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**Elaboration of the Internationalization Plan for the  
Horchatera Association of Cochapata, Nabón.**

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## DEDICATORY

This thesis is dedicated to:

-My family, who were my support throughout my university career and all my life. To all the special people in my life who accompanied me in this stage, contributing positively in my professional and human formation.

-The Horchatera Association of Cochapata, Nabón, for opening its doors and allowing us to work jointly for the realization of this thesis.

Ana Belén Jiménez

## DEDICATORY

I want to dedicate this thesis to me, as a reminder that I can achieve anything I set out to do.

Sofía Pesántez Abad

## ACKNOWLEDGEMENT

-I want to thank my parents, for encouraging me to follow my dreams and giving me their unconditional support throughout the thesis process.

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## SUMMARY

The present research work aims to diagnose the current situation of the Horchatera Association of Cochapata, Nabón, to later elaborate an internationalization plan based on its critical success factors. As a starting point, an analysis of the most relevant foreign trade theories was carried out, which marked the basis for international trade today. Similarly, the analysis focused on the theory of the internationalization of enterprises and on the structure and importance of MSMEs in the economy. Having these theoretical bases, a diagnosis of the current situation of the Horchatera Association was carried out, using the tools provided by both the University of Azuay and the Ministry of Industries and Productivity (MIPRO) to end with the proposal of an internationalization plan that will take the Horchatera Association one step closer to the border of internationalization.

## ABSTRACT

The present research work aims to diagnose the current situation of the Horchatera Association of Cochapata, Nabón, to later elaborate an internationalization plan based on its critical success factors. As a starting point, an analysis of the most relevant foreign trade theories was carried out, which marked the basis for international trade today. Similarly, the analysis focused on the theory of the internationalization of enterprises and on the structure and importance of MSMEs in the economy. Having these theoretical bases, a diagnosis of the current situation of the Horchatera Association was carried out, using the tools provided by both the University of Azuay and the Ministry of Industries and Productivity (MIPRO) to end with the proposal of an internationalization plan that will take the Horchatera Association one step closer to the border of internationalization.

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## **1. FIRST CHAPTER**

### **Introduction**

The importance of foreign trade dates back to the coexistence of peoples, where products were exchanged between nearby towns, either to satisfy their basic needs or to improve their standard of living. Since then, several theories have been developed on how foreign trade should develop, including the free trade theories that will be explained below. In this first chapter the theories of: the absolute advantage, the comparative advantage, the Heckscher-Ohlin model, Porter's Diamond, UPPSALA Model, Born Global Model; will serve as a theoretical basis for the development of the internationalization plan of the Horchatera Association of Cochapata, Nabon.

### **1.1 Analysis of the Theory of: The Absolute Advantage**

The theory of absolute advantage emerges with Adam Smith in his book "The Wealth of Nations" published in the 17th century. The book basically indicates the benefit of doing trade between countries. More specifically, the theory says that, to gain an advantage over another country in trade, it must produce the good that requires fewer resources per unit than other countries to produce it fairly. Something important that Smith emphasizes is that state intervention during this process should be minimal since the market regulates itself (the invisible hand) (Correa, 2014). This theory can be explained through its two subcategories: the acquired absolute advantage and the natural absolute advantage. The former emphasizes the use of the factors of labor and capital, while the latter focuses more on the land factor. To satisfy the motives of our study, we will focus only on the acquired absolute advantage.

Adam Smith assumes that all goods and services can be compared if only the units of labor factor are taken as a reference. The other factors (capital and land) became economically productive only if the labor factor operated on them. In summary, his theory was based on the fact that the evolution of the real economy is interpreted only in terms of units of labor, but not in monetary units since these were subject to speculative movements.

In this way, it is established that the labour factor allows identifying a differentiation of absolute costs in the production of goods or services. Thanks to this, a country can determine which product or service has an absolute advantage when it identifies the one with lower absolute costs compared to other countries. In this case, the country should specialize in producing the good or service with lower absolute costs within its own territory, and purchase those that are produced with lower absolute costs in other countries. Thus, both countries would benefit through trade in such goods (Cervera, 2016).

This type of specialization will undoubtedly lead to an increase in world production for all the countries involved in international trade. But the following questions arise: What happens if a country does not have an absolute advantage in any product? In this case, would trade between two countries cease? What happens when a country has an absolute advantage in the production of all goods? (Blanco, 2011)

#### Case 1:

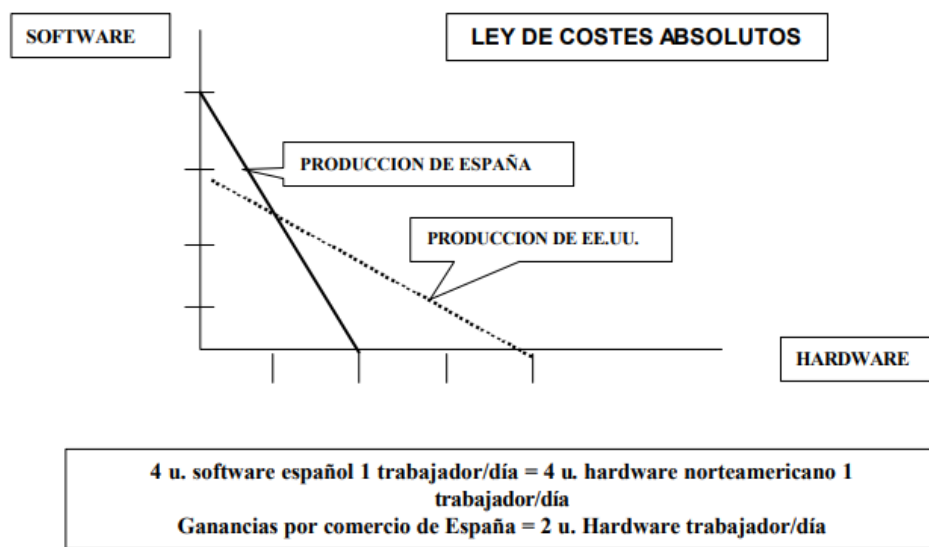
To exemplify the theory, we will take the example of Dr. Rafael Calduch Cervera, Professor of International Relations. In the following table, we can see two countries (Spain and the United States), two products (hardware and software) and the number of work units for each one per day.

***Table 1 Example Absolute advantage***

PRODUCTS	SPAIN	UNITED STATES
HARDWARE	2	4
SOFTWARE	4	3

Prepared by: Jiménez, Pesántez  
Source: (Cervera, 2016)

**Figure 1 Absolute cost law**



Source: (Cervera, 2016)

From this example, it is known that Spain should dedicate itself exclusively to producing software since it manufactures four units of product per productive unit per day and import hardware from the United States since it can obtain four units instead of the two it would have if it dedicated itself to producing hardware. The United States, on the other hand, should dedicate itself exclusively to producing hardware and importing software from Spain. In this way, foreign trade between these two countries is assured, since both obtain the absolute advantage of the products they have (Cervera, 2016).

## 1.2 Analysis of the Theory of: The Comparative Advantage

One of the leaders of this theory is David Ricardo, who promulgated it through his book "Principles of Economic Policy" in the 19th century, where he extended the explanation and scope to Adam Smith's theory of absolute advantage. For him, the benefit of commercialization is noticed when a country that has the absolute advantage in both goods produced, dedicates itself to produce only the good where it has a greater relative advantage. Having a greater relative advantage means producing the good that is more efficient and has a lower opportunity cost than the other (Correa, 2014).

David Ricardo goes one step beyond the theory of absolute advantage by stating that a country can and should specialize in the products or services it produces more efficiently and buy from other countries what it produces less efficiently, even when this means acquiring goods that, in comparison, may have a more efficient production level nationally; that is, even if the country has lower production costs than its economic and trade partners.

The theory is firmly based on the fact that having unlimited free trade leads to an increase in the amount of world production and that, with this, consumers throughout the world can access a greater quantity of products (Educational Technology Research Institute, n.d.). The theory can also be explained in the opposite sense, i.e., assuming that there is a country with an absolute disadvantage in the two goods it produces compared to another country, with a difference in relative costs, a beneficial exchange between the two countries is still a possibility. For this, what the country with the absolute disadvantage should focus on is specializing in the good that has a comparative advantage, or a lower absolute disadvantage (Blanco, 2011).

The following assumptions are made for the theory of comparative advantage:

- There are only two countries in the world.
- The labor factor is the only factor of production.
- Costs are clearly dependent on labor.
- There are no barriers between the trade of two nations.
- Transport costs are zero.

What is most remarkable about Ricardo's work is his contribution to a large extent to the industrial revolution as such and more than anything else to Britain becoming a major producer of manufactured goods. He was able to determine that it was beneficial for British production to concentrate on industrial products, as it was here that he found his comparative advantage and thus only marketed agricultural products to countries that were economically more backward, among other factors.



Although both absolute and comparative theory were based on unrealistic assumptions, it is clear that they laid the basis for the "new international trade theories" that will be explained below (Correa, 2014).

### **1.3 Heckscher-Ohlin Model Analysis**

Also known as the pure theory of international trade or the theory of factorial proportions, Heckscher and Ohlin's model emerged in the 19th century as part of the neoclassical school. What the two economists propose and modify from the absolute cost and comparative advantage theories is that differences in production factors in turn generate differences in the productivity of countries. In other words, despite the fact that there are specific factors that occur in some countries more than in others, the important thing is to consider the availability of different factors of production such as land, capital, labor, which is needed for the production of goods and services, but not the costs of production of these.

For them, the different factors of production present in an economy are what cause differences in productivity. Unlike the theories mentioned above, the authors measure the value of a good by its utility rather than by the factor of labour (Correa, 2014). In other words, what the model knows, and what the two previous theories did not include, is that cost differences are not only influenced by consumption trends in each country. In the hypothetical case that trade did not exist, each country would consume the goods it produces nationally because it has the best and only conditions in the factors of production. With the implementation of foreign trade, the country directs part of its demand to imported goods and services, and releases its goods for export (Cervera, 2016).

In Heckscher's words, "the prerequisites for the initiation of international trade can be summarized as follows: different relative scarcity, i.e. different relative prices of factors of production in the trading countries, and different proportions of factors of production for different goods" (1950, page 278).

For the model to work, the following conditions must be met:

- More than two countries
- More than two production factors
- More than two products
- There is perfect competition in factor and product markets
- The different factor intensity of goods does not change from one country to another
- The total amount of production factors is fixed for each country

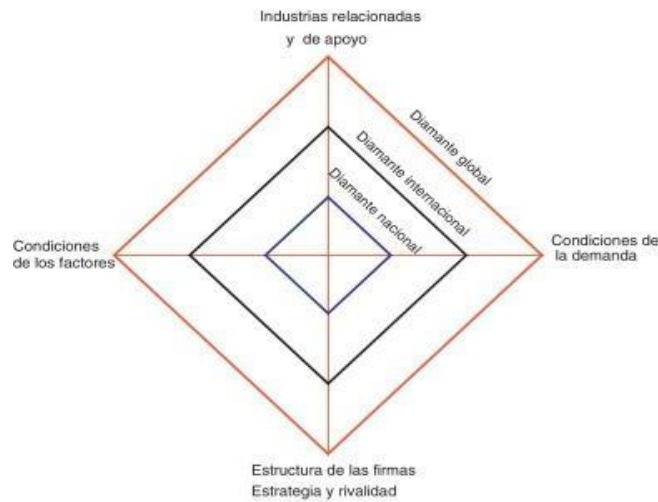
In summary, the theorem clearly states that a country exports the good that uses the available factor of production abundantly, and imports the good that uses the available factor of production sparingly (Blanco, 2011).

To exemplify, if we are talking about natural resources, the theorem tells us that countries should export the natural resources available in their territory and import those that are lacking. The clearest case of this is with oil. On the other hand, if we talk about capital, all countries that have enough capital must export goods that need an abundance of this factor, while the other countries that do not have capital but do have labor, must export goods that are labor intensive. It is important to bear in mind that any technological innovation can lead to a change in the relationship between the factors of production, especially if it involves capital and labor (Cervera, 2016).

#### **1.4 Porter's Diamond Analysis**

Michael Porter, an American economist, published his book "The Competitive Advantage of Nations", whose main objective was to establish the reasons why some nations fail and others succeed in international competition. He suggests that there are specific reasons why each country, region, locality, sector of the economy or company is more competitive than others. Within this research, Porter proposes four attributes that directly influence the competitiveness of a country or sector; the set and interaction of these attributes is known as the Porter Diamond.

### *Illustration 2 Porter's Diamond*



Source: (Gonzales, Vines, Ruiz, Sosa, 2014)

- Factor endowment refers to the environment in which the productive factors of companies intervene, such as their resources, human talent and infrastructure; and the way in which they are used. Porter states that the factors that represent a competitive advantage for a company are those that are created by the company itself; therefore, innovation is directly linked to productivity.

