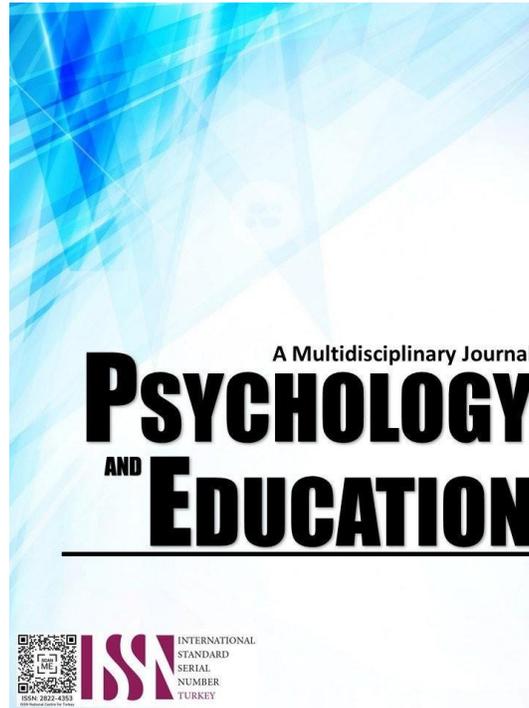


**BUILDING COMPETITIVE ADVANTAGE AND EXCELLENCE IN
SUPPLY CHAIN MANAGEMENT PRACTICES FOR MICRO,
SMALL, AND MEDIUM ENTERPRISES (MSMEs): AN
EXPLORATORY CASE STUDY**



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Building Competitive Advantage and Excellence in Supply Chain Management Practices for Micro, Small, and Medium Enterprises (MSMEs): An Exploratory Case Study

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Abstract

In an increasingly competitive global market, Micro, Small, and Medium Enterprises (MSMEs) in developing regions face unique challenges in managing supply chains effectively. This exploratory case study investigates the supply chain management (SCM) practices of MSMEs in Iloilo Province, Philippines, to understand how these enterprises build competitive advantage and operational excellence despite resource constraints. Guided by a qualitative design and underpinned by social constructionist epistemology, data were collected through semi-structured interviews with nine award-winning MSME owners and analyzed using thematic analysis supported by NVivo software. Findings reveal five key themes: adaptive SCM practices rooted in innovation and community values, strategic approaches to business excellence, differentiated competitive advantages, localized insights on SCM, and resilience mechanisms for overcoming systemic challenges. Contrary to traditional models reliant on scale and automation, the study underscores the power of values-driven strategies, stakeholder relationships, and flexible operations in sustaining MSME competitiveness. The research contributes theoretical and practical implications for building inclusive, resilient, and contextually grounded SCM frameworks, offering actionable recommendations for MSMEs, government agencies, and supply chain stakeholders.

Keywords: *competitive advantage, excellence, micro, small and medium enterprises, supply chain management*

Introduction

Micro, small, and medium enterprises (MSMEs) play a vital role in stimulating inclusive economic development, employment generation, and local innovation in emerging economies like the Philippines. Comprising 99.5% of all business establishments and employing over 63% of the country's labor force, MSMEs are the backbone of the Philippine economy (Department of Trade and Industry [DTI], 2022). Despite their significance, many MSMEs struggle to remain competitive due to operational inefficiencies, limited access to resources, and underdeveloped supply chain management (SCM) systems (Kharub & Sharma, 2015).

Globally, SCM has evolved as a strategic approach to enhance business competitiveness by integrating procurement, production, distribution, and customer engagement (Gunasekaran et al., 2017). Large corporations often benefit from sophisticated SCM systems and digital innovations, enabling them to achieve responsiveness, agility, and cost-efficiency. However, for resource-constrained MSMEs especially those in developing regions like Iloilo Province replicating such advanced systems presents significant challenges. The absence of infrastructure, limited IT literacy, and high implementation costs inhibit MSMEs from adopting comprehensive SCM solutions (OECD, 2021).

