

Chapter 23

Investigating Relationships Between Supply Chain Capabilities, Competitive Advantage, and Business Performance: A Comparative Study Between Thai and Vietnamese Food Industries

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ABSTRACT

Growing in the competitive environment, organizations need to find ways to improve their performance even better by ensuring that all key drivers are being developed and utilized effectively. Thai and Vietnamese food industries are rapidly growing sectors. This study investigates the relationships between supply chain capabilities and competitive advantages towards business performance, and compares the above mentioned relationships between Thai and Vietnamese food industries. The data were gathered from conducted surveys with the food manufacturing companies in both countries, and tested by Structural Equation Modeling. The empirical results show that supply chain capabilities play an important role in business improvement in both countries. While, supply chain integration is considered as a critical factor for the Vietnamese food industry, human resource management is much regarded as important for the Thai food industry. These findings help companies in each country decide the best strategy for differentiating themselves in their business environment.

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INTRODUCTION

Today's dynamic business environment is driving a new competitive concept, in which organizations compete globally and comprehensively on different aspects of products and services that they provide such as price, quality, service satisfaction, etc. For a business to be successful, business owners need to ensure that their business is operating as effectively as possible, by searching for creative solutions to improve quality, reduce costs, improve customer service, manage risk, and increase efficiency. It also requires an understanding of the key drivers within and across the companies, and a practical approach to implement processes that will optimize these key drivers. In other words, it requires that the company effectively manages capabilities across the supply chain to enable increasing sustainable competitive advantages, which deliver value to their customers as well as differentiate companies among competitors. From this perspective, supply chain capabilities and competitive advantages have become key success factors for effective competing and business improvement.

According to the Council of Supply Chain Management Professional, Supply Chain Management (SCM) is the planning and management of all activities related to procurement process, conversion, logistics management, and also partners' coordination in a chain. Success of SCM depends on whether a company can develop and manage specific capabilities and competitiveness in order to provide products and services that fulfill customer requirements. In other words, it depends on how well the coordination between a company and other partners throughout the supply chain can be established, how well they manage their resources and staff to run business effectively, and how well they operate and control their production to produce the best value for customers. According to Storey, Emberson, Godsell, and Harrison (2006), high level of coordination among partners in a supply chain can help reduce the challenge of uncorrected knowledge and information. Then, the operational activities can be done effectively with accurate information (Posey & Bari, 2009). In addition, effective Human Resource Management (HRM) enables employees to contribute productively in the process of obtaining the companies' targets (Barney & Wright, 1998). Hence, supply chain capabilities play a critical role as the building blocks for the supply chain strategy, and a source of competitive advantage for company success in the market (Liao & Kuo, 2014).

According to Porter (1985), competitive advantage is the extent to which a company can obtain a prior position over its competitors in the marketplace. A company is considered to have competitive advantages if it creates value, which helps differentiate itself among competitors, to achieve customer's satisfaction and market performance (Barney, 1991; Li, Ragu-Nathan, Ragu-Nathan, & Rao, 2006; Tracey, Vonderembse, & Lim, 1999). For example, a company can achieve a cost advantage when the company operates at a lower cost, then, offers a compatible price of product compared to its competitors. Four important dimensions of a competitive advantage were constructed including quality, cost, delivery, and flexibility (Amoako-Gyampah & Boye, 2001; Badri, Davis, & Davis, 2000; Rosenzweig, Roth, & Dean, 2003; Ward, Duray, Leong, & Sum, 1995). In addition, Li et al. (2006) described a research framework in which five dimensions of competitive advantages were defined: cost, quality, delivery dependability, product innovation, and time-to-market.

As competition becomes more intensified, recognizing the importance of functional competencies to company's performance will help companies improve their competitiveness and performances. Recent works have shown a clear interest in investigating the impact of SCM on business performances. Hatani, Zain, Djumahir, and Wirjodirjo (2013), Özdemir and Aslan (2011), and Rosenzweig et al. (2003) evaluated the role of Supply Chain Integration (SCI), while Ahmad and Schroeder (2003), Becker and Gerhart

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