The use of this factor can be exemplified by the case of the flower industry in the Netherlands. This country is considered a prestigious producer of tulips, despite not having the most suitable climate for their cultivation has known how to effectively use their production factors, being their production results better than other countries.

- The conditions of demand, refers to the characteristics or nature that has demand, ie, know your customers, know their level of demand, what they expect, the information they have and in general what is your perspective on the product or service that is being offered to meet that demand. The challenge for companies in the area is to innovate, to seek new marketing opportunities that result in a balance between supply and demand in a given environment.

- Strategy, structure and rivalry of the companies, commercially speaking the presence of other companies that seek the same, generates a constant stimulating effect to improve different aspects of the product or service, of their market strategies and internal structure; creating competitive advantages derived from a process of continuous improvement. A clear example is the technological evolution in the field of cell phones. In the last decades, cell phone manufacturers have been characterized by constant competition for the vanguard in new models, functions and innovations; this constant stimulus has contributed to the speed of technological advances.
- The related industries and support industries, refer to all the companies that contribute to the production process or commercialization of the good or service in question. As suppliers that guarantee an efficient supply in the value chain, transport companies, related companies, etc. Porter also delves into the term "clusters", a word taken from the English language that he defines as: "geographic concentrations of interconnected companies and institutions acting in a certain field". It is a system of mutual reinforcement between companies and an important element for competitiveness.

Although Porter's Diamond offers a guide for competitiveness and analysis of companies, it must be recognized that each company has its own reality and the same model cannot be adapted to all of them.

### **1.5 Analysis of the Theories of Internationalization:**

Foreign markets have been a reason for attracting national producers around the world, either by a better acceptance of the product or service offered, by competitive prices and even by emotional affinities. However, how to reach these markets has been a question mark for many. That is why there are several models of internationalization, which are different ways to enter foreign markets, taking advantage of the strengths and opportunities of each business.

Next, two models of internationalization, opposed by nature, will be developed. The "Uppsala" model and the "Born Global" model.

### **1.5.1 Analysis of the Uppsala Model**

The Uppsala model is named after the Swedish university where it was developed. It is established that the company will gradually increase its resources committed in a specific country as it gains experience from the activities carried out in that market (Jan Johanson, Finn Wiedersheim-Paul, 1975). It is assumed as a basic hypothesis of this model that the lack of knowledge about foreign markets is a major obstacle to the development of international operations and, therefore, as such knowledge increases, activities in the foreign market will increase (José Pla Barber, Sonia María Suárez Ortega, 2001).

This development of activity abroad would take place over a series of four successive stages, which would represent an increasing degree of involvement by the company in its international operations.

These four stages are called the chain of establishment:

1. Sporadic or non-regular export activities
2. Exports through independent representatives.
3. Establishment of a commercial branch in the foreign country
4. Establishment of productive units in the foreign country.

(Rialp, 1999).

As can be seen, companies begin their internationalization with activities that have reduced risk and each stage corresponds to a greater degree of international involvement of the company in the given market, both in terms of resources committed and the experience and information that the company has about the foreign market (Jan Johanson, Finn Wiedersheim-Paul, 1975). Similarly, it contemplates a progressive international

commitment on the part of the company and a gradual expansion process directed by the interaction with the market.

With regard to the selection of the foreign market with which to relate, the authors introduced the concept of "psychological distance" according to which, the foreign entry would tend to occur through the market or country psychologically closest to the country of origin. According to the model, companies should start their operations abroad in nearby countries with cultural affinity. Subsequently, companies will begin to have operations with countries that are increasingly distant and different in terms of culture and geography (Jan Johanson, Finn Wiedersheim-Paul, 1975). Once international experience is gained, the company will base its decisions on factors such as market size and affinity, economic conditions, trade logistics, etc.

The authors consider that not all companies have to go through all the stages, since in the case of large companies, with abundant resources and stability, some of the previously mentioned phases can be omitted.

In order to illustrate the psychological distance more precisely, we will briefly discuss the model proposed by sociologist Greet Hofstede, who recognized that living in a world of different cultures and having effective intercultural communication has a direct and positive impact on the relationships that are carried out and on the power of adaptation to each culture. The degree of effectiveness that each person achieves has to do with their degree of understanding and acceptance of another culture different from their own, and recognizing their own cultural traits that may be interesting to others. That is why Hofstede's model provides us with information through six dimensions where we can acquire a concrete idea of how each culture is and how they differ from ours (Moreno Martínez & Buenrostro Aguilar, 2017).

1. Distance from power: is the extent to which less powerful members of organizations and institutions (e.g. family) expect and accept that power is distributed unequally. It represents inequality, but is defined from below, which means that both followers

and leaders support it. Power and inequality are facts found in any society, but some are more unequal than others.

2. Avoiding uncertainty: This is a society's tolerance for ambiguity. It indicates the extent to which a culture schedules its members to feel uncomfortable or comfortable in unstructured situations. Unstructured situations are unfamiliar, novel and different from the norm. Any culture that avoids uncertainty tries to minimize the possibility of unstructured situations through strict codes of behavior, laws and rules, disapproval of deviant opinions and a
3. Individualism vs. collectivism: is the degree to which people in a society are integrated into groups. With individualism, we find cultures where the ties between individuals are loose: everyone is expected to take care of themselves and their immediate family. On the other hand, with collectivism we find cultures where people from birth are integrated into strong and cohesive groups, often being extended families (with uncles, aunts and grandparents) who continue to protect them in exchange for unquestioned loyalty.
4. Masculinity vs. femininity: refers to the distribution of values between the genders. The assertive and competitive pole has been called 'masculine' and the modest and affectionate pole 'feminine'. Women in female countries have the same modest and affectionate values as men; in male countries they are somewhat assertive and competitive, but not as much as men, so these countries show a gap between men's values and women's values. In male cultures there is often a taboo around this dimension
5. Long-term orientation vs. short-term orientation: the pole of a long-term orientation corresponds to values such as perseverance, thrift, ordering relationships by state, and having a sense of shame. The values found in a short-term orientation, on the other hand, were reciprocal social obligations, respect for tradition, protection of the "face" and personal stability and security.
6. Indulgence vs. restraint: Indulgence is found in a society that allows relatively free gratification of basic human and natural desires related to enjoying life and having fun. The opposite (restraint) represents a society that controls the satisfaction of needs and is regulated by strict social norms.

(Hofstede, 2011).

#### Case: Only Evas S.A.S.

It is a Colombian company dedicated to the manufacture and marketing of footwear for women. It was born in 1986 under the name of Alpha Shoes as a shoe production workshop, and in 2006 it was bought by a group of investment partners and adopted the name Solo Evas S.A.S. As for its internationalization process, Ecuador became the first country the company entered through a partnership of seven entrepreneurs called Col Seven, with which it marketed its products through *Proexport Colombia*. Its ties with Ecuador have been extended to such an extent that Solo Evas S.A.S established an office in Quito with the collaboration of the group of investors. After Ecuador, the company opted for countries geographically distant from the Hispanic cultural zone, as is the case of France and Belgium, markets to which it entered in 2011 as a result of the commercial relations it managed to establish at international fairs. In addition to this, the company sent some products to the United States in the same year, which won sporadic customers in this country (PROCOLOMBIA , 2015).

Only *Evas S.A.A.* using the Uppsala gradual process, obtained knowledge of international markets starting from a market psychologically close. This allowed it to internationalize with minimal risk, and to obtain more information which enabled it to expand into other markets as the company increased its ability to take risks.

#### **1.5.2 Analysis of the "Born Global" Model**

It is possible to define "born global" companies as those that, since their insertion, have sought to have a significant competitive advantage in the use of their resources and the sale of their products in multiple countries" (Patricia McDougall, Scott Shane, Benjamin M.Oviatt, 1994). Most definitions focus on two elements to distinguish a "born global" company from a traditional one. The first one refers to the percentage of production sold abroad, and the second one to the period between the establishment of the company and the



beginning of the export activity; these are companies that manage a high level of risk, due to their lack of experience in foreign markets.

As for their characteristics, it is common to find that the "global terminals" have a limited resource base, such as: financial, human, property, plant, equipment, among others (Knight, 2004). Similarly, being small and resource-poor companies, they have limited production capacity, little variety of products, and generally depend on a single product. They must therefore choose markets with homogeneous customers, focus on small market children and make minimal marketing adaptations.

In terms of their organizational structure, they are usually simple, flexible and well oriented; which can be both an advantage and a limitation for the company. A simple structure is beneficial in cases where a small volume of operations is handled, however, if the firm experiences rapid expansion its organizational structure may not be able to support the growth in volume of operations (Øystein Moen, Per Servais, 2002).

Oviatt McDougall and Shane point to four elements necessary for born global companies to sustain and grow:

1. Having the ability to internalize some transaction.
2. The use of hybrid or alternative structures such as: licenses, franchises and network structures.
3. Knowing how to identify opportunities and advantages in the foreign market.
4. Taking advantage of the company's internal resources.

It is undeniable that factors of the globalization of the economy, such as the use of information technologies, technological developments in the areas of production and logistics, and the reduction of transportation costs have favored the creation of "born global companies". Similarly, it is evident how it has contributed to the process of entering international markets, by facilitating the creation of commercial and personal networks, as well as strategic alliances between companies.

**Table 2 Uppsala Model Comparison - Born Global**

Atributos	Empresas que siguen el modelo tradicional	Empresas Born Global
Motivación para internacionalizarse	<ul style="list-style-type: none"> <li>• Reactiva</li> <li>• Condiciones adversas en el mercado doméstico</li> <li>• Pedidos esporádicos de clientes</li> <li>• Administración poco interesada</li> <li>• Los costos de los procesos de producción incentivan a la exportación</li> </ul>	<ul style="list-style-type: none"> <li>• Proactiva</li> <li>• Nicho del mercado global</li> <li>• Administración comprometida</li> <li>• Internacional desde la creación</li> <li>• Buscadores activos de nuevos mercados</li> </ul>
Objetivos Internacionales	<ul style="list-style-type: none"> <li>• Supervivencia y Crecimiento</li> <li>• Incremento en el volumen de ventas</li> <li>• Ganar mayor mercado</li> <li>• Expandir el ciclo de vida del producto</li> <li>• Nacer de nuevo de manera global</li> <li>• Aprovechar economías de escala</li> </ul>	<ul style="list-style-type: none"> <li>• Explotar ventajas competitivas (conocimiento)</li> <li>• Amarrar clientes</li> <li>• Rápida penetración en los nichos o segmentos globales</li> <li>• Aprovechar la ventaja de ser el primero de el nuevo mercado</li> </ul>
Patrón de Expansión Internacional	<ul style="list-style-type: none"> <li>• Incrementar</li> <li>• Primero la expansión Doméstica</li> <li>• Enfocado a mercados culturalmente cercanos</li> <li>• Mercados meta menos sofisticados o de uso de baja tecnología</li> <li>• Casi no hay evidencia del uso de redes</li> </ul>	<ul style="list-style-type: none"> <li>• Concurrente</li> <li>• Expansión simultánea del mercado doméstico y el internacional</li> <li>• Enfocado en los mercados "lead"</li> <li>• Hay evidencia de ser seguidores "followership" de clientes</li> <li>• Fuerte evidencia en el uso de redes</li> </ul>
Ritmo del Paso	<ul style="list-style-type: none"> <li>• Gradual</li> <li>• Lenta internacionalización</li> <li>• Un mercado a la vez</li> <li>• Adaptación de los productos ofrecidos</li> </ul>	<ul style="list-style-type: none"> <li>• Rápido</li> <li>• Internacionalización acelerada</li> <li>• Exportar a un gran número de mercado a la vez</li> <li>• Desarrollo de un nuevo producto global con pocas o sin modificaciones</li> </ul>
Método de Distribución / Modos de Entrada	<ul style="list-style-type: none"> <li>• Convencional</li> <li>• Uso de agentes / distribuidores o mayoristas</li> <li>• Directo a los clientes</li> <li>• Creación de filiales</li> <li>• Creación de Centros de Producción</li> </ul>	<ul style="list-style-type: none"> <li>• Flexible</li> <li>• Uso de Agentes o Distribuidores,</li> <li>• Venta Directa a los Clientes, uso de licencias, joint ventures y producción en el extranjero</li> </ul>
Estrategia Internacional	<ul style="list-style-type: none"> <li>• Ad-hoc y oportunista</li> <li>• Evidencia de una conducta reactiva y continua de exportar oportunidades</li> <li>• Expansión atómica buscando nuevos clientes y nuevos mercados</li> </ul>	<ul style="list-style-type: none"> <li>• Estructurada</li> <li>• Evidencia de un modelo planeado de expansión internacional</li> <li>• Expansión internacional de redes</li> </ul>

Source: (Greta Leiva, Fidel León, 2008)

Today, it is common to hear the terms innovation and success together, especially in the business world. Although innovation is part of all human processes, in recent decades it has gained some importance due to the saturation of businesses, companies and even ideas. People realized that if they did not have a differentiating factor in what they were offering, if they did not do things in a new and more efficient way, they would not succeed.

