

Chapter 4

Impact of Green Supply Chain Management on Competitive Advantage of Business Organizations in Sri Lanka

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ABSTRACT

Organizations adopt many strategies to gain competitive advantage. An important strategy is adopting green practices. Cost-benefit and customer value enhancement are two other strategies. By combining all of these elements, organizations can acquire a superior competitive advantage. There are contradictory findings on applying the cost-benefit element to green supply chain management (GSCM) and no clear theory on how to combine these elements to gain a competitive advantage. The primary objective of this study is to identify the impact of GSCM on competitive advantage of business organizations in Sri Lanka. Sample technique used was convenience sampling method. Data was collected from 30 organizations that were following green practices in Sri Lanka. The data were analyzed using descriptive analysis, correlation coefficient, and simple regression model. The results show that there is a strong positive relationship between GSCM and competitive advantage, and rather than applying just one element to gain a competitive advantage, it was considered more effective to apply both cost-benefit and customer value enhancement simultaneously.

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INTRODUCTION

Strategic management is the careful examination of an action plan to determine how it will help to develop and regulate the competitive advantage of a business organization. The measure of the competitive advantage is the difference between the organization's and its competitors' position (Mintzberg & Quinn, 1991).

The capability of a business organization to create an unassailable position over its competitors can be defined as competitive advantage (Li *et al.*, 2006). There are many factors that can contribute to gain a competitive advantage over other firms – the formation of higher competencies that are leveraged to generate customer value, achieving higher cost-effectiveness, and possessing differentiation advantages, which will result in a bigger market share and cost savings (Barney, 1991; Day & Wensley, 1988; Prahalad & Hamel, 1990).

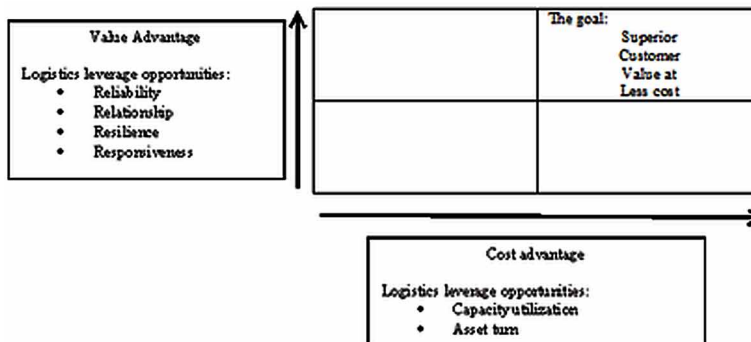
BACKGROUND

According to Martin Christopher (2011), to gain a competitive advantage the organization should have value advantage and cost advantage.

Further, as per Porter's theory, an organization's competitive advantage hinges on its capability to be a low-cost producer in its industry or to be unique in its industry in those features that are popularly valued by consumers (Porter, 1991). Most executives agree that cost and value will determine the strength of a firm's competitive advantage (D' Souza & Williams, 2000).

Figure 1. Gaining competitive advantage

Source: Logistic and supply chain management, 4th edition by Martin Christopher



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