Existing research often highlights generalized SCM frameworks or focuses on large enterprises, with relatively few studies exploring how MSMEs, particularly in specific local contexts, adapt supply chain practices to build competitive advantage (Tambunan, 2019). Moreover, while lean, agile, and customer-centric SCM models have been proposed as optimal strategies (Shah & Ward, 2007; Christopher, 2016), their practical application in micro and small-scale enterprises remains limited and underexplored.

The central limitation in current SCM solutions is their lack of contextual sensitivity strategies that work for larger firms in developed markets may not be scalable or culturally aligned with local MSMEs in the Philippines. This research seeks to address that gap by investigating how MSMEs in Iloilo Province implement and adapt SCM practices within their specific constraints and opportunities.

Exploring the lived experiences of MSME owners, this study aims to uncover localized SCM strategies that foster competitive advantage and operational excellence. Through a qualitative case study approach, the research endeavors to contribute empirical evidence and practical insights for policymakers, supply chain practitioners, and MSMEs alike, highlighting resilient, socially grounded, and adaptive SCM practices relevant to the Philippine setting.

Research Objectives

This study aims to explore how micro, small, and medium enterprise (MSME) owners in Iloilo Province implement supply chain management (SCM) practices to strengthen their competitive position in a dynamic business environment. By examining real-world strategies and adaptations, the research seeks to generate contextual insights into how SCM contributes to business excellence and resilience among local MSMEs. The specific objectives are as follows:

1. To identify and describe the SCM practices adopted by MSME owners in their day-to-day business operations.
2. To examine the strategic approaches employed by MSMEs to achieve operational excellence through supply chain management.

3. To determine the competitive advantages gained by MSMEs as a result of their SCM practices.
4. To explore the perceptions and insights of MSME owners regarding the role of supply chain management within a competitive market context.

Methodology

Research Design

This study adopted a qualitative research design to explore the supply chain management (SCM) practices of micro, small, and medium enterprises (MSMEs) in Iloilo Province, Philippines. Given the need to capture complex operational dynamics and rich contextual insights, a qualitative approach was deemed appropriate. This approach emphasizes the use of non-numeric data such as words, experiences, and meanings to interpret social phenomena as understood by participants (Creswell & Creswell, 2018). Specifically, a case study methodology was employed, which enabled an in-depth examination of SCM practices as situated within the localized business environments of the MSMEs studied.

Participants

Participants were selected using purposive sampling, a non-probability technique that targets individuals with specific knowledge, experience, or characteristics relevant to the research objectives (Bernard, 2002). A total of nine MSME owners were selected based on the following inclusion criteria: (a) operation within Iloilo Province; (b) registration with the Department of Trade and Industry (DTI); (c) possession of a valid business permit; (d) at least ten years in business operations; and (e) receipt of awards from either DTI Iloilo or the Philippine Chamber of Commerce and Industry (PCCI). Participants were distributed equally across three categories: micro, small, and medium enterprises. MSMEs operating outside Iloilo, lacking formal recognition, or those unwilling to participate were excluded.

Procedure

An official list of registered MSMEs was obtained from DTI Iloilo and PCCI Iloilo. Following ethical approval from the Central Philippine University Research Ethics Committee, informed consent forms were issued to potential participants. The consent form outlined the study's objectives, procedures, confidentiality protocols, and voluntary nature of participation. Interview schedules were coordinated based on participant availability. In addition to interviews, relevant business documents were reviewed to support data triangulation.

Data Analysis

All recorded interviews were transcribed verbatim and translated into English where necessary. The data were organized and coded according to predefined research questions. NVivo 12 Plus software was utilized to support mechanical coding, thematic queries, and visualization of emerging patterns. Thematic analysis was then applied to identify, categorize, and interpret the underlying themes and subthemes that reflect participants' SCM practices, strategies, and insights.

Ethical Considerations

All ethical procedures were adhered to in accordance with institutional guidelines for research involving human participants. Ethical clearance was granted by the Research Ethics Review Board of Central Philippine University. Informed consent, anonymity, and data confidentiality were strictly observed throughout the study.

