



FACULTY OF LEGAL SCIENCES
SCHOOL OF INTERNATIONAL STUDIES

**DIAGNOSIS OF THE EXPORT PROPOSALS OF GIRON AND SAN
FERNANDO**

GRADUATION THESIS PRIOR TO OBTAINING A BACHELOR DEGREE IN
INTERNATIONAL STUDIES WITH A BILINGUAL MINOR IN FOREIGN TRADE

AUTHORS: KARLA ESTEFANÍA ELIZALDE CÁRDENAS
MARÍA EMILIA VÁZQUEZ CASTRO

DIRECTOR: ENG. MATÍAS ABAD MERCHÁN

CUENCA - ECUADOR

2018

DEDICATION

To God, for letting me finish this stage of my life and always guiding my path.

To my parents, specially my mom Susana who has been supporting me since the first day and never let me give up.

To my family, who have collaborated in both my student and personal growth.

Karla Elizalde C.

DEDICATION

To my parents and brother who have supported me to not give up and have always encouraged me to fulfill my goals, this project being one of them.

In the same way, to all my family, that has always believed in me and has supported me through these four years of college.

Emilia Vázquez C.

ACKNOWLEDGEMENTS

We thank God for being with us in every step of our lives and on the path to achieve this goal.

To our parents, for their love and support during this journey, teaching us the best values that have helped us throughout our studies.

To our professors, who guided us during this university career, giving us not only their knowledge but also their friendship.

To Eng. Matías Abad, our thesis director, for his constant support to the culmination of this project.

To Eng. Antonio Torres, because it is thanks to his help, collaboration, support and advice that this thesis became a reality.

To our friends, who have contributed to the development of this work with ideas and throughout out our lives with their support.

To each and every one of the people of Girón and San Fernando who helped us with the required information for this project.

Karla Elizalde C. y Emilia Vázquez C.

INDEX OF CONTENTS

DEDICATION	ii
ACKNOLEDGEMENTS	iv
ABSTRACT	x
INTRODUCTION.....	xi
CHAPTER 1	1
FOREIGN TRADE THEORIES AND THE INTERNATIONALIZATION OF SMALL AND MEDIUM ENTERPRISES.....	1
1.1 Foreign Trade Theories	1
1.1.1 Foreign Trade Generalities	1
1.1.2 History of foreign trade and its theories	2
1.1.3 Mercantilism	2
1.1.4 Absolute Advantage.....	4
1.1.5 Comparative Advantage	5
1.1.6 Heckscher-Ohlin theory	8
1.1.7 The Leontief Paradox	8
1.1.8 Product Cycle Theory	10
1.1.9 The New Theory of International Trade	11
1.2 Definition of Internationalization.....	11
1.3 Definition of Export Audit	13
1.4 Analysis of MSMEs: Micro, Small and Medium Enterprises	15
1.4.1 General aspects	15
1.4.2 The Andean Community of Nations and the MIPYMES.....	16
1.4.3 Parameters to classify MSMEs.....	17
1.4.4 MSMEs in Ecuador	17
1.5 Chapter Conclusions	19
Chapter 2	20
ANALYSIS OF THE ENVIRONMENT, ECONOMIC ACTIVITY AND THE EXPORT PROPOSAL OF GIRÓN AND SAN FERNANDO	20
2.1 Girón	20
2.1.1 Environment analysis	21
2.1.2 Analysis of Economic Activities.....	25
2.2 San Fernando	29
2.2.1 Environment Analysis	29
2.2.2 Analysis of Economic Activities.....	32
2.3 Chapter Conclusions	34
Chapter 3	35
INVESTIGATION OF THE EXPORT PROPOSAL OF SMALL AND MEDIUM ENTERPRISES IN THE GIRON AND SAN FERNANDO COUNTIES.....	35
3.1 Productive Generalities of the County, Production Sectors	35
3.1.1 Girón.....	35
3.1.2 San Fernando	36
3.2 Not Interviewed Businesses	39

3.2.1 Interviewed Businesses	43
3.3 Methodology	45
3.3.1 Application of the Interview	45
3.3.2 Process for the collection of interviews	49
3.4 Profile of the Interviewed Businesses and Associations	50
3.4.1 Association <i>Plantas Medicinales Kimsacocha</i>	50
3.4.2 Association of agricultural production "Talanquera"	56
3.4.3 Asociación Leocapas Unidos	60
3.4.4 Asociación Agroproductores Girón	64
3.4.5 Asociación Vida y Naturaleza	70
3.4.6 Asociación Natividad de Chumblín	75
3.4.7 Productos Lácteos San Fernando	80
Chapter 4	85
EXPORT SUPPLY DIAGNOSIS OF THE SMALL AND MEDIUM-SIZE	
ENTERPRISES OF GIRÓN AND SAN FERNANDO	85
4.1 Asociación de Plantas Medicinales Kimsacocha.....	85
4.1.1 SWOT analysis.....	85
4.1.2 Crossed SWOT analysis	86
4.2 Asociación Vida y Naturaleza	87
4.2.1 SWOT analysis.....	87
4.2.2 Crossed SWOT analysis	88
4.3 Asociación Talanquera	88
4.3.1 SWOT analysis.....	88
4.3.2 Crossed SWOT analysis	89
4.4 Asociación Natividad de Chumblín	90
4.4.1 SWOT analysis.....	90
4.5.2 Crossed SWOT	92
4.6 Agroproductores Girón Association.....	93
4.6.1 SWOT Analysis.....	93
4.6.2 Crossed SWOT	94
4.7 San Fernando Dairy Products.....	95
4.7.1 SWOT Analysis.....	95
4.7.2 Crossed SWOT	96
4.8 Chapter Conclusions	96
CONCLUSIONS AND RECOMMENDATIONS	97
BIBLIOGRAPHY	100
APPENDICES.....	102
Appendix 1: Export Audit applied to the companies. Example Lácteos San Fernando.	
.....	102