Another factor that is currently considered indispensable to success is internationalization, which can occur in various ways such as selling products outside national borders, buying supplies from abroad, investing in new markets, etc. There are positions that state that innovation and internationalization go hand in hand, or as Ascensión Barajas calls it "an indissoluble and strategic binomial".

Barajas explains that five intangible factors can be identified to explain the link between innovation and internationalization, taking into account that there are more specific aspects for each company:

1. The company's historical trajectory.
2. The dominant culture from the outset.
3. Access to sources of knowledge.
4. Technological specialization.
5. The articulation of commercial networks (Íñigo, 2006).

With regard to history and culture, Barajas explains that the first stages of a company's history determine its interest in innovation and its international vision of business; whether through the absorption of foreign technology incorporated into imported products or through constant monitoring of the technological and market environment. He uses a biscuit manufacturing company "Gullón", to exemplify this. This company has been adapting to changes in the market, successfully mixing tradition with modernity, creating whole meal biscuits, replacing animal fat with vegetable fat, eliminating added sugar in its formula, etc. From the beginning, this company showed interest in innovation and internationalization, and sought to adopt its traditional recipe to the new demands of globalized markets (Íñigo, 2006).

With regard to sources of knowledge, Barajas states that an innovative company is one that is constantly monitoring its competitors, customers and suppliers; it monitors its environment from an international perspective. He also explains this by giving the example of the Spanish paper company "Ence", which participates with foreign research centres and

universities in research projects, arguing that the important thing is to focus on the process of technology transfer, so that knowledge becomes the required industrial solution (Íñigo, 2006).

Technological specialization is not always a reality for all companies, even if there is an initiative to do so; the main limitation is the lack of financial resources. However, if a company wants to be innovative it can specialise in a process or a technology. Its innovative strength will depend on its excellence in what it dominates, its international competitiveness, and its ability to market that specialization in a given market niche (Íñigo, 2006).

The importance of international commercial networks is based on their multifunctionality, since they allow them to sell the product and image, and at the same time to be channels through which the company accesses the knowledge generated by the market. The more developed a company's commercial presence is, the more likely it is to find new business opportunities and to innovate (Íñigo, 2006).

Once this position has been explained, we can conclude that innovation is fed by knowledge and that this knowledge moves in a global market.

### **1.6 Analysis of the Internationalisation of MSMEs**

Small and medium-sized enterprises (SMEs) according to the Organic Code of production, trade and investment for the year 2011 are classified as follows:

***Table 3 Classification of MSMEs***

Clasification	Workers	Annual sales
Microenterprise	1 to 9	\$100.000 or less
Small enterprise	10 to 49	\$100.001 to \$1.000.000

Medium enterprise	50 to 199	\$1.000.001 to \$5.000.000
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Prepared by: Jiménez, Pesántez

Source: (Andean Community of Nations, 2017)

Any SME or MSMEs with a considerable level of production, good processing practices, and a product with differentiation can be considered as a company with internationalization potential (H. Jácome; K. King, 2013).

Internationalization is a long-term process, with key stages in a detailed plan. It is the result of the adoption of a series of strategies in which both the resources and capacities of the company and the opportunities and threats of the environment are considered (José Galán, Jesús Galande, Javier González, 2000). To achieve this, it is necessary to have a well-defined strategy in the local market and to understand that international markets contribute other variables to the possibility of success of the product or service: cultural issues, health requirements, environmental requirements, technical standards and regulations on products (Escuela de Estrategia Empresarial, 2014).

As regards the internationalization of MSMEs, the principles are the same. They must consider whether the products to be internationalized will be sufficiently competitive in the new market, whether production is sufficient to meet a new demand, and whether there is sufficient information on the new market and its requirements.

María Pilar Pardina, in her book "Internationalization of SMEs", suggests three fundamental factors to guarantee competitiveness.

1. Price, the companies that can offer lower prices are those with high rotation products, and therefore low manufacturing costs.
2. Differentiation, giving an added value to what is being offered, whether it is presentation, quality, design, etc.
3. Specialization, oriented to the products of high range and low rotation, in markets with little competition.

(Carrasco, 2015)

Depending on the sector of the company in question, one should analyze which factor(s) could contribute to successful internationalization. If, on the other hand, none of these factors is possible for the company, it is likely that it will fail in its internationalization attempt.

Once the above concepts have been analyzed, it is advisable to carry out an analysis of the company, which can be done through a SWOT analysis that will help to distinguish: strengths, opportunities, weaknesses and threats. Strengths are those characteristics and attributes that differentiate the company from its competitors, as well as opportunities, which refer to the ways and means by which the company can grow or evolve. On the contrary, weaknesses are characteristics of the company's structure, which represent a limitation to its growth, and threats are external factors that affect it.

With regard to the actors external to the company, their importance in the internationalization process is indisputable, so it is necessary to analyze whether they represent a threat or an opportunity. Pardina summarizes four determining actors: customs department, transporters, insurance companies and financial entities.

MSMEs in Ecuador face several challenges when internationalizing, such as: production costs, the obligation to have certifications, production volumes, the lack of financing to increase production capacity, price competition, among others. The importance of helping MSMEs to face these realities is indisputable, especially because of the impact they have on the national economy (Maldonado, 2017).

SMEs are currently considered the most productive sector in a country's economy. This is reflected in the Gross Domestic Product (GDP) with a share of more than 25%; and, in turn, is a generator of employment as it product pouches 70% of the country's Economically Active Population (EAP). In Ecuador, 39% of jobs are generated by microenterprises, while 17% are in small and 14% in medium enterprises (H. Jácome; K. King, 2013).

## **Conclusion**

All the theories explained above have set the guidelines and established the basis for the way in which foreign trade is currently carried out. Internationalization is not only attractive for large companies but also for MSMEs, for whom some time ago it was unthinkable to be able to enter international markets. However, today, due to the more simplified processes, they can take advantage of the opportunities offered by foreign markets. That is why we will seek to cooperate with the Horchatera Association of Cochapata, Nabon, with whom we will work during this project, so that it approaches the frontier of internationalization. The models and theories analyzed in this chapter gave us a clear idea of how to lead them towards it, taking into account their current capacities and aptitudes.

## **2. SECOND CHAPTER**

### **Introduction**

Next, a detailed analysis of the Asociación Horchatera de Cochapata Nabón will be carried out, for which it will be necessary: an update of the diagnosis of the real situation of the company carried out in the previous phase of this thesis: "Diagnosis of the exportable offer of the cantons Nabón, Oña of the province of Azuay", an analysis of the productive process, two diagnostics made by the ministry of industries and productivity, the first being "My first certification" and the second the workshop "CANVAS model", a SWOT analysis, an update of the EXPORT AUDIT qualification and the determination of the critical success factors. The purpose of this chapter is to develop the first model of management plan, with which we will work with the Association and analyze and propose its future management in the last chapter.

### **2.1 Diagnosis of the situation of the Association**

On September 7, 2019, we had the first meeting with the board of directors of the Horchatera Association of Cochapata, Nabón. In this first meeting were present the president Blanca Jaya and the secretary Dorita Sanmartín, who shared with us the history of the Association since its beginning until the present time.

The Association was formed through an observation tour to Loja, organized by the municipality of Nabón and the project of the NGO (non-governmental organization) COSUDE, Cesa Poder; which was attended by representatives of several families of Cochapata. In this trip they were informed about the horchata, and consequently they realized that the varieties of plants that are needed for this drink could be given in Cochapata, due to the climate and the quality of the soil. These families took the proposal to form an association for the production and sale of horchata, which was well accepted in the community so in 2004 was formed with forty-six families, working in 2 sectors: Cochapata center and sector Ñamarin.



The first product pouches that they elaborated were realized in March, 2004, with the help of the municipality, who sent a technician to help in the topic of the dehydration of the plants. In October of the same year they sold their first lot of 53 product pouches. As for their next customers, their first wholesale buyer was "Cooperativa", who bought 1000 to 1500 bags every two months, and payment was made 19 days after the product was delivered. The management told us that at that time the business was working well for all the members. However, after the bankruptcy of Coopera and other events explained below, the Association did not have the desired stability.

The problems for the Association started because of the amount of expenses that had to be made as in the obtaining of registers and permissions in order to comply with the different regulations for the elaboration and commercialization of horchata; it is necessary to emphasize that all these expenses were assumed by the members. In spite of this, the Association continued growing, so they started to need more space and machinery, especially for the drying of the plants, which at that time was done with lamps from the chicken farms. They decided to invest in a gas drying chamber and also in the construction of a collection Centre for the Horchatera Association.

They told us that they had some offers of land donations from Cochapata residents, however, they could not accept them, since by regulations the Ministry of Health the place for the collection center had to have sewage. The partners decided to buy a piece of land with individual contributions. After this decision and because of all the new expenses that were generated, they obtained more expenses than income, which caused disappointment in carrying out the project and considerably reduced the number of partners. At the beginning of the project there were forty-six partners and when they obtained the deed to the land there were only eleven left, which remain to this day.

Once the deed to the land was granted, construction began. The Municipality, the Parish Council, the Provincial Government of Azuay and the Good Living Project, managed by the MAGAB, current MAG, provided support. With MAG, they reached an agreement in which the partners had to contribute 40% of each contribution made by them. The

Decentralized Autonomous Government of Nabon supported them with the machinery used in the construction and the parish council with the provincial council helped with the labor. About a year ago, construction was completed and production was moved to the new collection center. Since then, they tell us about the comfort and remarkable production improvement, they have managed to double the production of horchata product pouches even with less staff; they attribute it to the space and organization they have now.

***Figure 3 Collection Centre of the Horchatera Association of Cochapata, Nabon***



Taken by: Jiménez, Pesántez  
Source: Horchatera Association of Cochapata, Nabon

Similarly, the new collection center has helped them to have all the operating and health permits in order, since the ARCSA (National Agency for Regulation, Control and Health Surveillance), reviewed and approved the facilities this year. They found that they have the infrastructure and adequacy indicated for the production of horchata, as well as their manufacturing practices.

***Figure 4 Raw material washing area***



Taken by: Jiménez, Pesántez  
Source: Horchatera Association of Cochapata, Nabon

***Figure 5 Administrative office of the collection centre***



Taken by: Jiménez, Pesántez  
Source: Horchatera Association of Cochapata, Nabon

***Figure 6 Dressing rooms in the collection centre***



Taken by: Jiménez, Pesántez  
Source: Horchatera Association of Cochapata, Nabon

***Figure 7 Production area and its safety regulations***



Taken by: Jiménez, Pesántez

Source: Horchatera Association of Cochapata, Nabon

***Figure 8 Storage of horchata***



Taken by: Jiménez, Pesántez

Source: Horchatera Association of Cochapata, Nabon

Regarding the sales of the Horchatera Association, they told us that in the last months they have had a considerable setback due to a bad decision that consisted in stopping delivering horchata to old and small customers in order to supply a new company "The Competitor". This company became one of their best buyers, however, went bankrupt. When they wanted to recover their old clients from Nabon and Cuenca they could not do it because they claimed that they already had new suppliers of horchata. The sales of the last six months are around 1000 cases per month. Each product pouch sells for 0.40 cents.

**Figure 9 Final product**



Taken by: Jiménez, Pesántez

Source: Horchatera Association of Cochapata, Nabón

Its main buyers are currently:

- Gran Sol 300 product pouches every 2 months.
- Shop in Nabon 200/300 product pouches every 2 months.
- Small shops 10/15 product pouches per month.

With respect to their administrative structure, they have a board of directors made up of a president, administrator and secretary. There is also an oversight committee made up of three main members and three alternate members, a general council and a supervisory council. The Association has a common account, and it is the administrator who manages income and expenses. The members consider that they are stable in this aspect and have confidence in how the money is currently being managed.

As for the suppliers of the different varieties of plants, they are divided into 2. The eleven members who also grow independently and sell to the Association and the so-called "supplier members", who are 29 inhabitants of Cochapata, who likewise grow the different varieties of plants and sell them to the Association. The cost is 30 cents per pound, regardless of the variety.