Results

Theme 1: Supply Chain Management Practices of MSMEs Owners in their Business Operations

The flexible and diverse SCM practices adopted by MSME owners in their day-to-day business emerge as a theme. Based on the analysis, it is found that MSMEs use the mixture of forward planning, manual production, supplier collaboration, innovation and customer-driven practices to enhance the supply chain performance. They are rooted in operational efficacy, also involving entrenched cultural values, community bonds and the survival-based creativity to navigate through the complexities of changing market scenarios. A rich understanding of how MSMEs develop and maintain flexible, value-based, and community-oriented supply chains is reflected in the five subthemes that emerged as shown in table 1: Innovative Partnerships, Strategic Supplier Partnerships, Innovation Towards Market Dynamics, Producing Products in Manual Method, and Forecasting (Future Thinking).

Table 1. *Theme 1 Supply Chain Management Practices of MSMEs Owners in their Business Operations*

<i>Subtheme</i>	<i>Description</i>	<i>Theme</i>
1.1 Innovative Partnerships	A customer-centric approach to supply chain management.	Supply Chain Management Practices of MSMEs Owners in their Business Operations
1.2 Strategic Supplier	Robust network in the supply chain by	

Partnerships (SSPs)	fostering long-term connections.
1.3 Innovation Towards Market Dynamics	The use of new technology and procedures.
1.4 Producing Products Using Manual Method	Manual production methods to meet corporate social responsibility.
1.5 Forecasting (Future's Thinking)	Accurately predicting the future of a business and outcomes using historical data and present trends.

Theme 2: Strategies in Making Business Excellent in Terms of Supply Chain Management

The theme illustrated the strategies used by MSMEs in achieving excellence in supply chain management in an intense competitive and dynamic business condition. It shows how MSME owners strengthen the supply chain by applying a blend of operational strategies, data-driven planning, marketing and effective leadership guided by ethics. They rely on discipline, creativity, resilience and relational agility, rather than just technology or scale, making them sustainable and context-specific.

The emergent subthemes in table 2, Data Driven Decision Making, Marketing Excellence, On- Time Product Delivery, and Right Attitude or Strategic Orientation demonstrate how MSMEs maintain operational control and combine it with ethical entrepreneurship, agility, and strategic foresight in the realization of their supply chain operations.

Such strategies give MSMEs an advantage in competition and foster loyalty among customers, making them more resistant to shocks to the environment or the economy. In sum, the findings of the study show that the SC excellence in the MSME is not only about process efficiency, it is about merging operational discipline with strategic flexibility, customer empathy and purpose driven behaviour.

Table 2. Theme 2 Strategies in Making Business Excellent in Terms of Supply Chain Management Practices

<i>Subtheme</i>	<i>Description</i>	<i>Theme</i>
2.1 On-time Delivery of Products	Agility and flexibility in supply chain management for problem prevention and the facilitation of smooth order fulfilment.	Strategies Making Business Excellent in Terms of Supply Chain Management
2.2 Data-driven Decision Making	Data-driven decision making for addressing challenges, enhancing efficiency, and attaining long-term success.	
2.3 Marketing Excellence	Effective marketing tactic that ensures that the appropriate products reach the right markets at the right time and improve visibility throughout the supply chain.	
2.4 Right Attitude or Strategic Orientation	Character and values in establishing and managing relationships within the supply chain	

Theme 3: Competitive Advantages in Terms of Supply Chain Management Practices

This theme captures the diverse strategies that MSMEs employ to develop and sustain competitive advantage through deploying creative and informed strategies in supply chain management (SCM). Those businesses can adapt quickly to shifts in the marketplace, perform better operationally, and offer better value to customers by differentiating in workforce policies, partnerships, pricing and product positioning. The subthemes in table 3 illustrate the actual strategies employed by participants to gain competitive advantage.

Table 3. Theme 3 Competitive Advantages in Terms of Supply Chain Management Practices

<i>Subtheme</i>	<i>Description</i>	<i>Theme</i>
3.1 Better than Others Thinking	Striving for excellence and differentiate from competitors	Competitive Advantage in Terms of Supply Chain Management Practices.
3.2 Selling Products at Lower Price	Strategy that helps MSMEs attracts cost-conscious consumers and increase market share.	
3.3 Intrapreneurship	Proactive and innovative initiatives taken by internal stakeholders to improve business performance.	
3.4 Providing Benefits for Employees	Investing in employees' well-being through health benefits, training programs, and career development opportunities create a more engaged and devoted workforce.	
3.5 Accepting Part-time Workers	Embracing diversity and flexibility in personnel management	

Theme 4: Insights on Supply Chain Management

This theme highlights how MSMEs gain the SCM lessons from localized practices, alliances and learning from experience. These insights are instrumental to achieving greater business sustainability, innovation capability and operational resilience. MSME rely heavily on collaboration, creating trust and employing flexible strategies to optimize their supply chain as they are often resource constrained. The various methods in table 4 in which such findings are obtained and applied in practice are represented in the following subthemes.