INDEX OF TABLES

Table 1.1 Comparative production table by country	7
Table 1.2 Parameters to classify MSMEs.....	17
Table 2.1 Land use by hectares.....	22
Table 2.2 Parish division of Girón.....	22
Table 2.3 Population by area	23
Table 2.4 Causes of migration in Girón.....	24
Table 2.5 Education level of Girón.....	24
Table 2.6 Economically active and inactive population of Girón	25
Table 2.7 Activities of the economically active population of Girón by gender	26
Table 2.8 Economic units of Girón.....	27
Table 2.9 Type of activity of the economic units in Girón.....	28
Table 2.10 Parish land area in San Fernando.....	30
Table 2.11 Male and Female Population in San Fernando	30
Table 2.12 Población por Área de San Fernando	31
Table 2.13 Migration of Canton San Fernando	31
Table 2.14 Population by gender according to instruction level in San Fernando	32
Table 2.15 PET of San Fernando by age range according to gender.....	33
Table 3.1 Economic Activities of Girón.....	36
Table 3.2 Milk Production	37
Table 3.3 Businesses that produce cheese in San Fernando	38
Table 3.4 Existing businesses in San Fernando	40
Table 3.5 Interviewed Businesses and Associations.....	43

INDEX OF PICTURES

Picture 3.1 President of the Kimsacocha Medical Plants Association.....	51
Picture 3.2 Students with Mrs. Natividad Zhiñín	51
Picture 3.3 Products of the Kimsacocha Medical Plants Association	53
Picture 3.4 Tea bags of some of the plants that the Association has	53
Picture 3.5 Example of the box of tree tomatoes	57
Picture 3.6 President of the Asociación Leocapas Unidos	60
Picture 3.7 Guinea pigs of the Asociación Leocapas Unidos	61
Picture 3.8 Tomato's greenhouse.....	61
Picture 3.9 Achira plants.....	65
Picture 3.10 Achira tuber	66
Picture 3.11 Achira bread packaging.....	66
Picture 3.12 Members of the Asociación Naturaleza y Vida.....	70
Picture 3.13 Students with Mrs. Doris Espinoza, president of the association.....	70
Picture 3.14 Productos of the Asociación Vida y Naturaleza.....	72
Picture 3.15 Pictures of the Association	75
Picture 3.16 Students with Mrs. Patricia Guiñín.....	75
Picture 3.17 Products of the Asociación Natividad de Chumblín	77
Picture 3.18 Chamburo Preserves.....	77
Picture 3.19 Mr. Martín Gavilanes, president of the company.....	80
Picture 3.20 Cheese of Productos Lácteos San Fernando	81

INDEX OF MAPS

Map 2.1 Political map of Girón	21
Map 2.2 Political map of San Fernando.....	29

INDEX OF CHARTS

Chart 1.1 MSMEs in Ecuador.....	18
Chart 2.1 Migration by age	23
Chart 2.2 Gender participation in the administration of economic units of Girón	28
Chart 2.3 Gender participation in economic units of San Fernando.....	31
Chart 2.4 PEA Economic Sectors of San Fernando of 2010	34

ABSTRACT

This research analyzes the exportable offer of Girón and San Fernando of the Azuay province, taking as a basis of the study micro, small and medium enterprises (MSMEs). This degree's project foundation is based on concepts of foreign trade and internationalization, from which a methodology called Export Audit is developed for the investigation and determination of the exportable potential and the productive vocation in the studied places, as well as to identify those companies most suitable to undertake a process of internationalization.

INTRODUCTION

The product exchange between countries has been fundamental for international trade and vitally important for national and global economies. The most well-known role is that of companies responsible for international trade. The main role of international commercial relations has been taken by big companies because of the large scale of production and capital they have access to, granting them the capacity to reach more distant markets, allowing them to cover global demand for the different products they offer.

However, little is said about the small and medium-sized enterprises (SMEs) that may be even more beneficial to foreign trade due to the great number of this type of businesses. They currently constitute most of the companies that export worldwide. SMEs "are part of 90% of the operating companies in Latin America, and employ 71% of private employees, which makes the growth of these companies a vital part for the development of the economy" (Rodríguez, 2005). They are an essential part in the progress of any country especially underdeveloped countries such as Ecuador.

According to Marco Barrera in his article: *Situation and Performance of Ecuador's SMEs in the International Market*, currently in Ecuador there are around 15,000 SMEs that employ 330,000 people. These small and medium industries have some important characteristics that allow them to achieve internationalization, such as: they are key factors for generating wealth and employment, they require lower investment costs, they have the possibility to obtain export niches for non-traditional goods generated in the area, they associate and face market demands easily, offer products that have a differentiating value and that cannot be obtained in all markets, among other characteristics (Barrera, 2001).

It is for these and more reasons, that small and medium enterprises, in this case of Girón and San Fernando, must be analyzed in detail to identify their possibility of internationalization. To achieve this, fieldwork was necessary in these two counties where the selected companies were interviewed, after analyzing them and verifying that they meet certain established criteria to be considered SMEs. In addition, the associated micro companies that exist in the area will be studied. After this selection, an Export Audit, prepared by the authors of this project, was applied based on examples proposed by the Ministry of Productivity and Pro Ecuador in which there are several questions related to

different company aspects. With the help of this tool a score of each aspect was obtained, allowing the recognition of the possibility of internationalization.

The final score was a result of the sum of points assigned according to the level of development of the organizational structure of the company, as well as financial aspects, characteristics of the product and production, and aspects of marketing and sales. In addition, the weaknesses, strengths, opportunities and threats that each of the companies possesses will be explained, this will allow to have a broader perspective of them, being able to identify if they comply with the necessary requirements to reach international markets, expanding not only the companies' borders and helping its economy, but also contributing to the country's worldwide diffusion.

CHAPTER 1

FOREIGN TRADE THEORIES AND THE INTERNATIONALIZATION OF SMALL AND MEDIUM ENTERPRISES

In the following chapter we will analyze topics that will help to understand the importance of the internationalization of a product, such as the knowledge of important concepts such as foreign trade, its origin and evolution over the years due to the theories generated by different experts, internationalization and Export Audit, its definitions and essential characteristics for its correct application. Finally, SMEs (Small and medium enterprises) will be analyzed establishing the concepts, characteristics and requirements according to the Andean Community. Each one of these topics will allow a better understanding of the selection of enterprises that will be analyzed in the subsequent chapters.

1.1 Foreign Trade Theories

1.1.1 Foreign Trade Generalities

Trade is considered as a “set of purchase transactions of goods, rights and services. It is an inherent activity of the exchange. It is the negotiation carried out by individuals and /or legal entities and the States selling, buying or exchanging goods” (Greco, 2005). Regarding foreign trade, the same author defines it as a " set of commercial transactions on merchandise and services performed by residents of a country with those of other countries or operations that a bank can access, complementing the requirements demanded by the Central Bank and with its authorization" (Ibid).

