



IMPROVING THE SURVIVAL RATE OF SMALL FIRMS IN LATIN AMERICA

A case study in Aguascalientes, Mexico

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INTRODUCTION

99% & 1/4



Source: OECD-ECLAC (2012)

Micro & Small Firms'
Survival Rate



Case Study in
Aguascalientes, MX





RESEARCH QUESTION

What are the critical Supply Chain and Business Practices that improve survival rate of small firms in LATAM?

HYPOTHESIS

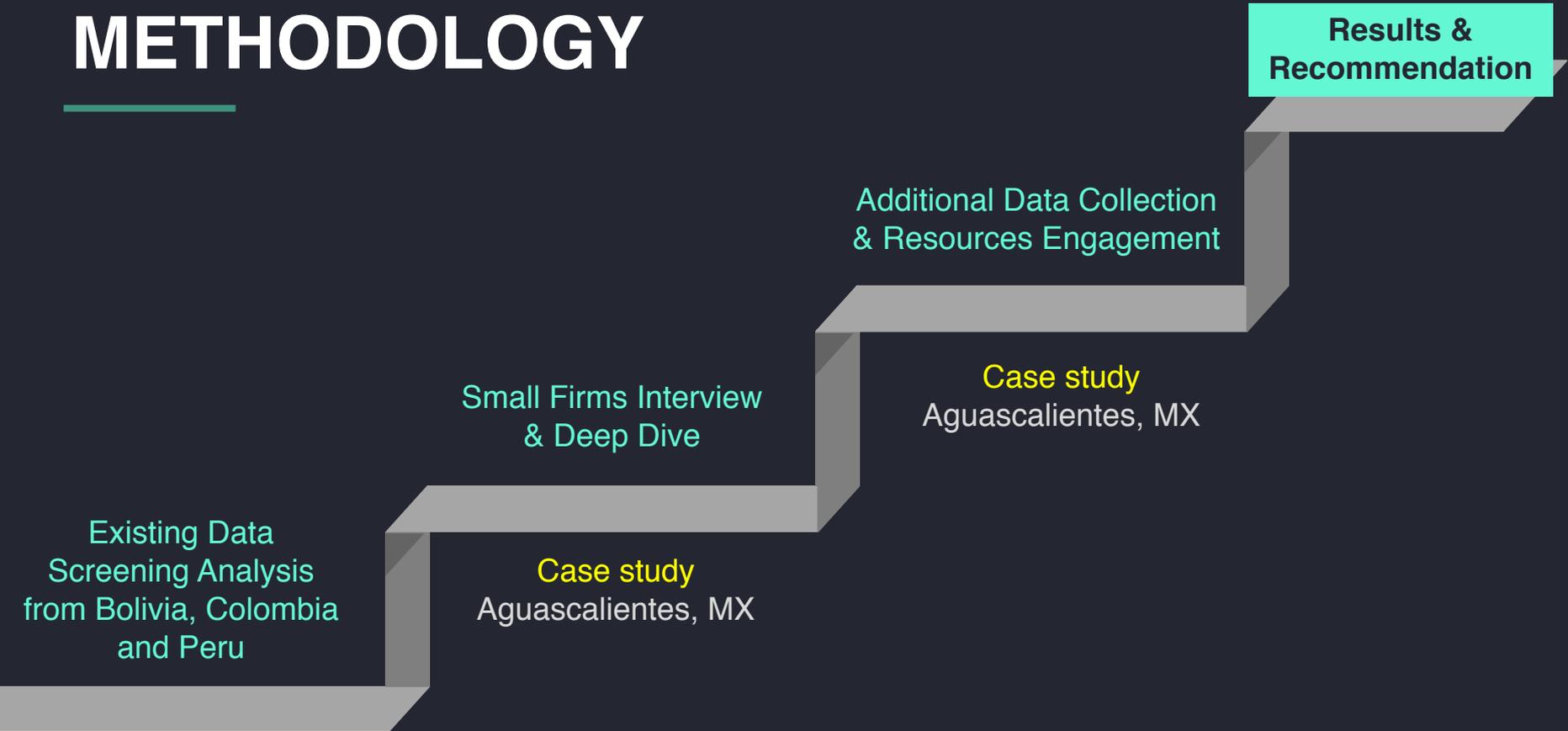
H0: Managerial Quality and Demand Planning are the two critical practices to improve small firms survival rate.