We asked them if it was possible to expand their suppliers, to which they answered yes, since they have received several offers, but they have had to deny them because of the lack

of sales of the final product. As for the quality of their suppliers, they told us that they are governed by the fact that their product has to be totally organic, so they prefer to buy from people they know, and who know their way of growing. To regulate this, there are periodic visits to the orchards by technicians from the municipality to verify that the product is being grown cleanly. So, in order to add new suppliers they will have to be evaluated by the technicians of the municipality. The directive states that they could produce much more, but that they need to increase sales.

Once the first analysis has been completed, we ask them in what areas they need help, so that we can start to draw up the plan that can consequently lead to internationalization. They told us about several aspects that they consider should be improved, from different parts of the company, which will be detailed below:

**Vision and proposal of improvement by the Horchatera Association of Cochapata,  
Nabón.**

- To extend the expiration date of the horchata for 1 year. (At the moment they have for 6 months) They argue that there are horchata in the market that have expiration dates of 1 and up to 2 years, besides having already verified that their product lasts 1 year.
- Increase 2 or 3 varieties of plants. Currently they have 9 types and they want to increase the Escancel that helps the color of the drink and the other two to improve the flavor.
- Improve the accounting system.
- Optimize the production and inventory model, in order to know their production capacity and use it when negotiating.
- Brand image (product pouch) they agree because they must change the product pouches due to the sanitary certification, and they also want to emphasize that their product is organic and increase certifications.
- Work on marketing, since they consider that their current weakness is marketing.
- Get organic and international certifications, as they believe it will help them as a competitive advantage.

***Figure 10 First meeting with the board of directors of the Horchatera Association***



Taken by: Jiménez, Pesántez

Source: Horchatera Association of Cochapata, Nabon

### **2.1.1 Production process:**

#### **2.1.1.1 Purchase and Weighing of Raw Material**

In brief, the production process begins with the purchase of 10 types of plants that are characteristic of the area: atacus, cedron, rose essence, lemon balm, mint, lemon verbena, aniseed, chamomile, orange leaf and roses. The sowing and harvesting of these plants is done by the supplier members of the Horchatera Association. The Association currently has its own factory with the necessary modern machinery and facilities to carry out the entire production process and it is the members who are responsible for carrying out the entire production and marketing process.



***Figure 11 Raw material reception***



Taken by: Jiménez, Pesántez

Source: Horchatera Association of Cochapata, Nabon

The horchatera manages its plant purchase record through a notebook that is divided into sections for all current suppliers. Every month, the suppliers arrive with bags of the different varieties of plants to sell to the Association, which, after weighing each plant, writes down in the notebook the exact amount, in weight, of each variety of plant received and beside the total cost. Regardless of the type of plant, each pound costs 30 cents. The payment to the suppliers is made every 3 months.

***Figure 12 Raw material weighing***



Taken by: Jiménez, Pesántez

Source: Horchatera Association of Cochapata, Nabon



**Figure 13 Raw material purchase record**



Taken by: Jiménez, Pesántez

Source: Horchatera Association of Cochapata, Nabon

### 2.1.1.2 Washing and Earthing Process

After buying the plants, the members of the horchatera who are at the Association that day, divide up to separate each type of plant they have, reweigh it, cut it in the case of certain plants such as lemon verbena, and wash it.

**Figure 14 Washing of plants**



Taken by: Jiménez, Pesántez

Source: Horchatera Association of Cochapata, Nabon

The lemon verbena is the most complicated plant to prepare because first the plant must be separated from the stem and then the stem must be cut into smaller pieces in order to

accelerate the drying process of the plant when it is put into the drying chamber. As a reference, it is known that with a quantity of 13 pounds, and between two people, separating the plant from its stem takes about 20 minutes and dividing the stem about 1 hour.

***Figure 15 Lemon verbena weighing***



Taken by: Jiménez, Pesántez  
Source: Horchatera Association of Cochapata, Nabon

***Figure 16 Stem separation of lemon verbena***



Taken by: Jiménez, Pesántez  
Source: Horchatera Association of Cochapata, Nabon

**Figure 17 Manual cutter**



Taken by: Jiménez, Pesántez

Source: Horchatera Association of Cochapata, Nabon

Once the plants are washed, they are left to dry during the night. This step is important in the production process because, if the plants are not left to air, when they are put in the drying chamber, it takes longer for them to dry and dehydrate.

**Figure 18 Plant decoration**



Taken by: Jiménez, Pesántez

Source: Horchatera Association of Cochapata, Nabon

### 2.1.1.3 Plant Drying Process

The next step is done the next day, and is to put the plants in the drying chamber, which has a capacity of 300lbs of fresh. The partners place all of the air-dried plants on separate trays

which are then entered into the drying chamber. They have two drying chambers, but currently only one is used as the second one is damaged. The drying chamber used has a total capacity of 96 trays, however, it is only used for 93. This is because they independently inserted a turbine into the drying chamber to accelerate the drying process of the plants. The partners also try not to put too much plant in the trays as the trays dry faster the less plant there is. It is not known exactly how long it takes to dry each type of plant, but it is estimated that about 8 hours, except for the cedron which takes 4. Given the experience that the partners have, it is already known which type of plant dries more slowly than another, and this plant is placed further down in the drying chamber as this is where the most heat is concentrated due to the turbine.

***Figure 19 Placing plants on plates***



Taken by: Jiménez, Pesántez  
Source: Horchatera Association of Cochapata, Nabon

***Figure 20 Placing plants in a drying chamber***



Taken by: Jiménez, Pesántez  
Source: Horchatera Association of Cochapata, Nabon



***Figure 21 Drying chamber and turbine***



Taken by: Jiménez, Pesántez

Source: Horchatera Association of Cochapata, Nabon

Once the calculated time has passed, the drying chamber is opened and the plant is checked to see if it is dry and dehydrated enough. For this, one of the partners applies pressure on one of the plants with his hand, if it breaks easily, it is ready. Once dried, the different varieties of plants are inserted into sacks where they can remain for up to 3 months. It should be noted that at no time during the process, up to this point are the types of plants mixed, they remain divided in order to identify them more easily.

***Figure 22 Storage of dry plants***



Taken by: Jiménez, Pesántez

Source: Horchatera Association of Cochapata, Nabon

#### 2.1.1.4 Final Product Elaboration Process

When the time comes to mix the plants and make the horchata, they pour a certain weight of each plant on a big table and mix all the plants by hand for about 5 minutes. The amount poured from each plant is as follows:

***Table 4 Varieties of plants that compose the horchata with their respective amounts***

Plant:	Weight:
Ataco	11 lb
Cedron	6 lb
Essence of roses	6 lb
Lemon Balm	6 lb
Mint	3 lb
Lemon verbena	3lb
Aniseed	3 lb
Chamomile	3 lb
Orange leaf	1 lb
Roses	1 lb

Prepared by: Jiménez, Pesántez

Source: Horchatera Association of Cochapata, Nabon

***Figure 23 Mixing of all plant varieties***



Taken by: Jiménez, Pesántez

Source: Horchatera Association of Cochapata, Nabon

#### 2.1.1.5 Packaging Process

Once the partners feel that the ingredients are well mixed, the last step is packaging. This, as well as the weighing and washing process, is done among all the members present at that time within the Association. The mixture of plants is inserted into Codipac product pouches, which get around 110,000 to 3 centss. each year. Then we proceed to weigh each case individually. The weight of each product pouch has to be exactly 36g as this is the weight presented in the product pouch design. Finally, each case is sealed and stored in larger cases to be transported and sold to the customers of the Horchatera Association.

**Figure 24 Final product packaging process**



Taken by: Jiménez, Pesántez

Source: Horchatera Association of Cochapata, Nabon

### **2.1.2 Diagnosis by the Ministry of Industries and Productivity - MY FIRST CERTIFICATION**

The INEN (Ecuadorian Service of Normalization), together with the Ministry of Industries and Productivity and the University of Azuay promote the program called "Route to Quality" and start the process to obtain "My First INEN Certification". The purpose of this program is to promote and strengthen MSMEs and Organizations of Popular and Solidarity Economy, based on basic quality management systems. We consider that the participation of the Horchatera Association in this project will generate several advantages for it in topics such as: improvement of the competitiveness, productivity and internationalization.

The importance of obtaining certifications nowadays is undeniable, even more so for food products, since quality certifications provide confidence to the customers, that the product in question was elaborated under the correct quality standards. Likewise, it improves the



position in the market, since a certified product has added value; which consequently will allow you to access new national and international markets.

Obtaining certification consists of five steps:

1. Delivery of the application with the corresponding documents and requirements.
2. Analysis of documents to verify the viability of the certification, by INEN.
3. On-site evaluation, technicians visit the company.
4. Favorable report.
5. Obtaining the certification

In our case, the first direct contact we had was with David Estrella, an official from the Ministry of Industries and Productivity. We attended a meeting together with Dorita Salazar, secretary of the Association to make a diagnosis of the current situation of the horchatera. The form of the same one is in the Annex 1. According to the parameters of the ministry, the following scores are obtained for the Horchatera Association:

- The state of development of the enterprise has a percentage of 61% is in the level of Commercialization / Entrepreneurship.
- The level of innovation reaches a percentage of 58%, qualifying as an innovative enterprise.

The purpose of the project was to explain to company representatives and students the parameters under which they would be evaluated, the necessary requirements, and the benefits of being part of the project. In addition, an evaluation was made to score the company according to the number of requirements they currently have. The evaluation carried out is in Annex 3. What is considered for obtaining certification is:

- Legal matter
- Financial Resources
- Human Resources
- Customer Service
- Purchasing management
- Production Management

- Product quality
- Product control
- Conservation and delivery of the product
- Innovation and entrepreneurship
- Health and Safety

Once the first evaluations were carried out, we could confirm that the Horchatera Association is suitable for the certification, however, it must work several aspects to fulfill the requirements requested by the INEN; among them: financial management, human resources, production and quality control. For this reason, in the next months we will work together with the management of the Horchata Association and David Estrella (an official of the Ministry of Industries and Productivity), to obtain and generate the missing documents and start the process to get "My First Certification".

### **2.1.3 Workshop by the Ministry of Industries and Productivity - CANVAS model**

The "CANVAS Model" Workshop held by the Ministry of Industries and Productivity on Thursday, November 28, 2019 from 9 to 11 at the University of Azuay, had the objective, like "My First Certification", to promote and strengthen MSMEs and Popular and Solidarity Economy Organizations, based on the value proposal offered by an enterprise to the market in which it is located. In theory, the CANVAS Model was developed by Alexander Osterwalder as a tool to determine the added value of the company's relationship with the market. It is simple enough to be applied in small, medium or large enterprises, and that is why the Ministry proposes the realization of the workshop to the MSMEs of Azuay.

During this workshop, the CANVAS was developed, which consists of 9 modules:

(The canvas can be found in Annex 4)

1. Market segment (customers)

The first module served to know the market niche and the opportunities of our business. In the case of the Asociación horchatera de Cochapata Nabón, the market niche is in Azuay, Loja, Morona Santiago, Zamora and Pichincha. In the same way the clients are of type B2B (business to business) and B2C (business to company). They sell directly to the customer, as housewives, but also sell at local fairs and shops.

## 2. Value proposition.

The second module indicated that factors differentiate the Association from its competition and brings them closer to potential customers, which in this case would be that they contribute with a healthy drink for any time of day since it can be taken cold or hot.

## 3. Distribution Channels.

The third module defined communication and distribution channels that should be followed to strengthen the brand and business idea. The Association distributes its product by making orders to acquaintances who own vans or through transport companies and to communicate its product to potential customers does so through personal visits.

## 4. Customer relations.

The fourth module explained the type of relationship you want to establish with the established customer segment. The Association wishes to establish relationships through social networks, telephone and radio. Currently it is managed only through calls to its fixed clients.

## 5. Sources of Income.

With the fifth module it was identified that the main source of income of the Association is the sale of its final product, the horchata.

## 6. Key Resources.

The sixth module mentioned the key assets and resources needed as essential pieces. In the case of the Association this is:

- Nine varieties of plants

- Trained staff (partners)
- Scales
- Cutters
- Oven
- Sealing machine

#### 7. Key activities.

The seventh module emphasized the key activities that give value to the Association's brand, and the strategies needed to enhance them. These are: using chemical-free raw materials and using advertising tools that emphasize the product as healthy, organic and natural and as a complement to a healthy life.

#### 8. Network of alliances or associations or key partners.

The eighth module took into account the key partners, which in the case of the Association would be the partners supplying the raw material and the partners working directly in the factory.

#### 9. Cost structure.

In the last module, the cost structure was marked, to get to know the price that the client will have to pay to acquire the product from the Association. Currently there is no well-established cost structure, however, it is known that per month it has costs of around 400 USD and a sale of 500 USD. Each unit of product is sold for 40 cents.

