

FORUM

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SUPPLY CHAIN AND OPERATIONS STRATEGIES FOR PROBLEM-SOLVING IN LATIN AMERICAN COUNTRIES: AN INTRODUCTION

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INTRODUCTION

Companies are subject to external and internal constraints, and they constantly seek ways to respond to these forces to survive and thrive (Chakravarty, 2014). Shifting globalization patterns and disrupting technologies call the feasibility of current operations and supply chain strategies. Global value chains remain concentrated among a relatively small number of countries (Hallward-Driemeier & Nayyar, 2018). As reported by the Economic Commission for Latin America and the Caribbean (ECLAC, 2016), Foreign Direct Investment (FDI) flows in Latin America decreased by 16% in 2014 and by 9.1% in 2015 driven by the prices decline and the economic slowdown in the region. Meanwhile, FDI flows grew by 90% to developed countries, even in a context of high uncertainty in the global economy.

A variety of possible explanations have been discussed in the literature, including competition and trade (Kehoe & Meza, 2011; De La Torre et al., 2016), corruption (Gaviria, 2002) and infrastructure investments (Ramamurti & Doh, 2004; William, 2015; Fay et al., 2017). Unfortunately, few studies have looked at the supply chain and operations management decision-making process in emerging countries (Avittathur & Jayaram, 2016), specifically in Latin American countries, and explored how they overcome the barriers imposed by the institutional environment. Rare exceptions like Williams (2015) focused on how to capture FDI for Latin America by expanding the stock of infrastructure and its quality. Due to the chronic issues of infrastructure, logistics, cultural and language limitations, managers have been setting up creative ways of defining supply chain and operations strategies to maintain its competitiveness.

This Special Issue intends to open a broad agenda to raise awareness among Operations and Supply Chain researchers of the importance of exchanging experiences from different fields of knowledge instead of exploit findings, constraints, lessons learned at a single perspective (Siegler et al., 2014). We intend to motivate the possibility of stablishing new collaboration between researchers in Latin America, exploring different contexts and aiming for complementary ideas on Supply Chain and Operation strat-