On the other hand, Fernando Lafuente (2012) in his collaboration *Aspects of Foreign Trade*, defines it as:

A foreign economy technique, called foreign sector, covers the set of trade relations of goods and commercial services of a country (residents) with foreign partners (non-residents) through sales or purchases that originate credits and obligations in foreign currencies and euros, a relationship that implies national and international legal obligation. It is to be described as external market circulation a national economy that, as a rule, exceeds the state border. Through this extraterritorial process, the national division of labor expands and ends up in the world economy.

These analyzed concepts are those that best define the broad and complex topic of foreign trade, a tool used since centuries ago that allowed empires of the time to carry out their commercial exchanges, each one contributing to the world economy and what we currently know as international relations.

1.1.2 History of foreign trade and its theories

Foreign trade has been a fundamental element for a community's development over the years. Its beginnings go back to the sixteenth century with the colonial empires of Europe, where trade...

“...becomes an instrument of imperialist policy. A country was rich or poor depending on the amount of gold and silver it had, and other precious metals. The empire looked to obtain more wealth at a lower cost. This mode of international trade became known as mercantilism and dominated during the sixteenth and seventeenth centuries. During the seventeenth and eighteenth centuries the leaders discovered that promoting foreign trade increased the wealth and therefore the power of their country” (Balladares, 2013).

Over the years more theories were developed explaining the reason and benefits of trade between countries. Experts tried to create models that would give the best predictions and descriptions of these activities and their benefits of the commercial capacity that a country may or may not have (Zhiñin, 2017). From the sixteenth century, with the beginning of mercantilism, theories progressively emerged: the absolute advantage of Adam Smith, the comparative advantage of David Ricardo, the theory of Heckscher and Ohlin, the paradox of Leontief, the theory of the product cycle of Raymond Vernon, until arriving at the new theories of international trade, that have appeared in the last century. Each one of these theories has allowed the evolution of the concept and development of foreign trade over time, however, we must remember that it is not a static system, but varies through time.

1.1.3 Mercantilism

This is the first known theory dealing with foreign trade. It appeared in 16th century England, when there began to be certain exchanges between empires, especially in Europe. What it proposed was to explain international trade based on the amount of gold and silver that a State possessed, since depending on the quantity of these metals, the wealth of the country could be quantified. This also reflected the strength of its trade and influence with other States. The fundamental pillar on which this theory is based is the

goal of maintaining a positive trade balance, that is, to never allow imports to exceed exports.

This theory does not promote an equilibrium, but rather to put the balance in its favor. To achieve this, the countries applying it started to take actions to reduce imports, therefore protectionism arose, with national policies that consisted of the payment of certain quotas or tariffs, which discouraged buying from other countries because of the added costs.

The idea regarding exports was to subsidize them and thus encourage people to sell their products internationally. Mercantilist theory was appropriate for the time, until in 1792 the economist David Hume determined the existence of certain failures in this theory because, although it increased the amount of gold and silver within the State, this in turn caused an oversupply of those metals causing inevitable inflation. This economist thus proposed the following example to more easily understand this theory's failure:

If England had an oversupply in the trade balance with France (if it exported more than it imported), the entry of gold and silver would increase the domestic supply of money and it will cause inflation in England. In France, on the other hand, the outflow of gold and silver would have the opposite effect: when the supply of money collapsed, prices would fall. This change of prices between France and England would force the French to buy less English goods (because they would have become more expensive), and the English, to buy more French products (because they would have become cheaper). The result would be the deterioration of England's trade balance and the improvement of France's trade balance, until the English surplus was eliminated. Therefore, no country could preserve an oversupply trade balance and accumulate gold and silver, as the mercantilists imagined (Hill, 2011).

This theory proposed a zero-sum game, which is based on a situation when two countries face each other, one remains as absolute winner, and the other as loser. There are no profits or mutual benefits. Careful analysis of this theory showed that following it would result in the collapse of trade, because of the lack of a similar state which can provide the necessary metals to perform transactions.

It is with this explanation that the theory of mercantilism is left behind to be replaced by newer theories, such as the absolute advantage, comparative advantage, etc. Even though their explanations were considered the most accurate at the time, this did not mean the total elimination of mercantilism, because in modern times there is a discussion of 'neo mercantilism' as explained by Hill (2011) in his book International Business:

Currently, those considered neo-mercantilists have taken political and economic power, having an oversupply in their trade balance. Critics argue that many countries have adopted a

neomercantilist strategy designed to increase exports while limiting imports. China is cited as a clear example of the application of a neomercantilist policy, because it deliberately keeps the value of its currency low with respect to the US dollar to be able to sell more products to the United States, so they can have an oversupply trade and reserves in foreign currency.

Protectionism is one of the most notable characteristics in the theory of mercantilism. What these countries are looking for is to reduce the level of internal unemployment they have and increase their economy, by relating these problems directly to a negative trade balance and low national income, which is why tariffs continue to be more common and frequently used in attempts to preserve the economy of a country, replacing in a certain way the main objective of mercantilism, accumulate in order to protect.

1.1.4 Absolute Advantage

This was a theory developed by Adam Smith in the late eighteenth century in his book *The Wealth of Nations*. Mainly, the idea proposed by Smith was that a country would always be efficient in one product and less efficient in another, which was more expensive to produce than to import. His theory proposes that countries should put all their effort and resources into producing a greater quantity of the product which they are by nature good at producing, and stop spending resources on those in which the cost of production is high, obtaining them through imports which are cheaper, and improve international trade.

This theory, in one way or another, pursued fair compensation for all merchant states, leaving aside the zero-sum game and achieving gains for both, State A and State B, thus forming a game of positive sum, complementing the countries with products that they by nature lacked, but thanks to international trade could obtain at reasonable prices.

While the mercantilists believed that one nation could benefit only at the expense of another and enacted a national policy of protectionism, Adam Smith argued that:

"... all countries could benefit from free trade and led a laissez-faire¹ policy. With free trade, the world's resources could be assigned efficiently, generating profits for each trading country. Any interference with the free flow of trade would obstruct the efficient allocation of resources throughout the world and would deny the world community the opportunity to enjoy the potential gains of trade."(Chacholiades, 1992).

¹ Absence of government interference in economic matters.