## **2.2 Identifying and checking critical success factors**

### **2.2.1 SWOT analysis**

In order to determine and verify the critical success factors of the horchatera association of Cochapata Nabón, it is first necessary to carry out a SWOT analysis of it, taking into account our objective to have a view towards internationalization.

#### Strengths

- The Association has legal status and RUC
- It has all the tax obligations and production licenses in force
- It is composed of 11 members
- The Association has a defined mission, vision and objectives
- You have your star product defined
- It has a recognition of its product: "Nabón Productos Limpios".
- He has participated in certification projects: "My First Certification".
- The Association has its own brand and logo, and they are also registered in the SENADI
- It has a large capacity to increase production
- The Association has exclusive facilities and technological machinery for the production
- Has more than 15 years of experience in the local market
- It markets its product in various parts of the country
- It has clean processes that do not harm the surrounding communities

### Opportunities

- Great demand in the local and international market for organic products
- Differentiation of the product by cultural characteristics of the area

### Weaknesses

- It does not have an administrative organization chart
- No general budget or updated cash flow reports available
- No procedure and function manuals in the production area
- It has medium/low quality packaging
- It does not handle advertising tools nor does it have a defined budget for it
- No short- or long-term strategic plan
- There is no clear identification of their advantages over competitors

- No continuous training for production and operations personnel
- They do not have a customer loyalty plan

### Threats

- There is strong competition at the national and international level
- Poor product knowledge in foreign markets

(Edgar Avila, Diego Hermida , 2018 )

## **2.2.2 EXPORT AUDIT**

The EXPORT AUDIT model is considered as an internal audit, which is carried out at a company level, to qualify the state of the company and its potential to become international. In the previous thesis: "Diagnosis of the exportable supply of the cantons Nabón, Oña of the province of Azuay" by Diego Hermida and Edgar Ávila, this model has already been applied in the Association, however, we consider it fundamental to apply it again and in a more detailed way to update the previous results and to know the current capacity of internationalization. The EXPORT AUDIT, together with the workshops, talks by the Ministry of Industries and Productivity and the internal analyses carried out will provide us with a clear vision for the elaboration of the management plan, which will be detailed at the end of this chapter.

The result of the EXPORT AUDIT is a total sum of 121 points, which indicates us that the Horchatera Association needs to work on several aspects such as its production, financial area and public relations in order to start an internationalization process.

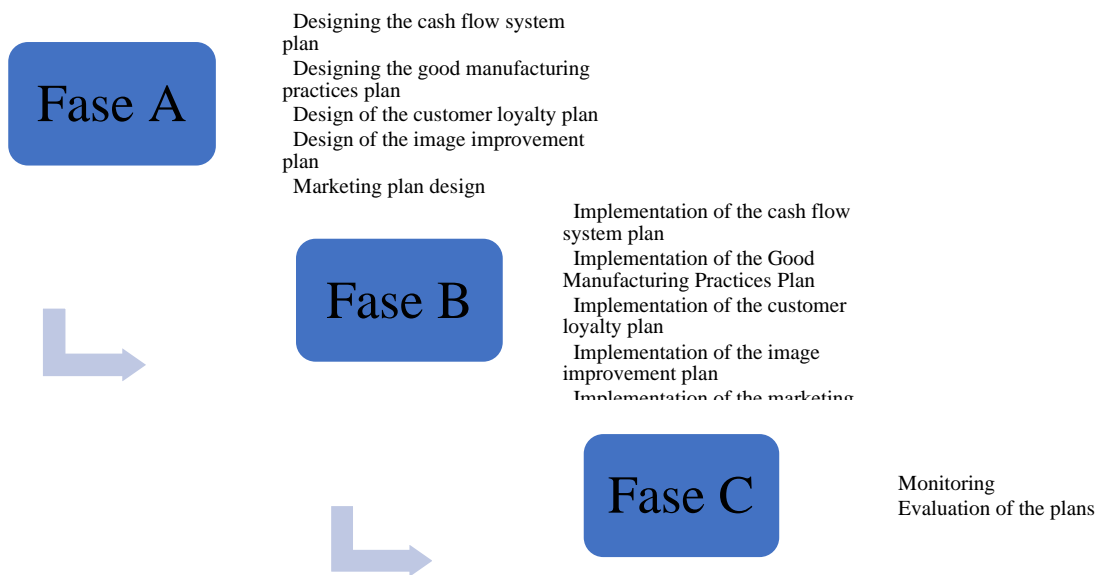
Taking into account the points established in the SWOT analysis, the EXPORT AUDIT, the workshops, talks and the diagnosis of the current situation of the Association that was elaborated before, we conclude that the critical factors of success that are directed towards the internationalization of the Horchatera Association of Cochapata, Nabón are the following:

### *1. Building a cash flow system*

2. *Implementing good manufacturing practices throughout production*
3. *Increase sales through a customer loyalty plan*
4. *Improving the image and incorporating advertising tools*
5. *Develop a marketing plan.*

## 2.3 Development of the management plan

**Figure 25 Management plan for the Horchatera Association**



Prepared by: Jiménez, Pesántez

Finally, when analyzing all the previous factors, it could be determined that the Horchatera Association of Cochapata, Nabón is not yet in the optimal conditions for internationalization, but it is on its way. That is why, taking into account the results of the second chapter, our management plan for the internationalization of the Association should focus on the areas of: design, finance, marketing, sales and production. This is what we will focus on in the last chapter when developing the proposal for a new linkage project that will have as its objective the development and management of the aforementioned areas.

## **THIRD CHAPTER**

### **Introduction**

In this last chapter we will prepare a proposal for a linkage project, in order to manage the internationalization plan elaborated in chapter two. This project of linking with society is divided into three parts corresponding to the format and methodology with which the University of Azuay works. The first is general information, where the parties involved, both from the University of Azuay and from outside, will be developed. Similarly, the objectives of the project will be specified, which are linked to the objectives of the NATIONAL DEVELOPMENT PLAN 2017-2021. The second part focuses directly on the presentation of the project, which will develop the executive summary, background, justification, scope, general and specific objectives, and impact and expected results of the project. The third part will be more focused on the work plan and the schedule of activities.

### **3.1 Partnership project**



# PARTNERSHIP PROJECT

Project: MANAGEMENT OF THE  
INTERNATIONALIZATION PLAN  
FOR THE HORCHATERA  
ASSOCIATION OF COCHAPATA,  
NABON.



## **1. GENERAL INFORMATION**

### **1.1. Programme:**

**1.2. Wide Area:** 5304 Economic activity

**1.3. Specific field:** 5304.04 Foreign Trade

**1.4. Detailed field:** Economics Foreign trade

### **1.5. Line of action:**

- ☒ Community assistance
- ☐ Continuing Education
- ☐ Support services for academic structures
- ☐ Cultural dissemination and promotion
- ☒ Services and advice

**1.6. Project name:** MANAGEMENT OF THE INTERNATIONALIZATION PLAN FOR THE HORCHATERA ASSOCIATION OF COCHAPATA, NABON.

### **1.7. Career or academic unit**

Career 1: INTERNATIONAL STUDIES MENTION IN FOREIGN TRADE

Career 2: GRAPHIC DESIGN

Career 3: FOOD ENGINEERING

Career 4: ACCOUNTING AND AUDITING

Career 5: MARKETING

The project will be developed with the participation of several schools, which will work and cooperate integrally in concrete activities, with the aim of achieving a competitive improvement of the Horchatera Association of Cochapata, Nabón.

### 1.8. Target Population:

Direct: HORCHATERA ASSOCIATION OF COCHAPATA, NABÓN.

Indirect: FAMILIES AND COMMUNITY RELATED TO THE ASSOCIATION OF HORCHATERAS DE COCHAPATA, NABÓN

External entities: MUNICIPAL GAD OF NABON, PARISH GAD OF COCHAPATA, MINISTRY OF INDUSTRY AND PRODUCTIVITY AND THE UNIVERSITY OF AZUAY

Name of the entity	Type of entity
Nabon Municipal GAD	National public entity
Cochapata Parish GAD	National public entity
Ministry of Industries and Productivity	National public entity
University of Azuay	Educational entity
Horchatera Association of Cochapata, Nabón.	National private entity

### 1.9. The project is linked to the following objectives of the National Development Plan 2017-2021

#### **Axis 1: Rights for all throughout life**

- ☒ Objective 1: To guarantee a dignified life with equal opportunities for all people
- ☐ Objective 2: To affirm interculturality and plurinationality, revaluing diverse identities
- ☐ Objective 3: To guarantee the rights of nature for present and future generations.

#### **Axis 2: Economy at the service of society**

- ☒ Objective 4: Consolidate the sustainability of the social and solidarity-based economic system and strengthen dollarization.
- ☒ Objective 5: Boosting productivity and competitiveness for economic growth

sustainable in a redistributive and supportive manner.

☒ Objective 6: To develop productive and environmental capacities to achieve food sovereignty and good rural living.

**Axis 3: More society, better state**

☐ Objective 7: To encourage a participatory society, with a State that is close to the service of  
of  
Citizenship.

☐ Objective 8: Promote transparency and co-responsibility for a new social ethic.

☐ Objective 9: To guarantee sovereignty and peace, and strategically position the country in the region and the world

**1.10. The project contributes to the fulfilment of the following principles proposed by the United Nations Global Compact.**

*Compliance with these principles is NOT mandatory for the submission of projects, but if your proposal can contribute to any of them please check the corresponding box(es).*

**HUMAN RIGHTS**

☐1. Businesses should support and respect the protection of universally recognized human rights, within their sphere of influence.

☐2. Companies should ensure that they do not act as accomplices to human rights violations.

**LABOR STANDARDS**

☒3. Businesses should respect freedom of association and the effective recognition of the right to collective bargaining.

☒4. Companies should support the elimination of all forms of forced or compulsory labor.

☒5. Businesses should support the effective abolition of child labour.

☒6. Businesses should support the abolition of discriminatory practices in employment and occupation.

**ENVIRONMENT**

- ☐7. Businesses should support a precautionary approach to environmental challenges.
- ☐8. Businesses should encourage initiatives that promote greater environmental responsibility.
- ☐9. Companies must encourage the development and dissemination of environmentally friendly technologies.

### **ANTI-CORRUPTION**

- ☒10. Businesses should work against corruption in all its forms, including extortion and bribery.

### **1.11. The project is linked to the following Sustainable Development Objectives**

- ☒1. Ending poverty in all its forms around the world
- ☒2. Ending hunger, achieving food security and improved nutrition, and promoting sustainable agriculture
- ☐3. To ensure a healthy life and promote well-being for everyone at all ages.
- ☐4. Ensure inclusive, equitable and quality education and promote lifelong learning opportunities for all.
- ☒5. Achieving gender equality and empowering all women and girls
- ☐6. Ensure the availability of water and its sustainable management and sanitation for all.
- ☐7. Ensure access to affordable, safe, sustainable and modern energy for all.
- ☒8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
- ☒9. Building resilient infrastructure, promoting inclusive and sustainable industrialization and fostering innovation.
- ☒10. Reducing inequality within and between countries
- ☐11. Making cities and human settlements inclusive, safe, resilient and sustainable.
- ☒12. Ensure sustainable consumption and production patterns.
- ☐13. Take urgent action to combat climate change and its effects.

- ☐14. Conserve and sustainably use oceans, seas and marine resources for sustainable development.
- ☒15. To sustainably manage forests, combat desertification, halt and reverse land degradation and halt biodiversity loss.
- ☒16. Promote just, peaceful and inclusive societies
- ☐17. Revitalize the Global Partnership for Sustainable Development.

**1.12. Estimated time of execution: 6 months**

Baseline lift: *already lifted*

Project Execution: *3 to 6 months*

Impact Evaluation: *3 to 6 months.*

**1.13. Reference budget:**

By the University of Azuay

**1.14. Responsible for the proposal:** *Ana Belén Jiménez, Sofía Pesántez Abad. Antonio Torres Dávila.*

**1.15. Participants:**

*(All fields are required)*

TEACHERS ASSIGNED TO THE PROJECT								
Nam es	Last name s	ID	Level of Academic Training	Academic Degrees	Type of Teache r	Email address	Phon e numb ers	Functi on within the projec t
Anto nio	Torre s	0102 1146	PhD	Magister	Headli ne	099827280 0	09982 72800	Direct or

		26			Aggregate 1	<a href="mailto:atorres@uazuay.edu.ec">atorres@uazuay.edu.ec</a>		
Ana Belén	Jiménez Molina	0104246129	Superior	Licentiate		abelenph@es.uazuay.edu.ec	0991655539	Field linkage promoter
Sofía Isabel	Pesantez Abad	0105529812	Superior	Licentiate		sofiapesantez@es.uazuay.edu.ec	0995523436	Field linkage promoter

#### 1.16. Participating students:

(All fields are required)

Nam es	Last nam es	ID	Studen t Code	Semeste r of study	Career	Email address	Phon e numb ers	Functio n within the project

For the development of this project it is proposed the direct intervention of 2 students graduated from the career of International Studies, who participate as promoters of specific management for the improvement of the Horchatera Association of Cochapata, Nabón with

projection for its internationalization, at the same time that the linkage project is part of their graduation work.

