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Sponsor: MIT Low Income Firms Transformation (LIFT) Lab

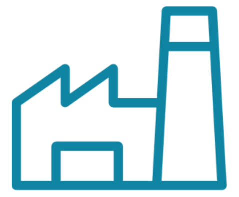
LIFTing the Life of the Bottom Billion

MIT GLOBAL SCALE NETWORK
May 2022 Research Fest

Motivation / Background

Micro and small enterprises (MSEs) constitute a significant portion of economic sustainment and growth in Latin America.

99.5% of all businesses in the region are MSEs.



60% of the employed population.

25% of regional GDP (OECD/CAF, 2019).

Source(s): www.iadb.org, www.flaticon.com

Key Research Questions

To generate new insights into how business competencies and supply chain management capabilities affect the performance of micro and small enterprises in Latin America. Key research questions:

- What business and supply chain management competencies contribute to the growth of micro and small firms in Latin America?
- How does integration with suppliers, customers and the firms' employees impact micro and small firms in Latin America?

The Problem

Micro and small enterprises help foster entrepreneurship, contribute to economic development and help to increase the standard of living in developing countries. However, these enterprises often face a wide breadth of problems such as low productivity rates and lack of managerial skills and supply chain management expertise.

Relevant Literature

Flynn, B.B., Huo, B., Zhao, X., (2010). The impact of supply chain integration on performance: a contingency and configuration approach. *Journal of Operations Management* 28 (1), 58–71.

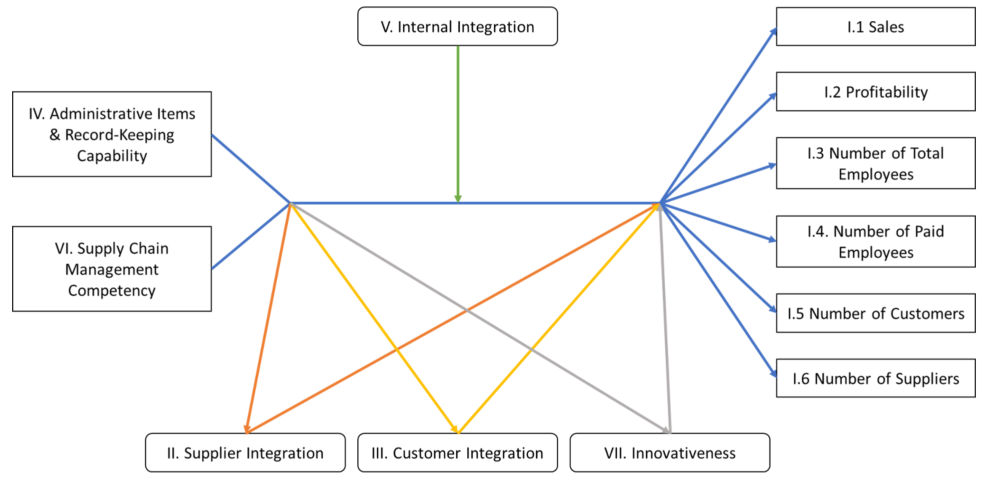
Horn, P., Scheffler, P., & Schiele, H. (2014). *Internal integration as a pre-condition for external integration in global sourcing: A social capital perspective*. International journal of production economics, 153, 54-65.

Methodology

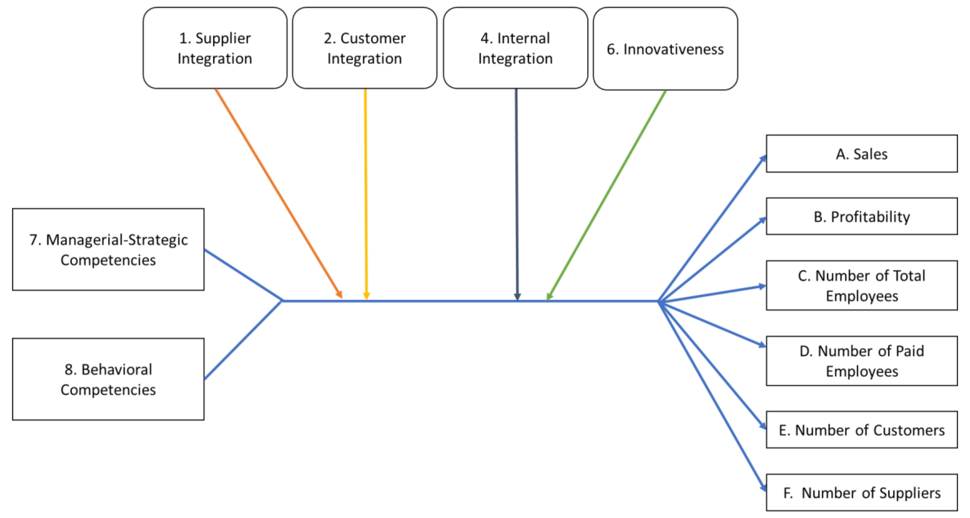
Based on related studies by Flynn et al. (2010) and Horn et al. (2014), our methodology consists of four process steps:

1. Design and implement a questionnaire to collect **real-time, empirical data** from MSEs in LATAM.
2. Perform a Principal Component Analysis (**PCA**) to **formulate reliable variables.**
3. Run a **Multivariate Linear Regression** and **ANOVA** to test the relationship between variables.
4. Analyze results. Explain **direct and joint impact of capabilities** in performance metrics.