What this theory proposed was the principle of specialization, which consisted in the above, to use all the resources for a State to be exclusive in the production of a certain product. For Adam Smith “international free trade is fundamental, because it allows us to carry forward labor division to impossible levels to achieve in autarkic societies, or in those that delay commercial exchange. In this way, work becomes more productive and the economies more prosperous, contrary to what the mercantilist thinkers argued for several centuries” (Cue Mancera, 2014). The absolute advantage theory lasted until the early nineteenth century when David Ricardo appeared with the Comparative Advantage theory in which he stated that the Absolute Advantage was only a component.

1.1.5 Comparative Advantage

This theory developed by David Ricardo is based on Absolute Advantage. However, for this author this advantage had certain inconsistencies because basically it was based on the fact that each country should have at least one specialized product, but the question was what happened if a single country had the absolute advantage in all the products, because this probably meant that the trade could not be carried out according to the proposal by Adam Smith

“David Ricardo advanced Adam Smith's theory when he analyzed what would happen if a country had an absolute advantage in the production of all goods. Smith's theory of absolute advantage indicates that the country would not gain any advantage from international trade. In his 1817 book, *Principles of Economic Policy and Taxation*, Ricardo showed that this would not happen. According to his theory of comparative advantage, it is convenient for a country to specialize in the goods it produces more efficiently and buy from other countries what it produces less efficiently, even if this means buying from other countries goods, that it could produce with more efficiency.” (Hill, 2011)

Another of the existing gaps in Adam Smith's theory which was resolved by David Ricardo, was trade between unequal countries. Because in the case of the less developed country, it was possible that it did not produce any goods, therefore, it could not trade with other countries, and in the case of doing so with an advanced country it would have an international disadvantage making only those developed countries, able to produce any type of goods, obtain an absolute advantage being the only beneficiaries of international trade.

"For any observer of international trade, it was evident that voluntary trade between countries of different levels of development did not benefit some at the expense of others, but rather improved the position of all. This limitation of Adam Smith's theory

to explain the empirical evidence of international trade was satisfactorily overcome by David Ricardo's theory of Comparative Advantage" (Cue Mancera, 2014).

Comparative Advantage begins its analysis based on the problem of how to relate two different nations with relative price equality since one of these should use its resources to the maximum to obtain some good. It is with this premise that David Ricardo developed one of the best economic analyses of the time.

The comparative advantage argues that "even when a country is absolutely more or absolutely less efficient than other countries in the production of goods, profits can be obtained from trade, because the prices of a country are not the same that regulate the relative value of products at the time of exchange, or trade, between two or more countries" (Zamora Torres, 2008).

This theory analyzes the comparative or relative cost of the products between the countries that produce it and those who want to buy it. Instead of being based on the absolute value of the same, since this value will determine international trade.

These relative costs are not inexorably determined, at least not in most products, and do not depend solely on what happens in the market of a product. In general, they also depend on what happens in the markets of other products, in labor markets, in the markets of machines and equipment, and in other similar elements because the cost of production depends on the available technology, the availability of the various inputs and the demand for these resources generated by all the sources. In other words, relative costs are determined by what economists call *general equilibrium*, through the interaction of many sectors and different market types. The existence of these interdependencies makes the study of international trade and foreign direct investment a challenge. (Helpman, 2014)

An example to better understand this theory and its difference with the absolute advantage is the following. If we consider two countries, Ecuador and Chile, and two products cocoa and wine, with only one resource in between, labor. We add to this production the use of more technology, unlike the Adam Smith model. Chile could produce 1kg of cocoa in 5 days and 1lt of wine in 3 days, while Ecuador, due to its low technological level, requires 8 days for 1kg of cocoa and 20 days for 1lt of wine.

Table 1.1 Comparative production table by country

	Production by labor days	
	Cocoa (kg)	Wine (lt)
Ecuador	8 days	20 days
Chile	5 days	3 days

Source: Own elaboration based on data from the book *Economía internacional*, Agustín Cue Mancera

According to the explanation of the competitive advantage by Agustín Cue Mancera (2014) in the book *International Economics*, we will use the opportunity cost formula that can be defined as, “deciding in a world of insufficiency, means giving up something else, which in fact costs us the opportunity to do something else. That option is called opportunity cost”(Pérez Campdesuñer, 2012). To be able to compare the countries with their offered goods: $C = TCc1/TCw1$ and $C = TCc2/TCw2$, where 1= Ecuador and 2=Chile.

Through the table 1.1 we can conclude that the developed country is Chile and the undeveloped Ecuador. To perform the comparative analysis, the following is necessary: $TCc1=8$, $TCw1=20$, $TCc2=5$, $TCw2=3$. By executing the corresponding operations, we can determine which country has the lowest opportunity cost in cocoa and wine. In the case of cocoa, Ecuador ($TCc1/TCw1$) produces an additional cocoa unit, sacrificing 0.4 wine units, and Chile ($TCc2/TCw2$) produces an additional unit of cocoa, sacrificing 1.6 units of wine. It is concluded that the cost of cocoa production is lower in Ecuador than in Chile.

Regarding wine, Ecuador ($TCw1/TCc1$), produces an additional unit of wine by sacrificing 2.5 units of cocoa and Chile ($TCw2/TCc2$), produces an additional unit of wine sacrificing 0.6 units of cocoa, with this the conclusion is that the cost of wine production is cheaper in Chile, therefore, basing the conclusion on the opportunity cost, it is cheaper to produce cocoa in Ecuador and wine in Chile.

With this example there cannot be a single country with a higher opportunity cost in all goods, because if it is lower in one, it will be greater in another, without giving rise to a comparative advantage or disadvantage in all goods. “Comparative Advantage is one of the economic models that has proven to be extremely powerful and has resisted the test of time. Through numerous extensions of Ricardo's basic model, relatively simple

valuable information has been obtained on the nature of international trade” (Zamora Torres, 2008).

1.1.6 Heckscher-Ohlin theory

Despite being one of the best theories proposed, the comparative advantage did not integrate key elements of international trade and the domestic economy of a country. This theory elaborated by David Ricardo integrated technology as the only element that helped the production of goods. Almost a century later the economists Eli Heckscher and Bertil Ohlin decided to expand the theory of competitive advantage and consider the distribution of factors within each country.

The theory of these two economists was based on two elements “first that goods differ in their factor requirements and second that countries differ in their factor donations. According to Heckscher and Ohlin, a country has a comparative advantage in those goods that use their abundant factors intensively” (Helpman, 2014).