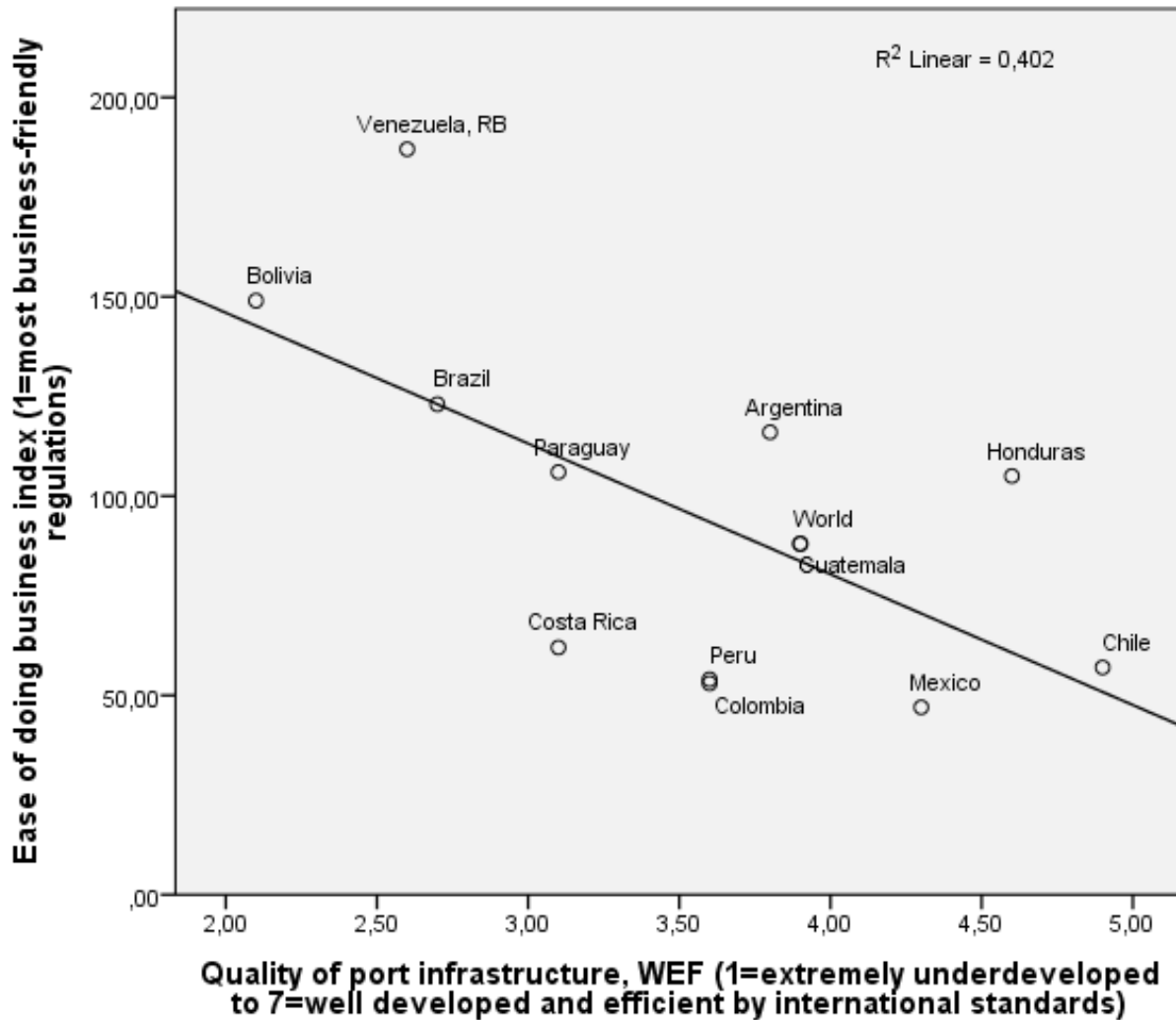
egies for problem solving. Consequently, it aims to advance this discussion through some examples of well-succeeded strategies adopted in Latin America countries and contribute for addressing new directions for future researches.

DOING BUSINESS IN LATIN AMERICAN COUNTRIES – NEW DIRECTIONS TO OVERCOME CURRENT SUPPLY CHAIN AND OPERATIONAL BARRIERS

For Operations Management (OM) and Supply Chain Management (SCM), one of the main challenges for the economic growth of Latin America countries is its current infrastructure, which is inferior to what is needed. In one side, several specialists argue that the solution of advancing it is to spend more. However, Fay et al. (2017) argues that Latin American countries shall grasp its attention by spending efficiently on the right things. According to the authors “[...] there is sufficient evidence that spending better and focusing scarce public resources on what matters would significantly narrow the service gap”. In this same direction, it is necessary that the governments and institutions involved integrate serious studies carried out by experts, and decisions regarding public policies in logistics and operations, that benefit the sustainable balance of logistics operations.

Figure 1 illustrates the impact of the infrastructure for doing business through the comparison between the “ease of doing business index” and the “quality of port infrastructure” (both data available at World Bank Database, 2017). Briefly, for the “ease of doing business index” the lower the rate, the friendlier the environment is for doing business. In the “quality of port infrastructure” the ranges are defined from extremely underdeveloped (#1) to well developed (#7). Based on the current situation of Latin America countries, it is perceived that the higher the quality of port infrastructure is, the easier becomes do business with organizations. Undoubtedly, the effort of improving infrastructure would support the improvement of doing business with Latin American countries. However, according to World Bank specialists, Latin America countries are unlikely to have an increase investment in infrastructure in the coming years.

Figure 1. The Relation between Quality of port infrastructure and the ease of doing business with Latin American countries



Source: Based on World Bank Database (2017).

Another issue that concerns the society and impacts the firms and institutions competitiveness is corruption, fraud and counterfeit. Corruption and bribes raise operational costs, lower sales, impact firm' competitiveness and create uncertainty (Gaviria, 2002). Prior assumption is that bribes can increase efficiency by granting companies to influence governments from developing excessive and overly restrictive regulations. However, Gaviria (2002) argues that most of the cases, government regulations are strategically used by bureaucrats to maximize bribe collection.

