 explaining that *“the company maintains sufficient stock to meet sudden demand while avoiding overproduction,”* and P9 stated that *“efficiency is maintained through regular monitoring and timely procurement.”* However, this is consistent with prior research indicating that process efficiency and workflow management significantly enhance operational performance and sustainability (AI frijat & Elamer, 2025; Akkrtal & Mizrak, 2024).

Quality Management and Continuous Improvement

Maintaining high-quality standards is a central aspect of operational efficiency. P1 emphasized product quality as a competitive advantage: *“producing high-quality items helps the firm remain competitive in the market,”* while P8 highlighted *“maintaining high-quality standards, ensuring timely fulfillment of customer orders.”* Similarly, P5 emphasized that *“ISO certifications, standardized products, and worker safety are key determinants of efficiency.”* In healthcare, P4 emphasized adherence to protocols. *“Compliance with clinical protocols is ensured through audits, peer review, and feedback mechanisms.”* P7 and P9 also noted that *“technology reduces errors and ensures consistent quality, reinforcing the link between efficiency and quality assurance.”* The findings show that maintaining high-quality standards and continuous improvement practices are essential for operational efficiency and competitiveness. The finding emphasized standardized products, ISO certification, and customer satisfaction as key quality management mechanisms. However, this is consistent with prior research indicating that quality management and continuous improvement significantly enhance operational performance and sustainability (Jinoh et al., 2019; Sahoo, 2022).

Cost Efficiency and Resource Optimization

Participants strongly associated operational efficiency with cost reduction and optimal resource utilization. P1 stated that *“labor costs have significantly reduced due to automation.”* Similarly, P7 stated that *“technology has reduced fabric wastage and improved resource utilization.”* P8 emphasized minimizing resource wastage, stating that *“efficiency involves optimizing every stage of production while reducing waste and costs.”* P9 and 10 further added that *“operational efficiency means producing maximum output with minimum wastage of resources such as time, labour and materials.”* However, this is consistent with prior research indicating that cost efficiency and resource optimization significantly enhance operational performance and sustainability (Salome,2025). The finding also supports operational efficiency theory, which emphasizes maximizing value and minimizing waste.

Management Practices and Leadership

Effective management and leadership play a crucial role in achieving operational efficiency P10 emphasized structured management practices, stating *“production planning, process standardization and preventive maintenance help maintain efficiency.”* P5 also stated that organizational culture, stating *“strong supply chain management, ethical practices, and teamwork contribute to operational efficiency.”* The result indicates that effective management practices and leadership significantly influence operational efficiency. The participants emphasized strategic planning, process standardization, teamwork, and ethical practices as key managerial functions. However, this is consistent with prior research indicating that management practices and leadership significantly enhance operational performance and sustainability (Morah et al., 2020). The findings support the dynamic capabilities theory.

Sustainability Practices in the Nepalese Industry

Sustainability is not conceptualized as a purely environmental construct. It is operationally rooted, economically driven, and contextually shaped by firm-level capability and environmental conditions.

Environmental Sustainability

Environmental sustainability practices across firms are primarily oriented toward efficiency enhancement and resource optimization. P1 emphasized, *“Modernization through automation and complete reliance on locally sourced raw materials, highlighting how sustainability can simultaneously support environment and economic goals.”* Similarly, P2 stated, *“they are forced to reduce environmental impact through digitalization, energy efficiency, and proper waste management systems and support an eco-friendly environment.”* These practices reflect principles of lean and green manufacturing, while efficiency improvement leads to environmental benefits (Abd elkhalik et al., 2026). While P3 emphasized *“sustainability is intrinsic to our use of wool, which is renewable and biodegradable. We follow a zero-waste approach and sell sawdust as fuel.”* P6 highlighted *“We maintain sustainability by using machines efficiently, reducing operating waste and minimizing unnecessary rework,”* and P7 mentioned *“we minimized fabric wasted during cutting and stitching by using energy efficient machines for production.”* P8 added *“Our source timber responsibly, reduce waste and ensure efficient resource utilization in all operations.”* While P9 stated *“we conduct our slipper production safely, reduce waste, and try to use eco-friendly materials where feasible,”* and P10 explained *“we utilize raw materials efficiently, recycle scraps, and monitor energy usage to reduce unnecessary consumption”*. The findings reveal that environmental sustainability practices in Nepalese industries are closely linked with operational efficiency and resource optimization. The participants emphasized energy efficiency,

waste reduction, and efficient use of the raw material. However, this is consistent with prior research indicating that both the adoption of AI and the process of digital transformation significantly enhance operational performance and environmental sustainability (Famiyeh et al., 2018; Karmacharya et al., 2025; Morah et al., 2020; Rana & Acharya, 2025; Wagan et al., 2025). The finding strongly supports the triple bottom line theory.