The factor endowment refers to those resources that a country has and are necessary to produce the goods it offers. Each country has different factors according to its economic solvency or geographic location, among these are: labor, land, and capital. The difference in factor prices between each State will depend on the amount that exists in it, the more abundant a factor is it will be cheaper. "Unlike Ricardo, Heckscher and Ohlin assert that the international trade scheme is determined by differences in factor endowments, rather than differences in productivity" (Hill, 2011).

Thus, for them, international trade is based on a country exporting those goods in which the factors that it has are used the most. A clear example would be Ecuador exporting agricultural goods, due to its large endowment of land, and the United States exporting fuel, which to be processed requires large capital. Trade between these two, according to the theory of Heckscher-Ohlin, is ideal despite their different development level, because each one is relatively abundant in one of the two factors.

Despite being a good theory, it has not been maintained in its totality because this model has gone through several adaptations that try to complement the ideas of international trade.

1.1.7 The Leontief Paradox

After the great impact Heckscher-Ohlin theory had on the international economy there were several critiques of it and some studies were carried out using it to prove its validity. However, none was as important as the study by Wassily Leontief. This Russian

economist thoroughly analyzed the theory, weighing the only two factors that it considered: capital and labor.

As much for Leontief as for most economists of the time, the United States was a country with plentiful capital but little labor. Using its *input-output* base methodology “It was proposed to calculate the ratio of capital per worker in the US export and import industries, as well as those that compete with the imports of that country. In fact, the most stringent test would have been to calculate the intensity of factors in the foreign industries that exported to the United States. However, the insufficiency or poor quality of the information abroad, led Leontief to use the *input-output* model in the US industries that competed with imports, that is, it followed an indirect procedure for its analysis” (Cue Mancera , 2014).

With this methodology, Leontief took the commercial data of the United States from 1947, hoping to verify that capital was mostly exported and work was imported. However, he found very different results, as labor exports and capital imports became more abundant. With this discovery a worldwide debate on these results was opened. On the one hand, there were economists who claimed that the Heckscher-Ohlin theory was not complete by only considering two factors of the many factors present in each country, and even more in an economy as complex as the United States. Others criticized Leontief arguing that 1947 should not be a year that can be considered for this type of study, being a post-war period in which all countries of the world were struggling to return to their former economies and to normalize everything.

It was with these observations that Leontief decided to apply his methodology once again for 1951, taking into account even more conditions. However, the results were the same, the quantities differed a little from the initial results, but exports were still larger in labor and imports in capital. Over the years there have been even more economists who have applied this paradox, obtaining the same results. However, from the last application of this by Stern and Maskus in 1981, it was concluded that despite having been a good methodology and having worked for a few years, it had stopped functioning since about 1970 when, through its analysis, the paradox had been reversed.

Despite its short duration, this model greatly helped to examine the Heckscher-Ohlin theory because, before this analysis, its defects and weaknesses were not considered, but only its strengths. It had been considered the best theory of existing international trade.

1.1.8 Product Cycle Theory

This model was developed in the middle of the 1960's by the economist Raymond Vernon. It attempts to explain the growth of transnational companies and the development of the products that they offer, since their massive production directly affects the world imports and exports. The main characteristic of this model was based on how much capital a country assigns to its research and development areas. With this investment they can produce technological devices that help improve production, analyzing how well or poorly the product is commercialized nationwide.

The product goes on the market at monopoly prices, primarily because the creator is the only one who is producing adequately at that moment. Over time, consumers from countries with similar socioeconomic composition (country B) wish to access this new technology, which is why they make purchases (imports) from the producer. However, producers in country B also feel capable of producing that technology or reproducing a similar one. Thus, they start production, and after a certain time they move the imports of country A, which made the first investment, producing for its local market and starting its exports. At this moment, both producing countries (A and B) feel the need to standardize their production in order to reduce costs, for which they look for countries (C) where they can carry out the product assembly processes, standardizing them and producing in scale, in order to reduce costs and be able to compete in different markets. At this point, the country that started the production of the new technological good (country A) ends up importing its own goods, because it is more competitive if the standardized production is made abroad (country C) (Rozas & Corredor, 2016).

The fundamental weapon to start a competition between two countries and the same product they offer is the price, so that each of them carefully analyzes the production costs and where it is cheaper to produce considering the workforce cost. Beginning to produce in their own countries, they then choose to produce in others equally advanced, finally deciding to produce in developing countries being the most economic option. "The consequence of these trends for the world trade scheme is that over time the United States goes from being an exporter of the product to importing it, as production is concentrated in cheap foreign places" (Hill, 2011).

The theory of the life cycle of the product was a good explanation of the functioning of international trade for the time in which it was developed because, despite not having alarming weaknesses and being a model quite accepted by economists, it cannot currently

be considered as a precise theory because of being developed based on the great influence and almost total American world domination in those years. At present, although the United States continues to be a major player in the world economy, there are many other equally important and influential actors, so it can be said that this model is currently limited.

1.1.9 The New Theory of International Trade

This theory appears in 1970 without a specific author. It is a compilation of ideas of several economists, which concluded that the new main characteristic of international trade is scale economics. These make an impact through large scale production, yielding a lower final unit cost as a result. This consequence is mainly achieved through cheap workforce or cheaper machinery that is more productive. Some important points on which it is based are:

"In the first place, trade, due to its effect on scale economics, increases the variety of products offered to consumers and reduces their costs. Second, in sectors where the requirement that production reaches scale economics, represents a significant proportion of total world demand, the world market only supports few companies. Therefore, world trade in certain products is dominated by countries whose companies started production" (Hill, 2011).

This theory, besides its key points, is also based on the concept that it is more feasible for a company to be a leader in exports of a specific product, if it were the first in the world market to offer this product, since it helps to have recognition, and having a massive production avoids or at least reduces the appearance of excessive amount of competitors. Finally, one of the most peculiar characteristics that make the difference between this model and the previous ones is that it does not take free trade as a principle, but rather approves the help of a government in its industrial sector so that its national economy can prosper.

1.2 Definition of Internationalization

Next, the concept of internationalization will be reviewed, the three ways it can be given, and its importance and the benefits given to companies will be explained. In addition, the difficulties faced by SMEs in a country that prevents them from achieving internationalization.