LITERATURE REVIEW HIGHLIGHT

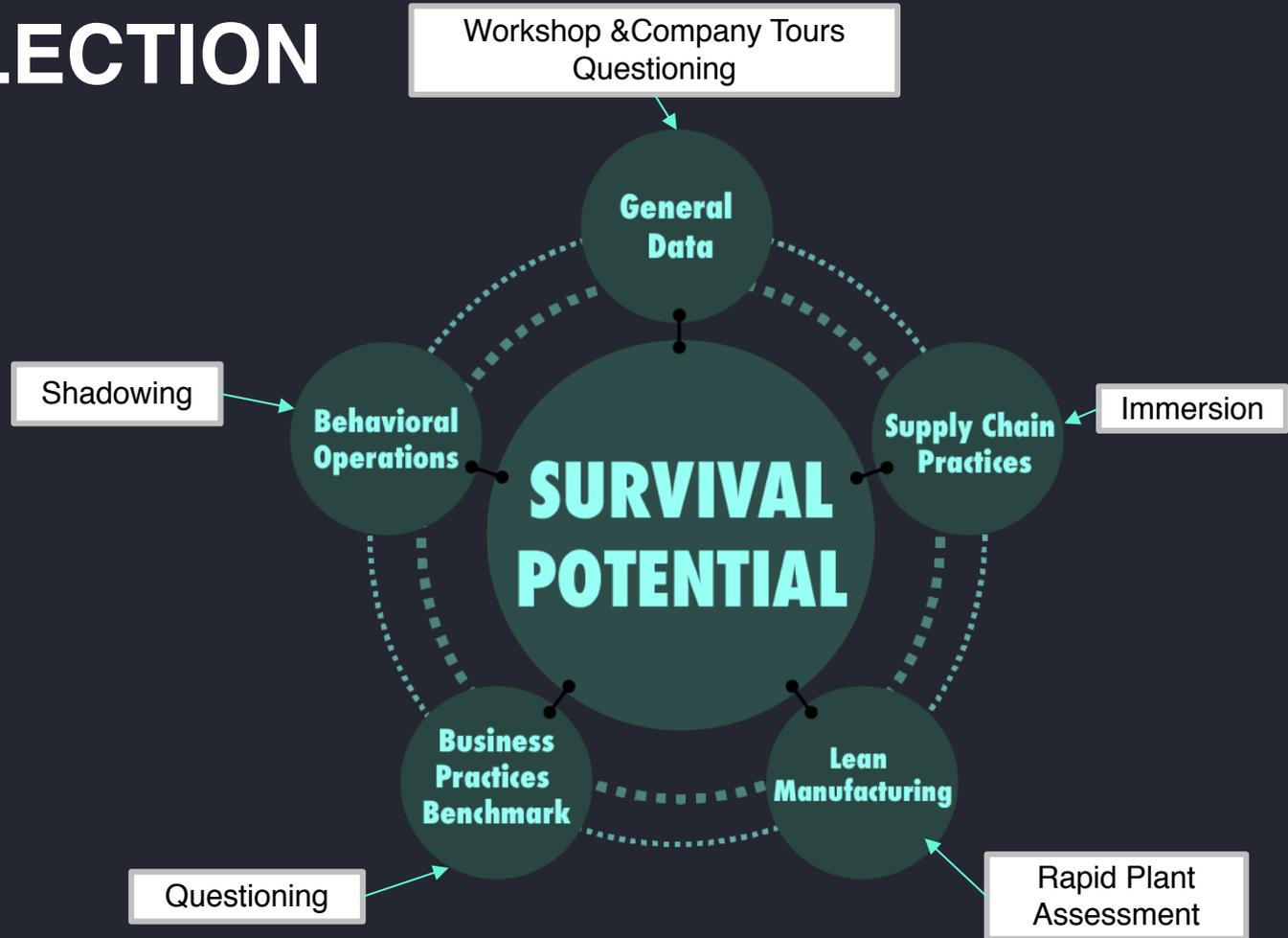
	<i>Survival Stage</i>		<i>Success Stage</i>		
	Stage 1 Existence	Stage 2 Survival	Stage 3 Success	Stage 4 Take-off	Stage 5 Maturity
Challenge	Customer Relationships		Growth of company	Delegation & cash flow	Control finance while keeping advantages of size
Organization	Owners do most of the work		Functional managers	Decentralized in sales or production	Decentralized
Planning	Minimum to inexistent		Operational budgets	Yes	Yes
Reasons for failure	Cash Flow		Adapt	High growth	Lack of innovation and risk aversion