Social sustainability

With respect to social sustainability, participants emphasized the importance of employee welfare, community engagement, and skill development. P2 explained, “We support hospitals, schools, and community initiatives while promoting social responsibility through our operations.” While P3 highlighted workforce development, stating, “*We train unskilled local workers to create skilled professionals who contribute to community development.*” P4 described healthcare-specific measures, “*Staff welfare programs and community health camps are integrated into our daily hospital operations,*” and P5 stated, “*We ensure employee insurance follows safety protocols and conducts community awareness programs.*” P6 emphasized labor practices and retention of skilled personnel. “*We focus on employee safety, fair working conditions, and retention of skilled manpower.*” Whereas, P7 highlighted “wages and workplace fairness, stating “*We ensure fair wages and working conditions and maintain strong relationships with suppliers and employees.*” P8 and P9 reinforced workforce development and ethical employment practices, stating “*We develop a skilled workforce, maintain safe working conditions and promote self-reliant employment,*” and P10 concluded, “*We ensure workplace safety, fair wages and respectful treatment of all employees.*” These reflections indicate that social sustainability is closely integrated into human capital and community-oriented practices across industries. However, this is consistent with prior research indicating that sustainability significantly enhances operational performance and reduces operational cost (Nurjannah & Raharja, 2025).

Economic sustainability

Regarding economic sustainability, participants stressed long-term operational stability, cost control and market competitiveness. P1 stated, “*Automation and local sourcing ensure long-term viability and reduce dependency on external resources,*” whereas P2 observed, “*Digital transformation improves operational efficiency and reduces costs in our operations.*” P5 reported “*Efficient production, cost control and supplies coordination help to maintain sustainable operations,*” and P6 emphasized “*Disciplined operations, quality control and cost management ensure long-term sustainability.*” P7 stated, “*We plan for future direct-to-customer operations while maintaining cost control and steady growth.*” P8 noted, “*sustainability strengthens our brand reputation and ensures long-term business continuity.*” and P10 highlighted, “*Cost control, strong supply relations and consistent production quality help retain market share and maintain stability.*” However, this is consistent with prior research indicating that digital transformation and industry technologies significantly enhance operational performance and economic sustainability and reduce operational costs (Ojha, 2015; Suhara, 2023). The finding strongly supports triple bottom line theory, where economic sustainability remains a key factor of organizational success.

Enhancing Firm Performance

Operational Efficiency

Operational efficiency and productivity enhancement show a direct link to firm performance through cost reduction and output improvement. Participants such as P1 state that “*automation reduces labour costs, lowers break-even point and ensures survival during downturns*”. While P5 and P10 emphasized improved productivity, “*throughput and resource optimization.*” These findings support empirical evidence that operational efficiency significantly improves financial performance by minimizing waste and enhancing resource allocation (Panwar et al., 2018). The finding strongly supports resource-based theory, efficient resource utilization as a source of organizational success.

Process Optimization, Quality Improvement and Waste Reduction

Process optimization and quality improvement contribute to firm performance by enhancing service quality and reliability. P2 highlighted that “*efficiency reduces errors and improves coordination,*” while P4 noted “*improved treatment outcomes in healthcare.*” Resource optimization and waste reduction further strengthen firm performance by improving efficiency in resource utilization. Participants P1 and P10 emphasized “*optimized machine use to reduce waste,*” while P8 highlighted “*defect reduction and timely delivery.*” Such improvements in process quality directly influence customer satisfaction and operational effectiveness, which are key dimensions of firm performance as supported by prior research on lean and quality management systems. However, this is consistent with prior research indicating that process optimization and quality improvement significantly enhance operational performance and sustainability (Sah & Pradhan, 2025).

Sustainability and Strategic Performance

Sustainability and strategic performance reveal that sustainability practices act as a critical driver of firm performance. Such as P5 and P9 emphasized *“improved brand reputation and customer trust,”* while P4 highlighted *“long-term stability and employee morale.”* These findings are strongly supported by the triple bottom line theory and stakeholder theory. It is consistent with Lau et al. (2018), Magon et al. (2018), Nnedu (2025), Okupu and Li (2025), Shakya et al. (2025), Qalati et al. (2023), and Zahra et al. (2025).

Digitalization and Modernization

Digitalization and modernization play a significant role in enhancing firm performance. P2 and P4 highlighted *“the benefits and digital systems in reducing waste and improving transparency,”* which P1 emphasized as *“modernization for long-term stability.”* Empirical evidence suggests that digital transformation enhances firm performance by improving operational efficiency and enabling sustainable innovation, thereby strengthening competitiveness. However, this is consistent with prior research indicating that digitization and modernization significantly enhance operational performance and sustainability (Subedi et al., 2026). The finding supports dynamic capabilities theory, which emphasizes organization adaptability and technological innovation as critical determinants of long-term competitiveness.

Human Resource Outcomes

Human resources outcomes demonstrate that improving employee morale and retention contributes to better organizational performance. P6 and P10 emphasized that *“sustainability enhances employee retention and workforce morale.”* This aligns with research suggesting that employee satisfaction and engagement are critical drivers of firm productivity and long-term performance. The manufacturing firms (P1, P5 and P10) focus on productivity and cost efficiency, service sectors (P2 and P4) emphasize quality and customer satisfaction and project-based firms (P3, P6 and P8) prioritize timely delivery and customization. Despite these differences, all pathways ultimately lead to enhanced firm performance. However, this is consistent with prior research indicating that human resource outcomes significantly enhance operational performance and sustainability (Pradhan & Pokharel, 2024).