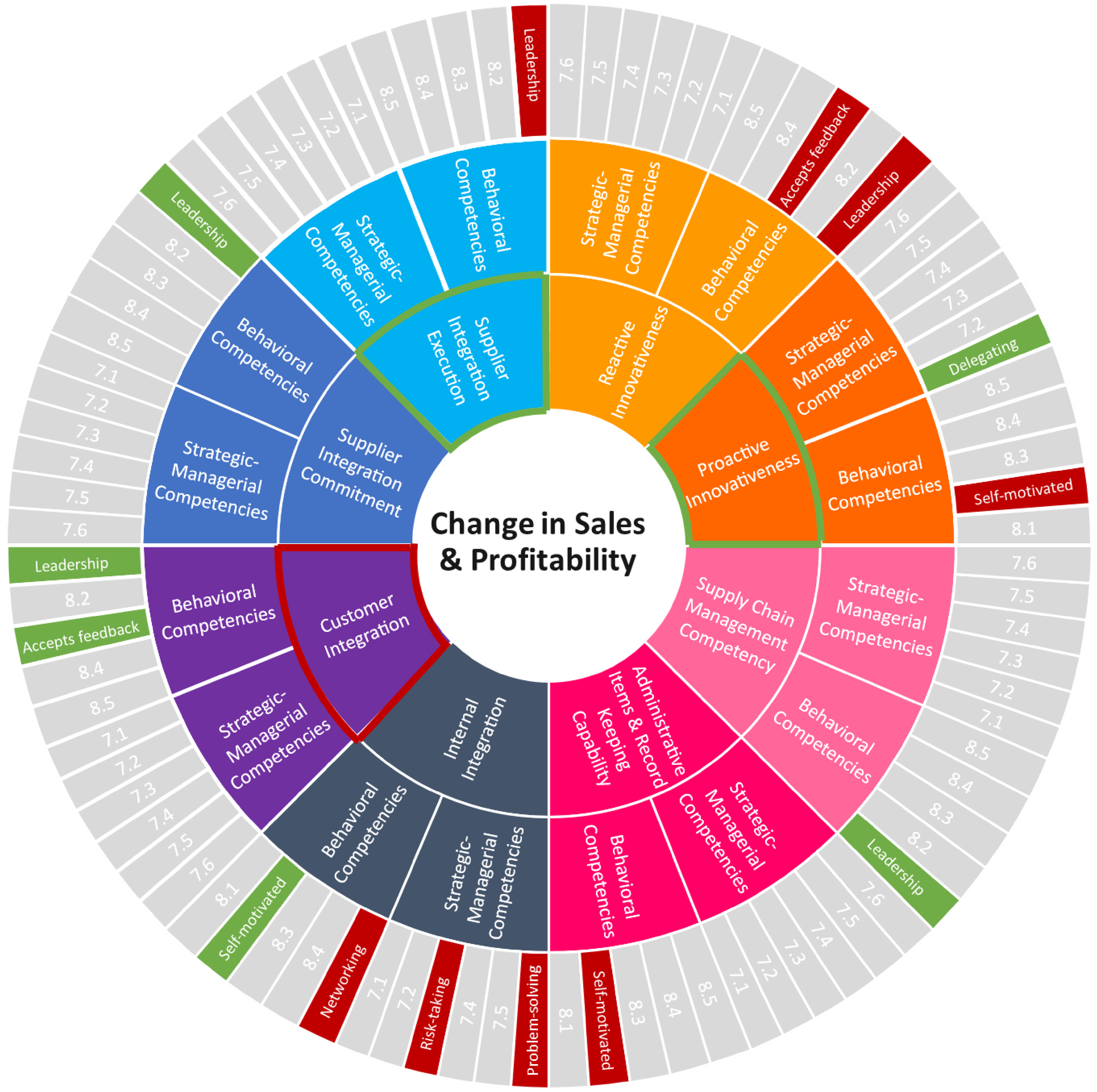
HYPOTHESIS 1: FIRM DYNAMICS



HYPOTHESIS 2: MANAGER DYNAMICS



Results



Key Insights

- The performance of an MSE is more dependent on the attributes of the decision-maker than on the business competencies and integrative practices of the firm.
- To achieve higher levels of profitability and sales, managers must alter their behavior according to the different stakeholders they engage with.
- Feature variables with significant and direct effects (i.e., customer and supplier integration, and innovativeness) present less opportunity for an amplified impact on the dependent variables.

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