Table 4. *Theme 4 Insights on Supply Chain Management*

<i>Subtheme</i>	<i>Description</i>	<i>Theme</i>
4.1 Strong Networking and Collaboration	Engaging in collaborative events such as trade fairs, seminars, industry conferences, and association meetings enables MSMEs to access new knowledge, exchange ideas, and establish strategic partnerships.	Insights on Supply Chain Management
4.2 Maintaining Good Relationship	Maintaining strong, reliable relationships with suppliers, customers, and distributors is central to effective supply chain execution.	
4.3 Patronizing Local Products	Utilizing local raw materials and suppliers not only supports the local economy but also enhances supply chain responsiveness and cost-efficiency	
4.4 Non-exclusivity agreements	Adjusting to evolving market conditions and diversify supplier sources.	

Theme 5: Conquering Challenges

This theme reflects the key challenges MSMEs face in controlling their supply chains and the ways they adapt to overcome them. Internal issues, such as lack of labour and financing, and external shocks, including a pandemic, natural disasters or the lack of raw materials, seriously threaten operational continuity. Continued competitive performance, supply chain assurances and efficiency will to a large extent depend on the ability of MSMEs to meet and overcome these challenges. The following subthemes in table 5 describe how the participants meet, cope, and recover from these interruptions. The ability of players to work together with the members of the supply chain is significantly influenced by the challenges of labor scarcity, process complexity, financial constraints, and vulnerability to disasters. By investing in technology, community partnerships, workforce development, and quality control, they can enhance their ability to operate and position themselves in the market. By addressing these issues now, businesses can establish a strong supply chain that will meet immediate needs and position them well for future growth and competition.

Table 5. *Theme 5 Conquering Challenges*

<i>Subtheme</i>	<i>Description</i>	<i>Theme</i>
5.1 Natural and Man-made Calamities	Susceptibility of MSMEs' supply chains to natural disasters and man-made calamities.	Conquering Challenges
5.2 Lack of Workers	Worker scarcity may reduce ability to satisfy production demands and complete orders on schedule.	

Discussions

This study set out to explore how MSMEs in Iloilo Province implement supply chain management (SCM) practices to enhance competitiveness and achieve operational excellence. The findings reveal a multidimensional view of SCM in small enterprise contexts one that is adaptive, community-rooted, and grounded in stakeholder relationships rather than reliant on scale or advanced technologies.

Reinterpreting SCM Through a Localized, Values-Based Lens

Unlike conventional supply chain models that emphasize lean automation and scale economies (Christopher, 2016), the MSMEs studied here demonstrate that competitive supply chain performance can emerge through culturally embedded practices such as manual production, local sourcing, and trust-based partnerships.

These findings align with Tambunan (2019), who emphasized the contextual nature of MSME innovation in Southeast Asia. Rather than replicating industrial models, these firms develop strategies that reflect their socio-economic environments and resource constraints.

This challenges the assumption that digital transformation and just-in-time systems are prerequisites for SCM excellence. While scholars like Gunasekaran et al. (2017) argue that real-time data analytics and integrated systems boost SCM performance, our study shows that MSMEs can achieve similar ends through intuitive forecasting, data-informed yet informal decision-making, and agility fostered by deep community ties.

SCM as a Strategic Differentiator Rather than a Technical Tool

The participants demonstrated that SCM is more than a logistical or technical process. It is a strategic framework deeply intertwined with marketing, ethics, and employee development. For instance, practices such as intrapreneurship and offering employee benefits are not traditionally categorized as SCM, yet they directly influence supply reliability and productivity. This reflects the expanded view of SCM advocated by Trkman et al. (2015), who proposed that supply chain models must integrate human, cultural, and entrepreneurial dimensions to be truly effective for SMEs.

