

## **Operational efficiency to financial efficiency – a case study on ‘apparel sector’ in Sri Lanka**

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**Abstract:** This is an era of economic instability and high inflation in Sri Lanka. Apparel sector is the largest gross export which contributes as the largest net foreign exchange earner from 1992 in Sri Lanka (Dheerasinghe, 2009). In 2002, the apparel industry in Sri Lanka contributed almost 6% of the GDP with a primary foreign exchange value of 40% from exports and 52% from industrial products exports (Embuldeniya, 2015). As a leading apparel brand in Sri Lanka, the ABC Company continuously faces a decreasing movement in operational efficiency. This research examines the factors affecting towards the operational efficiency of the ABC Company to avoid operational inefficiency. Therefore, as a major finding of the study, it has identified the inventory management as the most largely affecting factor towards operational efficiency and the second highest influencing factor as the labour productivity. The least influencing factor is the information system management.

**Keywords:** economic stability; major export; operational efficiency; financial efficiency; apparel industry; Sri Lanka.

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**Biographical notes:** N.S. Jayawardena is a student following the Graduate Diploma of Business Research in Marketing leading to a PhD in the Griffith University, Australia. She completed her BSc in Business Management (with a First Class Honours) from the National School of Business Management, Sri Lanka in 2014. She also pursued MBA specialising in International Business from the University of Colombo in 2016.

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### **1 Introduction**

The demand for the apparel industry increases with the growth of global population. Even though apparel production increases over time, the rate of increment is not sufficient to fulfil the increasing demand. Over the last three years, there is a positive gap between total production and demand in Sri Lanka. There is a high demand for apparel industry as it has a great potential to contribute economies of countries which produce apparels.