## **2. PROJECT PRESENTATION**

### **2.1. EXECUTIVE SUMMARY OF THE PROJECT:**

In brief, the internationalization of a company refers to two specific situations. The first refers to trade flows, that is, exports and imports of goods and services; and the second refers to direct investment flows from one country to another (Canals, 1994)

However, not all enterprises can engage in internationalization or upgrading processes, especially micro, small and medium-sized enterprises (MSMEs). These, despite their limitations, are an important pillar in the country's economic development. According to the National Institute of Statistics and Censuses (INEC), and taking the latest data from 2017, microenterprises represent 90.5% of the companies at the national level, followed by small companies with 7.5%, medium companies with 1.65% and large companies with only 0.46%. (NATIONAL INSTITUTE OF STATISTICS AND CENSUSES, 2017). That is why MSMEs are considered the most important sector in the economy, since, apart from



the above, they account for 70% of Ecuador's economically active population (EAP). Similarly, 39% of jobs are generated by microenterprises, 17% by small and 14% by medium enterprises. However, in terms of Gross Domestic Product (GDP), MSMEs contribute only 25% (Hugo Jácome, Katiuska King, 2013).

For this reason, it is essential to support the growth of MSMEs and provide access to tools, processes and methods that allow them to improve not only their production and competitiveness at the national level, but also to enable them to enter international markets in the future.

In the case of the Asociación Horchatera de Cochapata, Nabón, the potential for exporting its products has been confirmed, due to their authenticity and the scarce competition in foreign markets. That is why the following work will mainly consist of the application of a plan and respective record of the internationalization process within the organization, which will go according to the problems identified by the Association within the previous phases, such as: structural and administrative problems, lack of corporate image and advertising tools, lack of differentiation from the competition, productivity management and inefficient accounting record. In short, it does not currently meet the necessary formalities of a company and the strong national competition for the same product

Thus, within the elaboration of the linkage project, the intention is to make changes in the critical success factors of the areas:

1. Design
2. Good Manufacturing Practices (GMP)
3. Accounting
4. Marketing
5. Sales

It is anticipated that the implementation of this linkage project will help the members of the Horchatera Association of Cochapata, Nabon, as well as their families, and the community in general, to obtain several benefits by improving the quality and competitiveness of the

product. It will also be of benefit to students in the area of cooperation and practical application of their knowledge.

## **2.2. BACKGROUND AND JUSTIFICATION:**

This project is part of the internationalization program of the MYPIMES of Azuay that the University of Azuay is carrying out in a third phase, which is the application in the field of previous research studies. With this background, the first contact with the directive of the Association was had by telephone, making them know the project and its objectives, and from this contact a meeting was programmed in Cochapata to talk in depth about the current situation of the Horchatera. From these first contacts, and the good relationship that was created with the directive of the Horchatera Association of Cochapata, Nabón could carry out the necessary information survey.

From the first stages of the project we had the support of the Ministry of Industries and Productivity, with whom we worked on two projects for the benefit of the Horchatera Association: "My First Certification" and "CANVAS Model Workshop".

INEN (Ecuadorian Standardization Service), together with the Ministry of Industries and Productivity and the University of Azuay promoted the program called "Quality Route" to start a process to obtain "My First INEN Certification". The purpose of this project is to promote and strengthen MSMEs and Organizations of Popular and Solidarity Economy, based on basic quality management systems.

The "CANVAS Model" Workshop held by the Ministry of Industries and Productivity in November 2019 at the University of Azuay, in which its nine modules were developed based on the value proposal of the Association and the market in which it works.

With this information and the support of the Asociación Horchatera de Cochapata, Nabón we carried out the following studies:

1. Update of the diagnosis of the real situation of the company carried out in the previous phase of this thesis: "Diagnosis of the exportable supply of the Nabón, Oña cantons in the province of Azuay".
2. Analysis of the production process of the creation of Horchata
3. My first certification" diagnosis, carried out by the Ministry of Industries and Productivity.
4. Workshop "CANVAS Model", also conducted by the Ministry of Industry and Productivity.
5. SWOT analysis.
6. Updating the EXPORT AUDIT appraisal
7. Determination of critical success factors.

Analyzing all the previous factors, it could be determined that the Horchatera Association of Cochapata, Nabón is not yet in the optimal conditions for internationalization, but it is on its way. That is why, taking into account the results of the second chapter, our management plan for the internationalization of the Association should focus on the areas of: design, finance, marketing and production improvement.

In the new reality of the markets, MSMEs face great challenges in order to withstand the crisis caused by the COVID-19, which can cause unemployment, budget deficit, fall in sales and even bankruptcy. In the case of the Horchatera Association of Cochapata, Nabón it is important to work in the above mentioned areas, which represent weakness and risk for its members, especially in a situation of economic crisis. If the Association improves these aspects it will be able to face the crisis, being a sustenance for its partners and for the community of Cochapata; since it will become a source of employment and will reactivate the economy of the zone.

### **2.3. TERRITORIAL SCOPE:**

- ☐ National
- ☒ Provincial
- ☒ Cantonal
- ☒ Parish

- ☐ Institutional
- ☐ International

#### **2.4. GENERAL OBJECTIVE:**

*Implement the Improvement Plan for the Internationalization of the Horchatera Association of Cochapata, Nabón.*

#### **2.5. SPECIFIC OBJECTIVES:**

- 1. Build a cash flow system*
- 2. Implementing good manufacturing practices throughout the production process*
- 3. Increase sales through a customer loyalty plan*
- 4. Improve image and incorporate advertising tools*
- 5. Develop a marketing plan.*

#### **2.6. PROJECT IMPACT**

- ☒ Social Impact
- ☐ Scientific Impact
- ☒ Economic Impact
- ☐ Political Impact
- ☐ Other Impact

#### **2.7. DESCRIPTION OF EXPECTED IMPACT**

The management of the project will generate direct and indirect positive impacts at the level of Azuay Province. Direct for the people that integrate the Horchatera Association of Cochapata, Nabón with which we are going to work, because we intend to apply the management and improvement plan previously elaborated in the areas of: design, production, accounting and marketing; that generate competitive improvements, at the beginning applicable in the national scope, but with potential in the international competitiveness in the medium term.

The indirect effects would be seen as benefits for the families of the people who make up the Horchatera Association of Cochapata, Nabón. Another important beneficiary would be the community of Cochapata, Nabon, because the growth of the Association would generate new sources of employment, help the economy of the sector, and that of the country in the future. Similarly, the project would lead to an improvement in the standard of living for the community and generate more and better resources that are directly and indirectly returned to the community through the management of the Nabon Municipal GAD. Also, by taking advantage of the potential that the Horchatera Association has, using the plan of competitive improvement, it will become a source of economic sustenance for the families of the partners and for the community of Cochapata. It will help balance the sector's economy in the face of the time of crisis generated by COVID-19, generating sources of employment, economic movement and income for the sector. All this within the framework of environmental sustainability, since one of the fundamental pillars of the Association is to work with a clean production of the plants that compose the horchata.

Finally, the community of the Universidad del Azuay is also benefited, not only through the linkage project carried out by students, but also by the learning of this type of experiences, both in the technical and human fields, with replicable empirical knowledge for the development of students as individuals and professionals.

## **2.8. GENERAL IMPACT INDICATORS AT PROJECT LEVEL**

<b>Indicator No.</b>	<b>Description</b>	<b>Type</b>	<b>Method</b>
1	Building a cash flow system	Quali-quantitative	Implement a cash flow system and improve the financial management of the Horchatera Association
2	Implement good manufacturing practices throughout the production process	Qualitative	Improve production efficiency

3	Increase sales through a customer loyalty plan	Quantitative	Creating a customer loyalty plan
4	Improve image and incorporate advertising tools	Quali-quantitative	Change of image of the final product and implementation of online advertising tools
5	Develop a marketing plan.	Quali-quantitative	To implement a marketing plan to increase the presence of the Horchatera Association in the target market

## 2.9. EXPECTED RESULTS/OUTPUTS

1. Reach the export border with the Horchatera Association of Cochapata, Nabon. That is, to meet the fundamental requirements that any company must have for internationalization.
2. That the Horchatera Association of Cochapata, Nabón is capable of implementing a structure or a model of sustainable management that improves its efficiency in the different areas of the SME or productive association.
3. Through the implementation of the internationalization plan and the linkage with the community, improve the economic situation of the rural area of Cochapata, Nabón.
4. Through the implementation of the internationalization plan and the linkage with the community, increase the sustainability and competitiveness of the Association in the short and long term

## 3. PLAN OF WORK:

Overall objective	Specific Objectives	Indicator	Expected Result	Activities	Means of verification	Assumptions
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Implement the Improvement Plan for the Internationalization of the Horchatera Association of Cochapata, Nabón.	SO1 Building a cash flow system	II. Implementation of a cash flow system, in which it is detailed: Detail and total income, detail of expenses, consumption expenses, operating expenses, and total expenses; as well as a projection to the future.	ER1. Keep an updated record of the flow of money in and out of the Horchatera Association, which as a result will positively influence the efficiency of the MSMEs and help project future decisions.	A1.1 Review of current accounting records of the Horchatera Association. A1.2. Development and implementation of the cash flow system	MV1. Report on the development and implementation of the cash flow system within the Horchatera Association	A1.1 In order to achieve this objective, the current model used by the Horchatera Association has been previously diagnosed and the new system has been approved for its implementation. A1.2. To have the help of the Accounting and Auditing School for the elaboration and implementation of the cash flow system.
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	<p>SO2</p> <p>Implement good manufacturing practices throughout the production process.</p>	<p>I2.</p> <p>An improvement plan that Implements good manufacturing practices, optimizing resources, manpower and time</p>	<p>ER2.</p> <p>To implement good manufacturing practices in all its stages, in order to take advantage of all the potential of the Horchatera a Association.</p>	<p>A2.1.</p> <p>Review of the current management of the current manufacturing processes of the Horchatera Association.</p> <p>A2.2.</p> <p>Elaboration and implementation of a plan of good manufacturing practices.</p>	<p>MV2.1 To</p> <p>have an improvement plan for internationalization, in which specific activities in specific processes are detailed, and the progress of such improvement activities can be measured.</p> <p>MV2.2</p> <p>Having a progress report with the planning results</p>	<p>A2.1</p> <p>In order to achieve this objective, a previous diagnosis of the production process managed by the Horchatera Association is required, and the new plan for its implementation is approved.</p> <p>A2.2.</p> <p>Count on the help of the school of Food Engineering.</p>
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	SO3 Increase sales through a customer loyalty plan	I3. Implementation of a customer loyalty plan that includes a previous market study, product information, competitive advantages, social responsibility factors, sales strategy and post-sales customer service	ER3. To increase the level of sales, as well as the number of fixed clients of the Horchatera Association.	A3.1. Analysis of the current sales level managed by the Horchatera Association. A3.2. Development and implementation of a customer loyalty plan.	MV3.1 Construction and maintenance of a monthly log that records the steps taken for planned improvement. MV 3.2 To have a partial progress report that records the main actions taken in managing the plan.	A3. In order to achieve this objective, we have previously diagnosed the level of sales and the current number of clients managed by the Horchatera Association and have subsequently approved the new plan for its implementation.
	SO4 Improve image and incorporate advertising	I4.1. Development of advertising strategies using online	ER4. To increase and improve the presence of the	A4.1. Creating strategies and proposing appropriate advertising tools in	MV4. Progress report with the individual and concrete evaluation	A4.1. Disposition on the part of the Horchatera Association for the change of image and

	ng tools	media such as social networks and a website. I4.2. Creation of a new image design to be used in both its advertising image and its packaging .	Horchater a Associatio n in the target market, generating a high impact on its national and internatio nal competitiv eness.	online media A4.2. To carry out surveys to a target audience about the corporate image and the final product to later create several optional designs as a change of image for the Horchatera Association	of the manageme nt carried out with specific results in which the difference between the initial situation and the final situation can be seen, after the improveme nt plans and manageme nt have been applied.	the incorporation of new advertising tools. A4.2. Count on the help of the Graphic Design school.
Overall objective	SO5 Develop a marketin g plan.	I5 Developm ent and implement ation of a marketing plan that includes: objectives , the	ER5. Improve the focus of the internatio nalization objective, as well as the effectiven	A5.1 Checking and reviewing a current marketing plan in the Horchatera Association .	MV5.1 To have a marketing improveme nt plan for internationa lization, in which specific activities	S5.1 In order to achieve this objective, the current management of the marketing tools in the Horchatera

		market situation (SWOT), positioning, definition of customers, experience, action plans, budget and metrics.	ess of the marketing message and the positioning against competitors to create consumer preference and jointly save time and money.	A5.2. Development and implementation of a new marketing plan.	are detailed in specific processes, and the progress of such improvement activities can be measured MV5.2 Having a progress report with the planning results	Association has been diagnosed and the new plan for its implementation has been approved. S5.2. Count on the help of the Marketing school.
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*\*The indicator must be defined at the level of each specific objective.*