Moreover, the study surfaces a counter-narrative to dominant discourse. While global literature emphasizes external integration and automation (OECD, 2021), participants in this study prioritized internal coherence and values alignment. This suggests that MSMEs may not need to fully emulate corporate SCM systems; instead, they must develop robust, context-specific mechanisms to manage risk,

reduce costs, and ensure agility.

Alignment with Social Constructionism

Framed within a social constructionist perspective, the study underscores that MSME SCM strategies are not purely economically driven but are socially constructed responses to institutional constraints, cultural norms, and historical business practices (Berger & Luckmann, 1966; Burr & Dick, 2017). Practices such as forming non-exclusive supplier agreements and participating in trade fairs are shaped not just by economic necessity but by shared meaning and communal values. This reflects Gergen's (2015) assertion that organizational practices are deeply shaped by the social environments in which they are embedded.

Addressing Challenges and Adaptive Resilience

The ability of MSMEs to respond to external shocks such as pandemics and raw material scarcity was a prominent theme. These findings support the conclusions of Ivanov (2021), who posited that supply chain resilience is critical in crisis-prone environments. Interestingly, the resilience demonstrated by MSMEs in this study is not dependent on capital-intensive infrastructure, but on adaptability, relational capital, and foresight particularly the use of flexible production methods, diversified labor models, and contingency planning.

Limitations and Alternative Interpretations

Although the study offers compelling insights, several limitations must be acknowledged. The small sample size (n=9), while consistent with qualitative methodology, limits generalizability. Additionally, because participants were award-winning MSMEs, there may be a positive selection bias that overrepresents firms with more advanced practices. Future studies may benefit from including struggling or newly established MSMEs to offer a more comprehensive spectrum of SCM maturity.

Alternative interpretations of the results are possible. For instance, the perceived success of manual production and localized sourcing may reflect survival-based adaptation rather than strategic choice. Further longitudinal research is needed to distinguish between necessity-driven practices and sustainable competitive strategies.

Implications and Directions for Future Research

This study contributes to the growing literature on MSME supply chains by illustrating that effective SCM can be grounded in relational ethics, localized innovation, and values-driven leadership. For policy-makers and practitioners, this suggests a need to reframe support mechanisms from infrastructure subsidies to capacity-building in stakeholder management and data-informed decision-making.

Future research should explore:

1. The long-term impact of customer-centric SCM on MSME growth trajectories.
2. Comparative studies between digitalized and traditional MSME supply chains in similarly constrained regions.
3. The role of academic-industry collaboration in building SCM resilience among small enterprises.

Conclusions

This study contributes to the expanding discourse on supply chain management (SCM) in micro, small, and medium enterprises (MSMEs) by offering a localized, empirical perspective grounded in the context of Iloilo Province, Philippines. Unlike dominant SCM models that prioritize scale, automation, and digital infrastructure, this research highlights that competitive advantage among MSMEs can emerge from values-driven practices, relational networks, and contextual adaptability. These findings advance current knowledge by reframing SCM as not merely a technical or operational function, but as a socially embedded, strategically oriented system shaped by culture, community, and lived experience.

Scientifically, the study reinforces the utility of social constructionism in understanding how MSMEs interpret and operationalize SCM strategies within their constraints. The themes generated from innovative partnerships to resilience-building through non-exclusivity and manual methods point to the importance of dynamic capabilities, stakeholder engagement, and customer-centricity as vital levers of supply chain excellence in resource-constrained settings.

Practically, the insights offer actionable guidance for policymakers, industry practitioners, and MSME stakeholders. Institutions should prioritize capacity-building that fosters human-centered SCM skills, promote inclusive supplier networks, and incentivize hybrid approaches that balance tradition and innovation. These interventions can strengthen local economies and make MSMEs more resilient to external shocks and disruptions.

Future research should explore longitudinal impacts of localized SCM strategies on business sustainability, examine the role of digital transformation in enhancing traditional practices, and investigate regional policy interventions that enable MSME ecosystem resilience. Comparative studies across similar developing regions would help validate and extend the model proposed in this study.

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