Internationalization "is a process that the company develops over the years and that includes all the business deals that can carry out in foreign markets. Thus, the concept of internationalization does not refer to a specific type of international business, such as

export, but to all of them, since a company may be doing different business in each of the markets outside of the country" (García, 2012). It is a path that many companies are currently taking for a variety of different reasons, both national and international, and what they mainly seek is to increase their income and make their way to the whole world, thus collaborating with the international economy.

Within internationalization as such, according to Alex Medina (2006) in his article *Causes of the internationalization of the company*, there are three ways to proceed, among them we have:

1 Exportation

This is the best known way by which a company can internationalize. It requires a low level of investment and it is not necessary that the company first offer its product nationally, but can offer it directly outside the national market. There are three ways to make an export, it can be direct, that is, when the company is the only one in charge of sending its products and controls all aspects of the business and the product capital exchange, indirect when it makes the export through a third party. This form is common when companies do not have the necessary experience to open themselves to the international sphere and need the support, knowledge, and alliances with third parties. Finally, mixed export, which combines the previous methods, thus facilitating the companies' transition to the international arena.

2 Contractual relationship with the outside world

This is based on granting certain rights to a company located in another country, in which companies commit themselves to comply with the conditions of exportation through a contract. This model establishes franchises, licenses, exterior manufacturing, management contracts, and exports through a representative company. Those involved seek to achieve a common goal through cooperation.

3 External investment

For this type a large amount of capital is required by the company located in country A that wants to make its investment in another company in country B. One of its main features is to offer a large investment in exchange for exercising a certain type of control over the company to which the capital is being allocated.

These are the main types of internationalization. Choosing between them will depend on each company and its existing capital or its experience. The main reason why a company

seeks to expand its borders is to increase its economic value, this motivation is considered universal.

The reasons for internationalization depend on the national situation, when a company begins to decline in their own country, often opening to new territories allows them to compensate for this loss with the profits that their product produces in other markets with lower location costs. Companies often find it cheaper to produce their goods in other places where resources and the process of obtaining them is significantly cheaper, thus improving their chain value. There are several other reasons that will depend on what the company wants to achieve, however, these are the most referenced at the time of expansion.

As in any international trade process, there may be certain difficulties that delay or prevent the internationalization of a company, some of the reasons explained by María Pilar Pardina (2005) in her book *Internationalization of SMEs* are:

- Customs processes. The main disadvantage faced by companies are the many tariffs or restrictions that countries have on certain products that make companies entry problematic.
- Language. There are several companies that are not fully trained in the required language if it is a foreign language country. However, this is considered a minor problem that can be resolved by direct or indirect means.
- Lack of knowledge of competitors. When in a different territory and in spite of having information of the market to which the company is directed, often all the competitors are not specified or there are some smaller ones that are not considered.

Despite the difficulties that companies may present in this process, internationalization is frequently considered as a common alternative for those who want to increase their value and obtain adequate growth through joining a globalized world.

1.3 Definition of Export Audit

The Export Audit is the analysis of certain aspects of a company. It consists of verifying that it has a product or service, carrying out a study of the sector, identifying objective markets, productive capacity and the managerial capacity of the management and employee team (PRO Ecuador, 2017). According to a presentation made by PRO Ecuador, Export Audit, and Diagnosis of Export Potential, Export Audits or Tests of Export Potential are "analytical tools through which you can evaluate strengths, weaknesses, threats and opportunities to conclude if a natural or legal person is in a

position to export, as well as areas in which the company must work to prepare its way for exportation."

The analysis is based on four aspects: strengths, weaknesses, opportunities and threats. Some of the strengths that a company can have are: trained personnel, maintaining a good and constant production and having personnel that speak other languages. Among the weaknesses are: having little or no experience in exports, limited access to financing or lacking a business plan. Opportunities are considered: growing markets, market niches and commercial agreements. The threats for companies are: competition, tariff or non-tariff barriers and prices that are handled in the global market.

When applying the Export Audit, we seek to:

- Diagnose the current situation of the company
- Identify viability and export capacity
- Identify areas in which skills will need to be developed for export
- Generate proposals and improvements aimed at seeking internationalization
- Serve as a base for the elaboration of export or internationalization plan
- Identify objective markets
- Identify competitive advantages of a product

It is necessary to evaluate three important pillars to analyze the export capacity of a company: the product, the market and internal aspects of the company. Regarding the product, you must verify the volume, the fragility, find optimal transport conditions, make the modifications to the product that are necessary to adapt it to international markets, give it enough differentiation and a distinctive mark. It is also important to evaluate the availability of the product that is why you should know the productive capacity of the company, the availability of raw material and the reaction of the company to extraordinary orders.

The second pillar is the market, one must know the consumer culture of the sector, identify the distribution channels, know the tariff and technical barriers and the import quotas available to a country. Finally, a very important aspect that must be known before exporting is the competition that may exist in the markets of the country of interest, it must be known about local manufacturers and the existence of equal or complementary products.

The third pillar is the company and essential characteristics for export are: availability of resources, ability to make new investments and processes to optimize resources and ensure product quality. The company must have the capacity to handle international operations, for this it needs personnel with experience in foreign trade, structuring prices for international negotiation and knowledge of necessary documents.

Other important tools that the company must have are promotional resources such as a website, brand, business cards and product technical specifications in at least two languages. In addition, depending on the country you want to export it is necessary that the company has certain permits and certificates that most countries require for products to enter, for example, international certifications such as Global GAP, ISO, BPM, organic or sanitary certification, phytosanitary or zoo sanitary registry. Another aspect that must be taken into account is the packaging because it must have certain specific characteristics such as labeling, packaging and packaging (PRO Ecuador, 2017).

The Export Audit is an indispensable analysis that must be completed by a company before making the decision to internationalize or to export the products it offers, because first it is necessary to know if the company is capable of complying with international requirements and their capacity to deal with the difficulties that come with selling to other countries.

1.4 Analysis of MSMEs: Micro, Small and Medium Enterprises

1.4.1 General aspects

Since the second half of the twentieth century, between 1950 and 1960 companies were segmented, the classification was based on certain factors such as: number of employees, annual sales, total assets, among other aspects that determine the level of development of the company, this is how the classification started and companies were divided into micro, small, medium and large companies (Elorza, 2017) It is true that large companies have played a very important role in the economy of countries and in international business, however in recent years micro, small, and medium enterprises (MSMEs) have played an important role in the economic and social development of a country. They have helped to create many job positions and to stop the concentration of capital in a few big companies. Over time, MSMEs have managed to obtain a spot in international commerce, which is becoming increasingly more important. In addition, the existence of these companies support and encourage the creation and development of new companies since every large company started as a micro, small, or medium enterprise.