METHODOLOGY



DATA COLLECTION

Data Collection Guideline



CASE STUDY & WORKSHOP

Case Study

- Deep dive in 3 small enterprises in Aguascalientes, Mexico to understand their business model, operation process, opportunities, concerns and challenges beyond Excel.

Workshop

- Better understanding of the small firms in study.
- Engage with companies.
- Teach basic supply chain and business practices.
- Discuss their main challenges.
- Perform questions to determine the stage analysis each company is.

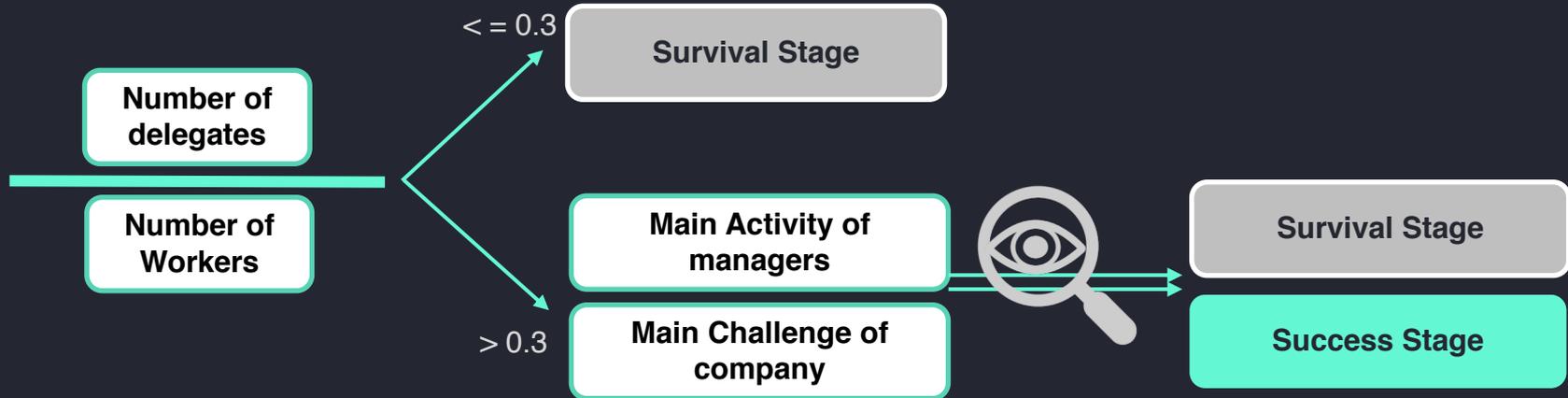




RESULTS & DISCUSSION

Model Formulation

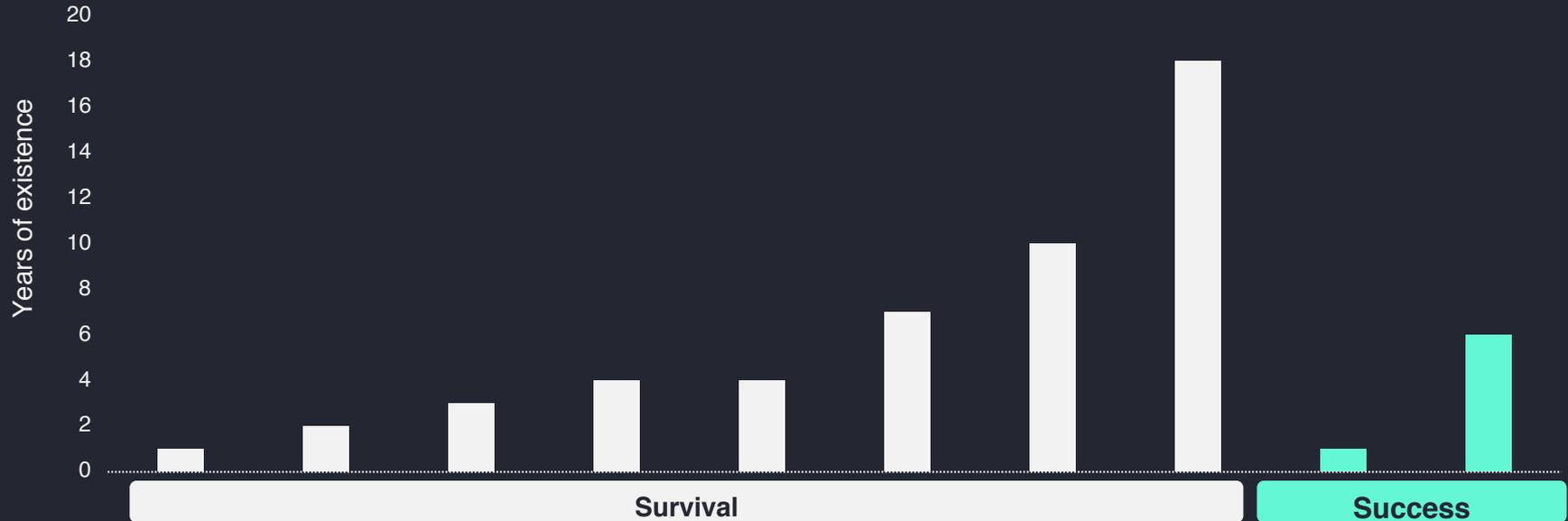
- Critical attributes: No. worker, No. Trusted Supervisors, Main Challenge, Main activity driver for managers
- Dependent variable: the stage of the company
- Output value: Survival or Success



RESULTS & DISCUSSION

Initial Findings

- Most of the small firms are in survival stage
- Longer years of existence does not define the success of a firm



RESULTS & DISCUSSION

Business Practices



Business Practices

RESULTS & DISCUSSION

Supply Chain Practices



Supply Chain Practices