*Expected Result: It can be quantitative or qualitative depending on the indicator proposed.*

*Understand the expected result as the target of the indicator.*

#### 4. SCHEDULE OF ACTIVITIES:

MONTHLY ACTIVITY SCHEDULE						
Activity	month 1	month 2	month 3	month 4	month 5	month 6
A1.1. Review of current accounting records of the Horchatera Association	X					

A2.1. Review of the current management of the manufacturing processes of the Horchatera Association	.X	X				
A3.1. Analysis of the current level of sales managed by the Horchatera Association	X					
A4.2. To carry out surveys to a target audience about the corporate image and the final product to later create several optional designs as a change of image for the Horchatera Association.	X	X				
A5.1. Checking and reviewing a current marketing plan in the Horchatera Association.	X					
A1.2. Elaboration and implementation of the cash flow system.		X	X			
A2.2. Elaboration and implementation of a plan of good manufacturing practices.			X	X	X	X
A3.2. Development and implementation of a customer loyalty plan.		X	X			
A4.1. Create strategies and propose appropriate advertising tools in online media.				X	X	X

A5.2. Elaboration and implementation of a new marketing plan		X	X			
--	--	---	---	--	--	--

Activity	Recurso
➤ Diagnosis of current accounting records, current management of manufacturing processes, sales levels, verification and diagnosis of marketing plan, conducting surveys of a target audience on the corporate image and final product.	<ul style="list-style-type: none"> <li>● Transporte.</li> <li>● Compromiso de los tesisas y promotores de campo de la Escuela de Estudios Internacionales.</li> <li>● Apoyo de las escuelas de la Universidad del Azuay en sus respectivos ámbitos de trabajo.</li> <li>● Apoyo y compromiso de la comunidad de Cochapata.</li> </ul>
➤ Elaboration and implementation of plans of: cash flow system, good manufacturing practices, customer loyalty and marketing plan, creation of strategies and propose adequate advertising tools in online media.	<ul style="list-style-type: none"> <li>● Transporte.</li> <li>● Compromiso de los tesisas y promotores de campo de la Escuela de Estudios Internacionales.</li> <li>● Apoyo de las escuelas de la Universidad del Azuay en sus respectivos ámbitos de trabajo.</li> <li>● Apoyo y compromiso de la comunidad de Cochapata.</li> </ul>

## 5. BUDGET:

*Annex 1: Budget*

## 6. BIBLIOGRAPHY:

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## 7. ANNEXES:

**Annex 1:** Budget by item of the contributions of the Universidad del Azuay.

**Annex 2:** Schedule

### NAMES OF THE PROJECT MANAGERS:



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SIGNATURE



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SIGNATURE

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SIGNATURE

## **Conclusion**

Once the proposal of the project of linkage with the society is made, the viability of its execution can be assured and the positive results that it would have, due to the previous analysis made and the establishment of a solid plan of internationalization; designed specifically for the Asociación Horchatera de Cochapata Nabón. The project is the result of the information that we have collected during the elaboration of our titling work, from both primary and secondary sources, and the subsequent analyses that were carried out; which allowed us to elaborate this project.

Similarly, the University of Azuay has the means to implement the project in all its stages and areas. It is expected that the University will provide the necessary support with the tools and capacities it has, and that this project will serve as a degree work for future generations of the school of International Studies.

## CONCLUSIONS

After having carried out this work of certification, the development of the internationalization plan for the Horchatera Association of Cochapata, Nabón is considered feasible and viable for the following reasons:

- All the foreign trade theories explained have set the guidelines and established the basis for the way in which the internationalization process is currently being carried out. Internationalization, which is not only attractive for large companies but also for MSMEs, is a long-term process, with key stages in a detailed plan. It is the result of the adoption of a series of strategies that consider both the resources and capacities of the company and the opportunities and threats of the environment.
- To achieve internationalization, it is necessary to have a well-defined strategy in the local market and to understand that international markets bring other variables to the possibility of success of the product or service: cultural issues, health and environmental requirements, technical standards and regulations in the products.
- MSMEs in Ecuador face several challenges when internationalizing, such as: production costs, the obligation to have certifications, production volumes, the lack of financing, price competition, among others; that is why the importance of helping MSMEs to face these realities is undeniable, especially because of the great impact they have on the national economy.
- The Horchatera Association throughout its history has acquired the necessary resources to grow, because its members, raw material, machinery, collection center and work ethic have a valuable potential to develop in domestic and foreign markets.



- A weakness of the Association is the lack of structured and continuous records that serve in the long term and that pass from one board of directors to another. Specifically, in the case of accounting records, raw materials and manufacturing practices.
- In the initial proposal by the directive of the Horchatera Association for the improvements are the following: to extend the expiration date of the horchata for 1 year, to increase 2 or 3 varieties of plants to the final product, to improve the accounting system, the level of production, the brand image, to implement a marketing plan and to obtain organic and international certifications.
- The process to obtain "My First INEN Certification" was initiated jointly with the directive of the Horchata Association and David Estrella (official of the Ministry of Industries and Productivity) and the Workshop Model CANVAS was developed, where it was possible to verify that the Horchata Association is suitable for the certification, however, it must work several aspects to fulfill the requirements requested by the INEN.
- When carrying out the SWOT analysis of the Horchatera Association of Cochapata Nabón, it is known that It has a great capacity of production increase, because it has exclusive facilities and technological machinery for it. In the same way it has an opportunity to expand in the local and international market due to the current demand of organic products
- The result of the development of the model EXPORT AUDIT, together with the workshops, talks of the Ministry of Industries and Productivity and the internal analysis carried out indicate that the Horchatera Association needs to work on several aspects such as its production, financial area, design and image and public relations, which are part of the "internationalization plan".

- As a last point, a proposal of a project of linkage with the society was made, in which the way of elaboration of the internationalization plan for the Horchatera Association of Cochapata Nabón is developed.

## **RECOMMENDATIONS**

After having carried out the internationalization plan for the Horchatera Association of Cochapata, Nabón and analyzed the current situation of the same one, we proceed to propose the following recommendations, with the objective of optimizing the management of the internationalization plan:

- When implementing the proposed linkage project it is essential to emphasize the creation and use of records in all areas of the Horchatera Association, even in those that will be implemented according to the internationalization plan.
- To take advantage of all the qualities and capacities of the Horchatera Association, both material and immaterial, when implementing the internationalization plan.
- To build and maintain a monthly blog that records the steps taken for the planned improvement within the internationalization plan for the Horchatera Association.
- With the support of the School of Accounting and Auditing, develop and implement a cash flow system that has the approval of the Horchatera Association. As this process is carried out, it is recommended to keep a constant report of it.
- With the help of the School of Food Engineering, create an improvement plan that optimizes the critical production processes of the Horchatera Association, with the aim of optimizing the use of raw materials, labor and the various resources used in the manufacture of the final product.

- To carry out a previous study of the market in which the Horchatera Association is located and of its target market, to later implement a plan of customer loyalty, and thus increase its level of sales and customers.
- To carry out surveys to the target public about the corporate image of the Horchatera Association and the final product. Then, together with the Graphic Design School, to improve the current image and to develop advertising strategies focusing on online media.
- With the support of the School of Marketing, develop a marketing plan focused on internationalization, with specific positioning strategies to create preference in domestic and foreign consumers.
- To take into consideration the variations of the market and the national and foreign economy when managing the internationalization plan.


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## ANNEXES

	REQUIREMENTS	EVIDENCE	
		REMARKS	
	<b>I. LEGAL: The organization:</b>		<b>EXAMPLE</b>
1	Maintains a formal commitment not to hire minors under 15 years of age as stipulated in the labour legislation and the Code for Children and Adolescents.	Sign photo or a statement that you do not hire people under 15	SEE TAB: DOES NOT HIRE MINORS  IEPS REGISTRATION IN THE CASE OF NATURAL PERSON OR RESOLUTION OF THE IEPS OF THE ASSOCIATION
	<b>II. MANAGEMENT OF FINANCIAL RESOURCES.</b> The organization		
2	You have established a documented budget	If available, a copy of a bank account where you can see the economic movement for the effects of the manufacture of clothing	COPY OF THE PASSBOOK OR CURRENT BOOK (ONLY ONE SIDE)

3	It has a detail of income and expenditure	Copy of any records showing income and expenses for materials purchased, charges for garments made and delivered, etc.	SEE TAB: INCOME AND EXPENSES
4	It has an infrastructure to meet product requirements	Photos of the place where they work, workshop, with machines and people working	
	III. HUMAN RESOURCES MANAGEMENT. The organization:		
5	Provides its workers with training to fulfill the commitments to the client	Copies of certificates from seminars, courses, workshops, etc. To those you have attended and which concern clothing, sizing, pattern making, customer service, etc.	


6	Maintains records of staff training	Copies of certificates from seminars, courses, workshops, etc. Those I have attended that concern clothing, sizing, pattern making, customer service, etc.	 
	IV. CUSTOMER SERVICE: The organization		
7	Records commitments or any modifications to commitments made to customers	Ways you communicate with your customers: e-mails, WhatsApp, messages, trades, phone calls or other ways	SEE TAB: ATTENTION AND COMPLAINT
8	It informs about the characteristics and properties of the products it offers.	Ways you communicate with your customers: e-mails, WhatsApp, messages, letters, phone calls, or other ways	
9	Maintains mechanisms to manage customer complaints, claims and suggestions and/or offers guarantees	When there are complaints from a client, do you record the client's details and how do you resolve the case?	
	V. PURCHASE MANAGEMENT: The organization		






10	It has a purchasing process that ensures the timely provision of materials and supplies	How is the process of purchasing materials and supplies?  Copies of proforma requested from suppliers, referral guides, or any other way that shows how to proceed when comparing materials and supplies	SEE TAB: PURCHASING PROCESS
11	It has a list of materials and supplies with the necessary requirements	Indicate your requirements for the materials and inputs you use in your company. Example format attached.	SEE TAB: QUALITY
12	Verifies that the materials and inputs received meet the established requirements	When you receive the compared materials and inputs, how do you verify that they meet your requirements? Example Referral guide or similar.	COPY OF REFERENCE GUIDE OR INVOICE
13	It has mechanisms to manage inventories	Take an inventory of materials, raw materials and finished products. Attached is a format that can be used	SEE TAB: INVENTORY

14	It maintains contracts or agreements with its suppliers.	List of suppliers for the different materials and inputs	SEE TAB: SUPPLIERS
15	Maintains mechanisms for qualification and selection of suppliers	How do you select your suppliers? A registration form is attached	
	VI. PRODUCTION CONTROL. The organization:		
16	Has identified the legal and regulatory requirements applicable to the finished product	Copy of the label certificate or send photos of the labels which must comply with the requirements of the RTE INEN 013 and the NTE INEN 1875	ATTACH LABEL CERTIFICATE, OR PHOTOGRAPH OF THE LABEL
17	Production planning	Do you record the dates of the order, then the activities you carry out and the arrangements or changes you have made to the garments? You can submit a copy of the notebook where they have notes or any other form of record that you use	SEE TAB: PRODUCTION PLAN

18	Identifies the product in such a way as to allow proper traceability	A copy of the delivery certificate or invoice with the detail of the garments made, or another way that allows the identification of the client and the garment	DOCUMENT PROVING THAT THE GARMENT OR WORK WAS DELIVERED
	VII. PRODUCT QUALITY: The organization:		
19	Maintains mechanisms to verify the compliance of the product with the requirements established in normative documents.	Copy of the label certificate or send photos of the labels which must comply with the requirements of the RTE INEN 013 and the NTE INEN 1875	ATTACH LABEL CERTIFICATE, OR PHOTOGRAPH OF THE LABEL
	VIII. CONSERVATION AND DELIVERY OF THE PRODUCT: The organization		

20	Keeps its products stored, handled and delivered to the client in conditions that prevent their deterioration	Pictures of shelves, shelves, display cases, etc. where the materials, supplies and finished garments are located and are seen to be protected from damage	
	IX. INNOVATION AND ENTREPRENEURMENT: The organization:		

21	Maintains short- and medium-term mechanisms to expand its market or new ventures.	Any of these ways can be considered as mechanisms to expand the company's market: signs, Facebook, company website, participation in fairs, pamphlets, flyers, or similar mechanisms	<p>CAN ALSO BE PURCHASE OF MACHINERY</p> 
	X. HEALTH AND SAFETY: The organization:		

22	Trains and educates its workers in safety, health and hygiene in the workplace.	Copies of courses received or a copy of a letter requesting training on occupational safety, health and hygiene from the STPS. Attached is an example of a trade	
23	Provides its workers with adequate safety equipment to control the risk inherent in their functions	Do you use any dust protection equipment, to prevent cuts on hands, or similar equipment? Pictures of personnel using this equipment	

***Annex 2 "My First Certification" Application***

The information provided in this document is treated under strict criteria of confidentiality.