Policy Impact and Future Outlooks

Price Sensitivity versus Emerging Sustainability Awareness

Nepalese consumers' value quality and timely delivery, but the market is highly price sensitive. Many participants emphasized that sustainability is gaining attention, but price remains the primary determinant of customer behaviour. P1 and P7 noted that *“Nepalese consumers' value quality and timely delivery, but the market is heavily price sensitive.”* However, a gradual shift is evident, as P2 stated that *“consumers are more likely to support brands that demonstrate social responsibility,”* and P8 added that *“urban and educated consumers increasingly value sustainability.”* This indicates a transitional marker where sustainability can enhance competitive advantage and long-term firm performance, even though short-term demand is still cost-driven.

The Strategic Role of Management

Participants consistently emphasized leadership commitment as a driver of firm performance. P2 explained that *“top management plays a critical role in driving both operational efficiency and sustainability,”* while P9 stated that *“management plays a vital role by setting priorities, allocating resources and encouraging sustainable practices.”* Similarly, P8 highlighted that *“strong leadership aligns workforce efforts, drives continuous improvement and balances cost, productivity and long-term sustainability.”* These insights suggest that managerial capability directly influences productivity, innovation and sustainability outcomes, thereby improving overall firm performance. However, this is consistent with prior research indicating that strategic management significantly enhances operational performance and reduces operational cost (Maharjan, 2024).

Policy Environment and Institutional Support

Policy environment and institutional support shape operational outcomes. Participants widely acknowledged the role of government but expressed concerns regarding implementation gaps. P1 stressed that *“mechanisms to ensure timely payment to suppliers for government projects are critical,”* while P10 highlighted that *“political instability contributes to regulatory uncertainty,”* affecting investment decisions. Similarly, P6 noted *“limited awareness and weak enforcement mechanisms,”* and P8 pointed to *“high costs, lack of awareness and weak enforcement of regulations”* as barriers. These findings indicate that inconsistent policies and weak institutional support hinder efficiency and sustainability adoption, thereby constraining firm performance. The finding strongly supports

institutional theory which explains that organizational practices are affected by the regulatory system, social expectations, and institutional pressures.

Future Outlook and Sustainability Driven Competitiveness

Despite existing challenges, participants believe that sustainability and efficiency will increasingly shape business success. P9 stated that “operational efficiency and sustainability are expected to grow with technological advancement and policy support,” while P1 stated that “the construction material industry has potential” if capital spending stabilizes. This suggests that firms integrating sustainability, innovation and efficient operation are more likely to achieve long-term performance gains and resilience. However, this is consistent with prior research indicating that sustainability significantly enhances operational performance and reduces operational cost (Damiano et al., 2024; Lichtenthaler, 2022), which concluded that sustainability driven innovation significantly improves organizational competitiveness and long-term performance.

Conclusion and Policy Implications

This study concludes that operational efficiency, sustainability practices, and firm performance are interconnected and collectively determine long-term organizational competitiveness in Nepalese industries. Efficiency is not merely a cost reduction system but a strategic capability-driven factor. Technological adoption, digital transformation, human resource competence, quality management, and effective leadership practices enhance the operational efficiency of the firm. Industries that successfully integrate automation, workflow standardization, resource optimization, and skilled human resources are better positioned to improve productivity, reduce operational costs, minimize scrap, and sustain competitive advantage. These findings strongly validate the assumption of the resource-based theory and the dynamic capabilities theory.

Sustainability practices in Nepalese industries are increasingly integrated into operational and strategic activities. Sustainability initiatives positively contribute to credibility, stakeholder trust, employee morale, operational stability, and market reputation of firms. The relevance of triple bottom line theory and stakeholder theory highlights that sustainable organizational success requires balancing social-economic and environmental considerations. Nepalese industries operate within a challenging institutional environment characterized by policy inconsistency, regulatory uncertainty, limited enforcement mechanisms, and weak institutional support. Although sustainability awareness is gradually increasing among consumers and business communities, price sensitivity still dominates market behavior.

The findings of this study provide important implications for policy makers, industrial practitioners, and institutional stakeholders in Nepal. First, the Government of Nepal may formulate stable and industry-supportive policies that encourage technological modernization, digital transformation, and sustainable industrial development. Second, policymakers may strengthen institutional and regulatory mechanisms to ensure effective implementation of sustainability standards and industrial regulations. Third, industries may prioritize investment in human resource development and workforce capability enhancement.

This study is limited to selected manufacturing and service industries located in Pokhara. Moreover, this research is primarily based on qualitative insights derived from participants' lived experiences in terms of operational efficiency, sustainability, and firm performance. The research has not incorporated external stakeholder viewpoints such as customers, policymakers, suppliers, and investors. Future studies may adopt mixed-method research with wider geographical coverage and stakeholders' perspectives.

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