Besides, fake products and counterfeit is also quite dangerous for society sustainability and business competitiveness. According to Li (2013, p. 168) "[...] Faking products has developed into an existential threat to the rights of both businesses and

consumers. This threat calls for anti-counterfeiting technology to safeguard authentic products and keep companies from unfair competition."

Under such critical circumstances it is reasonable to infer that practitioners should be in a position where their hands are tied. Practitioners' intentions and beliefs are closely related to the environment and their narratives are justified in the adoption of a different strategy or neglect of moving forward (Biazzin et al, 2017). However, it is worth remembering that inertia in supply chain management undermine the operational efficiency and productivity of a company (Smith et al, 2015). Organizations must stand against these illegal practices by neglecting to join this "game" through robust reforms on Operations and Supply Chain strategies, changing behaviours, processes and implementing new technologies.

In fact, as it might be noticed, several constraints limit Latin American competitiveness. On one hand, it means that Latin America has been losing ground. However, on the other hand, Cooper et al. (1997, p. 5) claims that “[...] successful supply chain management requires a change from managing individual functions to integrating activities into key supply chain processes. It calls for disruptive, technological and even creative actions addressed by private sectors, to rescue and redefine strategies for managing operations and supply chain for value creation.

In this sense, one example of strategies implemented by Public sector is the advancement of e-procurement approach. E-procurement is a technology solution that go through all procurement process, including e-design of specifications until the supplier performance evaluation (Presutti, 2003). Due to its virtual characteristic by consolidating data without face-to-face contact, e-Procurement is known as a robust mechanism to fight against fraud and corruption. Chile and Mexico, for instance, achieved superior results through strong procurement reforms. The electronic portal ChileCompra estimates US\$ 280 million in savings, while Mexico’s tendering modernization generated about US\$ 1 billion savings in three years (Fay et al., 2017).

According to Hallward-Driemeier and Nayyar (2018), there are three alternative to be prepared for change. The first one is regarding the urgency of reforms that reduce the unit labor costs, ensure new business models formation, new ways to advance buyer-suppliers relationships as well as new ways to structure production of goods and services. Then, in order to attend the previous scenario, new capabilities must be identified and developed i.e., their capacity to handle new technologies and take smart and fast decisions through complex data sets. Finally, authors argue that increasing the connectivity will not only support clear and open trading strategies both in product, service and operations performance, but advance the internet of things implementation.

THIS SPECIAL ISSUE CONTRIBUTION

This special issue offers an important contribution for advancing this dialogue in our field. It contains a range of different approaches to present Supply Chain and Operations Strategies for Problem-Solving in Latin American Countries. In particular, it

describes different strategies for enhance organizational competitiveness through manufacturing, technology, cooperation, among others; and its impact in the supply chain management.

Social Sustainability in Supply Chains: A Latin American Country Case. This paper explores how to overcome social sustainability issues in Supply Chain in Latin American context.

Simulation Analysis of a Tannery Fabrication Process. The authors provide a Discrete Event Computer Simulation to analyse the current performance of a Tannery production system in order to propose alternatives for improvement, as well as optimum parameters for production.

An Implementation Framework for Additive Manufacturing in Supply Chains. Analyse the existing supply chain methods and frameworks of additive manufacturing and its impact in supply chain management.

Technology, Production Paradigm and Operation: Transformation of Brazilian Brewing Sector. The article explores the technological transformation of the brewing sector for creating innovative management and operations in Brazil.

The “Indy Way”: Lessons from Brazilian Sugar-Cane Biofuel Supply Chain. The authors study how the Brazilian sugar-energetic processors used Indycar racing to increase exports to the United States and create value by transforming the Brazilian ethanol from a commodity fuel to an advanced biofuel.

The Effect of Uncertainty and Cooperative Behaviour on Operational Performance: Evidence from Brazilian Firm. This study aims examines the effect of manager’ uncertainty on cooperative behaviour in interorganizational relations, and how this affects operational performance.

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