RESULTS & DISCUSSION

Important Practices Heat Map

PLANNING & BUSINESS PROCESS

- P8: Steps definition to make product

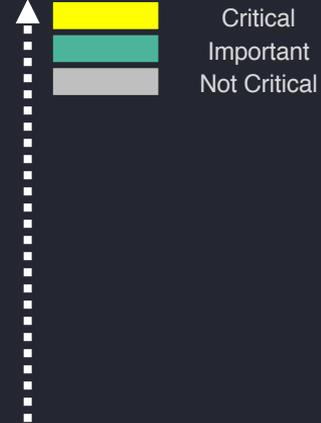
OPERATIONS MANAGEMENT

- O3: Supplier lead time knowledge
- C2: Delivery process description
- O6: Appropriate conditions for inventory holding
- O10: Delivery information registration for each customer.

FINANCIAL PLANNING

- F8: Annual income/expenditure sheet
- F5: Annual profit and loss statement
- F6: Annual statement of cash flow

P8	F8	O3	C2
O6	F5	F6	O10
O7	O5	F3	O11
M2	P2	P3	O9
M1	O8	C1	M6
F1	C4	F7	O2
O1	C3	P1	O4
M5	P6	M7	M4
P7	M3	F4	F2
	P4	P5	



CONCLUSION

KEY INSIGHTS

- Most companies are in Survival Stage.
- Years of existence of a company are not directly related to the stage the firm
- Financial Planning and Operations Management are the most critical practices.

FUTURE WORK

- Extending the model to other LATAM regions.
- Developing educational tools for small firms among those critical practices.



THANK YOU!

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APPENDIX

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APPENDIX