Currently in Latin America, MSMEs make up 90% of the productive units, generate 60% of job positions and constitute one fourth of the region's GDP. However, these companies still require public policies that promote their development and help them achieve the necessary level of competitiveness so that they can be up to scale with similar companies in more advanced economies. The lack of innovation and the various obstacles imposed by the governments of Latin American countries do not help the development of these companies; there are factors that make it difficult to formalize MSMEs, such as tax rates, high costs and long and complicated processes to register companies (Elorza, 2017).

1.4.2 The Andean Community of Nations and the MIPYMES

The Andean Community of Nations (Spanish: Comunidad Andina, CAN) through its Decision 702 (Andean Community of Nations, 2011), regulates the actions of the governments of its four member countries: Ecuador, Peru, Bolivia and Colombia, in relation to MSMEs to boost their development and promotion. This Decision recognizes that MSMEs are an important part of the economy for their contribution to employment generation, economic growth and development, and for this reason it states that each country should obtain statistical information from MSMEs to facilitate the design, monitoring, and tracing, and thus be able to develop strategies and policies that allow them to access new markets, financing, and technology. In the same way, this statistical information enables the strengthening the national institutions that support MSMEs.

Article 1 of Decision 702 establishes that member countries have to commit to produce and publish community statistics on SMEs. Art. 3 determines the parameters to recognize MSMEs, which are indicated later in section 1.4.3 of this project. Art. 7 proposes the creation of a Manual of SME Indicators related to management, productivity, competitiveness, increase of exportation, among others. Article 10 establishes that, in Ecuador, the institution responsible for the transmission of data is the National Institute of Statistics and Information. Article 11 dictates the creation of the Andean Statistical System on SMEs (SAEPYME) for the collection and dissemination of statistics.

In addition to this, the Andean Community published its Decision 748 on May 27, 2011, which establishes the creation of the Andean Committee for Micro, Small and Medium-Sized Enterprises (CAMIPYME) to achieve greater knowledge of the economic markets of the Member Countries, for the benefit of all sectors and especially the small producers of the countryside and city. In the first article, it is resolved: "Article 1.- Create the Andean Committee for Micro, Small and Medium Enterprises (CAMIPYME), which will be made up of the highest national authorities responsible of the policies of promotion of

Micro, Small and Medium Enterprises of Member Countries. For this purpose, each country will designate a titular and an alternate representative. "

The CAN also published in May 2011, Decision 749, which establishes the need to create and implement the Andean Observatory of MSMEs (OBAPYME) to promote the development of MSMEs in the four member countries, since they contribute with 40% of the GDP of the sub region. The OBAPYME will be in charge of the promotion based on the observation, analysis and monitoring of performance, the evolution over time and the impact of business policies on the competitiveness that MSMEs can have.

1.4.3 Parameters to classify MSMEs

To classify companies in Micro, Small, Medium, or Large there are certain parameters that need to be considered, though they vary depending on the country, for example, the characteristics used in developed countries are different from those used in countries that are under developed.

The Andean Community of Nations, in its Resolution 1260, established the parameters that the four member countries must use to classify companies, which are detailed in the following table. Of the three variables, the one that primarily serves to classify a company is the Gross Value of the Annual Sales. This will be considered a priority over the other two criteria.

Table 1.2 Parameters to classify MSMEs

Variables	Micro	Small	Medium	Big
Number of employees	1 - 9	10 - 49	50 - 199	>200
Gross value of the annual sale (US\$)	<100.000	100.001 – 1.000.000	1.000.0001 – 5.000.000	>5.000.001
Value of total assets (US\$)	<100.000	100.001 – 750.000	750.001 – 4.000.000	>4.000.000

Source: Own elaboration based on data from the Andean Community of Nations (2008)

1.4.4 MSMEs in Ecuador

In Ecuador, 94% of the companies registered in the Superintendence of Companies have the characteristics of micro, small, and medium sized companies. What is produced by the MSMEs makes up 25% of the non-oil GDP of the country, and 60% of job positions are generated by these companies, micro companies employ 43% of the Economically Active Population (EAP), small companies employ 14.5% and medium companies 4.2%, according to the 2009 data from the National Institute of Statistics and Census. The economic sectors with the highest employment generation are the editing, printing, reproduction of recordings, and the furniture manufacturing sector with 16% each. The

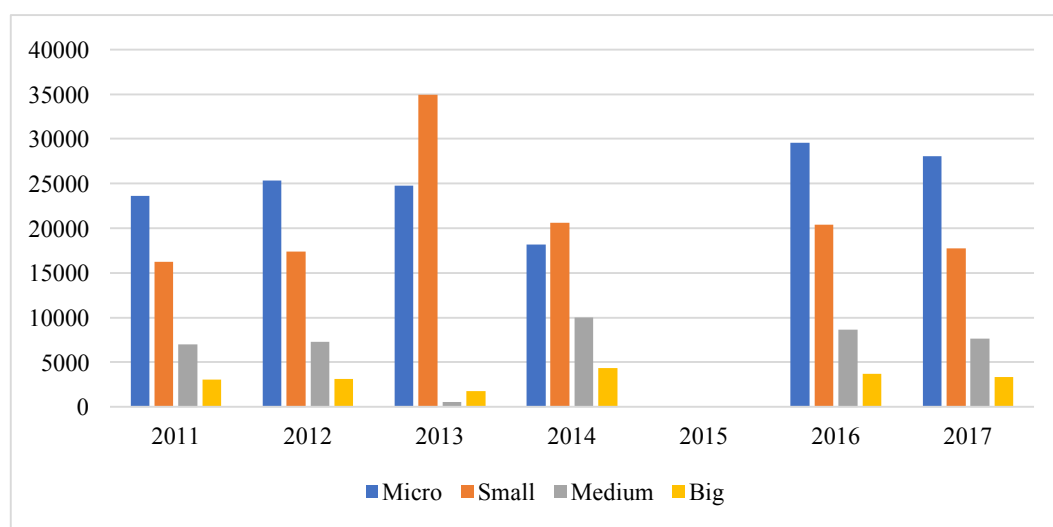
food and beverages production sector generates 15%, and the clothing manufacturing sector 14%, the rest is distributed in smaller proportions in other sectors (Corporación Ekos media, 2009).