**1. APPLICANT IDENTIFICATION**

Company name:

.....

Company's Production Activity:

.....

Address:

.....

City: ..... Province:

.....

Telephone numbers:..... Web

page:..... E-mail: .....

RUC

No:.....

.....

Name of Legal Representative:

.....

.....

Telephone numbers: ..... Cellular: .....

E-mail: .....

**2. APPLICANT'S BUSINESS**

Product made by the company:

.....

Trademark:

.....

.....

Model, type, class or series (where applicable)

.....

Marketing size (where applicable):

.....

Health Registration No. (where applicable):

.....

Product Reference Standard Document:

.....

### **3. MANUFACTURER INFORMATION**

1. Total number of people working in the company:

.....

2. How many shifts are worked?

☐ One ☐ Two ☐ Three

3. Does the company outsource any process related to the manufacture of the product it produces, which affects the conformity of the product with the requirements of the reference standard document?

☐ Yes ☐ No

If YES, specify the outsourced process:

.....  
.....  
.....

### **4. APPLICANT'S COMMITMENT**

1. I undertake to receive and collaborate with the INEN evaluators and to provide the necessary information required by the auditors to comply with the certification process.

..... Date: .....

(s): Legal Representative

FOR INEN USE ONLY

Review of the application:

The Directorate of Validation and Certification declares:

- Have reviewed the information related to the customer, the product and/or service and the scope of the certification requested



- Have the competence and capacity to carry out the requested certification Start the certification process

☐ Yes ☐ No

Appointed auditor:

.....  
....

\_\_\_\_\_  
s: Director of Validation and Certification

Date: .....

*Annex 3 "My First Certification" evaluation result*

**MIPYME: NABON HORCHATERAS**

N o	Description of variables	Rating	%	% accumulat ed
1	Do you have your business idea defined?	1	3 %	3%
2	Do you have a clear profile of your clients and/or potential users?	0	0 %	3%
3	Have you developed the prototype or minimum viable product of your products?	1	3 %	6%

N o	Description of variables	Rating	%	% accumul ated
1	Has the project been tested for feasibility? That is, is it possible to manufacture the product or provide the service? Has a prototype of the proposal been developed?	1,00	8 %	8%
2	Does the product, process or service come from scientific and technological research by the entrepreneur?	0,00	0 %	8%
3	Can the product, process or service be patented or registered in the IEPI in any of its forms?	1,00	8 %	17%

4	Have you performed consumer evidence or market testing?	1	3 %	10%
5	Do you have a brand design and/or logo or have you developed a corporate image for your business?	1	3 %	13%
6	Do you have a business model or canvas?	0	0 %	13%
7	Do you know the market for your product and the competition?	1	3 %	16%
8	Do you have a business profile or perspective?	0	0 %	16%
9	Do you know in detail your production costs?	0	0 %	16%
10	Do you know the amount of investment required to implement your business?	1	3 %	19%

1 1	Have you received technical support for the formulation of your business idea?	1	3 %	23%
1 2	Do you have infrastructure and machinery for the production process?	1	3 %	26%

4	Does the product, process or service represent novelty for the local market?	0,50	41%	21%
5	Does the product, process or service represent novelty for the domestic market?	0,00	0%	21%
6	Does the product, process or service represent novelty for the international market?	0,00	0%	21%
7	Is or was some type of specialized academic, technical or technological training necessary for the development of the product, process or service?	0,50	41%	25%
8	Is specialized or customized machinery necessary for the development of the product, process or service?	0,50	41%	29%
9	Can the project be developed with national machinery and resources?	1,00	82%	38%
10	Does the product, process or service solve a real	1,00	82%	46%

0	market need?		%	
1	Can the project be industrialized?	1,00	8	54%
1			%	
1	Does the entrepreneur have the necessary knowledge or personnel to	0,50	4	58%
2			%	

	implement the business idea?			
<b>Total:</b>				<b>58</b>
				<b>%</b>
<b>INNOVATIV</b>				

**E**

1 3	Do you know what your production capacity is?	0	0 %	26%
1 4	Do you have or are you in the process of obtaining the respective permits and/or authorizations for the operation of your business (RUC, Trademark Registration, LUAE, etc.)?	1	3 %	29%
1 5	Have you registered your trademark/patent in the IEPI?	1	3 %	32%
1 6	Do you know the costs and expenses you incur to formalize your business?	1	3 %	35%
1 7	Do you have your own working capital?	0	0 %	35%
1 8	Do you have a line of financing for the development of your productive activity?	1	3 %	39%
1 9	Have you started your sales in a formal way?	1	3 %	42%
2	Do you have a client portfolio that buys on a	1	3	45%



0	recurring basis?		%	
2 1	Have you carried out accounting and/or financial studies and analyses of your project?	0	0 %	45%
2 2	Have you participated in fairs and events to test or market your products?	1	3 %	48%
2 3	Have you received technical support and/or accompaniment for the implementation of your business?	1	3 %	52%

2 4	Do you require technology (technical laboratories, infrastructure) to develop new products or improve your company's processes?	1	3 %	55%
2 5	Are you registered as an exporter?	0	0 %	55%
2 6	Do you know how to present your product and/or service to potential customers or investors?	0	0 %	55%
2 7	Do you consider that your business is positioned in the market?	0	0 %	55%

Self-assessment: Innovation Level	
Value range	Level
< 52	TRADITIONAL
≥ 52	INNOVATIVE

28	Do you have knowledge about warehouse management, inventories, layouts?	0	0%	55%
29	Have you identified the growth potential of your business?	0	0%	55%
30	Have you made any kind of approach to customers in international markets?	1	3%	58%
31	Have you received mentoring or technical support for the acceleration of your project?	1	3%	61%
<b>Total:</b>				<b>61%</b>

**ENTERPRISE**

## Decision table

Self-evaluation: State of development of the project		
Value range	Level	Action to be taken
< 35%	Idea / Product	PRE-STARTUP
35% a 73%	Marketing	ENTERPRISE
> 74%	Growth	POST - ENTREPRENEURSHIP

### Conclusion:

According to the information provided by the Entrepreneur, it is concluded that the state of development of the enterprise has a percentage of 61% is in the level of Commercialization / Entrepreneurship.

Likewise, the level of innovation reaches a percentage of 58%, qualifying it as an innovative enterprise.

#### *Annex 4 Export Audit*

##### Administrative Area

Strategic Plan for Internationalization	Possible Answers	Weighting
Type of Company?	Association	5
	Natural person	
	Craftsman	
Do you have a mission, vision and values?	Mission, vision and values	5
	One of the three	
	None	
Does your strategic plan describe the organizational objectives in 1, 3 and 5 years?	Objective 3 and 5 years	
	1-year target	
	It has no objectives	0
Is the strategic plan communicated to the different positions in the organization?	Yes, everyone.	
	Just a few.	
	No	0

Does your strategic plan consider the needs of national and international markets?	To national and international	
	Nationals only	3
	No plan	
Have you identified your main differentiating advantages with respect to other companies?	Clear differences	
	Differences not very clear	3
	No difference	
The objectives contain the following details:	Schedules, dates, resources, investments	
	Responsible	3
	None	
Within your strategic plan do you plan to export?	Yes, in one year	
	Yes, in three years	
	No	0

Do you have a functional organization chart?	Yes, and it applies	5
	Yes, but it doesn't apply	
	No	
Does it have procedures and functions manuals?	Yes, and it applies	
	Yes, but it doesn't apply	
	No	0
Have you participated in projects of certification, quality management, continuous improvement, etc.?	Yes, and he has some	
	Yes	3
	No	
Does your company have job descriptions?	Yes, for everyone with specified areas	
	Yes, but without specifying tasks	3
	No	
How many years of experience do you have in	10 or more years	5
	6 years	

the industry?	3 or less years	
Does the chamber, guild or association promote exports?	Yes, constantly.	
	Yes, rarely.	
	No	0

### Financial Area

Financial accounting information	Possible answers	Weighting
Do you have a general budget?	Yes, one monthly and one yearly	
	Yes, an annual one	
	No	0
Do you have up-to-date cash flow reports?	Yes, monthly	
	Yes, every six months	
	No	0
Do you have updated profit and loss and balance sheet reports?	Yes, monthly	
	Yes, every six months	
	No	0

Do you have costing analysis by product / break-even point?	Yes, constantly.	
	Yes, sometimes	
	No	0
Is the Association willing to make resources available to co-finance the project?	Yes, whatever it takes	
	Yes, but a small percentage	
	No	0
Does the company have guarantees to access new loans?	Properties	5
	Mortgage	
	None	
The current financing mechanism that could be used for exports?	Shares/ investors	
	Commercial Credits	
	None	0
Is it up to date with all tax, financial, personal, commercial, legal and municipal obligations?	Yes, in all	
	Yes, in some	3
	No	



## Production Area

Production Systems	Possible answers	Weighting
Do you have a star product?	Yes, with some	
	Yes, with one	3
	No	
The degree of automation of the plant?	High	
	Medium	3
	Under	
Your raw material suppliers are:	National	5
	National and foreign	
	Foreigners	
Do you keep a record of the qualification of the suppliers?	Yes, he has a manual specified	
	Yes, but not specified	
	No	0
Do your production	Yes, all of them.	5

processes ensure compliance with ISO 9001 quality standards or other standards required in your industry?	Yes, some	
	None	
Do you have personnel that perform quality control during the process and the product?	Yes, often	5
	Yes, but not very often.	
	No	
Are there continuous improvement projects in the production processes?	Yes, often	
	Yes, but not very often.	3
	No	
Do you have the capacity to manufacture products for export?	Yes	
	Very little	3
	No	
Would you improve the flexibility of the plant through technical assistance, improvement of procedures and working methods?	Yes	5
	A little bit.	
	No	

Can your plant produce products under specific customer or potential export market designs?	Yes	
	No	0
Are there ongoing training programs for production and operations personnel?	Yes, continuously.	
	Yes, but very few	3
	No	
What is the average age of the plant's machines, equipment and tools?	From 0 to 10 years	5
	From 10 to 20 years	
	20 years or more	
Do you have your own personnel, trained for the maintenance of the machines and equipment?	Yes, all of them.	
	Yeah, just a few	
	No	0
Do you have any logistic service provider?	Yes	
	No	0

Do you have knowledge of packaging processes?	Yes	3
	No	
Environmental Management		
Do you manage/use the by-products of your production properly?	Yes, in all	5
	Partially	
	No	
Do the company's manufacturing processes not cause discomfort to the surrounding communities?	No	3
	Yes	
Does the company have a clean production system endorsed by a national or international organization?	Yes	3
	No	
Does the company have programs to reuse and reduce waste?	Yes	
	No	0
Does it comply with the environmental management requirements for its	Yes	3
	No	

industry?		
-----------	--	--

Sales, Marketing and Customer Service Area

Sales and Marketing	Possible answers	Weighting
Do you have advertising material about the product and its competitive advantages?	Yes	
	No	0
Do you have a slogan or commercial logo designed with which you advertise your products and Association?	Slogan and commercial logo	5
	Only one	
	None	
What is the medium frequently used for the promotion of the products and Association?	Social Networks/ Internet	
	Fairs	3
	None	
Do you have a defined budget for marketing and sales activities?	Yes	
	No	0

Do you have a person or working group that handles the marketing and sales areas?	Yes	
	No	0
The image projected by the Association in advertising is:	Efficient in its management	
	Competitive prices	
	Innovative products	
	Socially responsible	
	Environmentally responsible	
	Other	
	None	0
Customer Service		
Do you have a person or work group that handles customer service areas?	From a working group	5
	From a person	
	None	
Do you have customer service procedures?	Yes	3
	No	
What is the means	Internet	5

frequently used for contacts with clients or commercial channels?	Personal visits	
	No contact	
Do you have a suggestion box or a log book for comments on customer availability?	Yes	
	No	0
Do you have a website?	Yes	
	No	0

Total sum	
	200 – 249
	140 – 199
	0 – 139

Total sum = 121 - Red level