MSMEs' contribution to the economy of the country is very significant. Unfortunately, in many of these companies it is possible to find certain problems that are frequently present in this type of company in Ecuador. These problems prevent them from achieving a sufficient growth and from developing the full potential they have. These are: lack of business organization and little formality. This causes companies to fail and not last longer than two years. Also, there are some MSMEs that are not even registered as companies in the Superintendence of Companies because many small entrepreneurs are dedicated to personally doing business.

According to the website of the Superintendence of Companies, Securities, and Insurance, and in accordance to the criteria established by the CAN, on Table 1.2, in 2017 in Ecuador there were 28.051 registered microenterprises which make up 49.5% of the total companies in Ecuador, 17,704 small companies representing 31.2%, 7,606 medium-sized companies that constitute 13.4% and 3,305 large companies that make up the 5.8% of the total companies.

The following chart shows the evolution of the number of MSMEs in Ecuador registered in the Superintendence of Companies, Securities and Insurance from 2011 to 2017. There is no data for 2015 on the website.

Chart 1.1 MSMEs in Ecuador



Source: Own Elaboration based on data from the Superintendence of Companies, Securities and Insurance (2017)

Despite Ecuador's efforts to change the productive matrix of the country, trade continues to be dominated by the export of primary goods. Oil, bananas, cocoa and shrimp are still the most important export products and represent a higher income for the economy. It is true that there have been improvements and changes in the economy, but there are still trade policies that need to be implemented and others to improve. Several companies, especially MSMEs, do not have the necessary support or find the optimal conditions to fully develop their potential.

1.5 Chapter Conclusions

The theories of foreign trade that were reviewed in this chapter are those that have led to the development of the current global trend of maintaining foreign trade relations between companies from all over the world. Countries depend on each other to have access to all products and services demanded by their markets. Certain goods can be produced more efficiently by a company in a specific country while another can provide the raw material needed to produce that good at a lower cost, helping and working with each other.

Not only large companies can be part of world trade, it is also necessary to take into account MSMEs that have an important role in the economic and social development of a country. In recent years, some international organizations such as CAN have regulated the actions of governments to promote the development and promotion of this type of company, which in many cases, due to their size, do not have the necessary support or diagnosis to increase their production, implement a higher level of technology, improve their practices, control the quality of their products or services, or learn how to organize themselves.

For this reason, it is very important to apply the concepts of internationalization and Export Audits, since they encourage the search for MSMEs, allow governments to provide assistance to these small and new enterprises that may have the potential to export their products or services and support the economy of a country.

Chapter 2

ANALYSIS OF THE ENVIRONMENT, ECONOMIC ACTIVITY AND THE EXPORT PROPOSAL OF GIRÓN AND SAN FERNANDO

In this chapter we will analyze the social, cultural and economic environment of San Fernando and Girón. It is important to know, in detail, the general aspects as they influence the economy of each of these counties. In addition, we will explain the types of economic activities to which the population is dedicated to and those that have determined the productive vocation of these places. In this way, it will be possible to identify the activities that may become stronger with the support and use of best practices. The information will be obtained from the *Plan de ordenamiento territorial* of 2016 of each county and the *Atlas de la provincial del Azuay* of 2012.

2.1 Girón

The county Girón was established on March 26, 1897 and currently consists of three townships, Girón, considered the county head, San Gerardo and La Asunción. Its history of becoming a county was long, due to the indecision of the successive governments in considering it or not a county of the Azuay province. In 1778 it was considered a township of Cuenca, annexing the current territories of Yunguilla, Nabón, Cochapata, Chaucha and San Fernando. In 1824 it was finally considered a county for the first time, when Ecuador was part of Gran Colombia. However, in the government of Urbina in 1854 the congress concluded that this county did not develop as expected, so it returned to its status as a township. This is how the history between being a county or township, depending on the decisions of the government, continued until 1897 under Eloy Alfaro, in which Girón was restored as a county until the present.

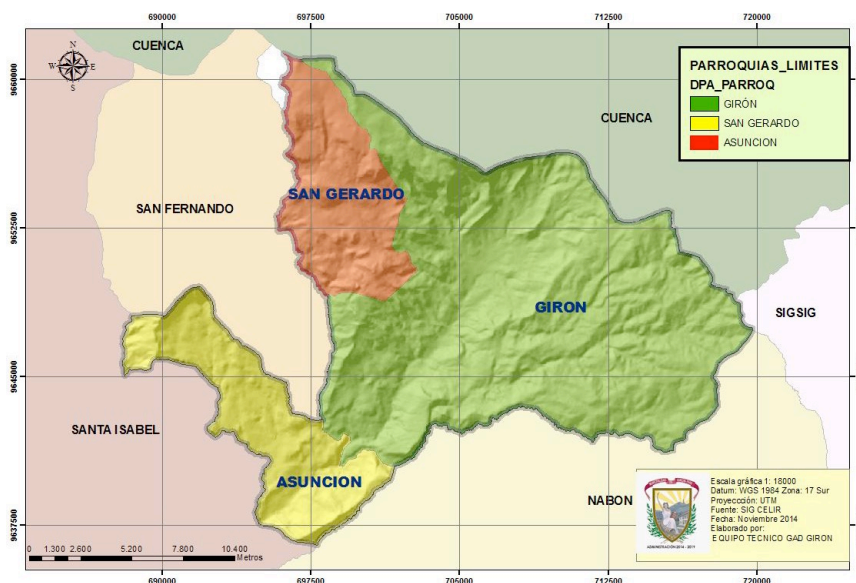
The problem of the official process of becoming a county occurred in 1996 when the municipality of Girón debated between what year would be considered due to the various decisions taken, finally making the decision that the first date in which it was considered as county of Azuay would be the official one.

2.1.1 Environment analysis

Girón is a county of the province of Azuay, and is located at the southwest of Ecuador, at 44 km from the provincial capital Cuenca. It has a surface of 350,1 km², it is approximately 4.2% of the total surface of Azuay. In accordance with the provisions of the National Boundary Council, these are the areas composing Girón:

- To the North: Victoria del Portete and Cumbe, belonging to Cuenca.
- To the East: Jima belonging to the countySíg sig, and Nabón.
- To the South: Las Nieves belonging to Nabón, and Abdón Calderón (La Unión) belonging to Santa Isabel county.
- To the West: San Fernando and Chumblín belonging to San Fernando, with the Santa Isabel Township (Chaguarurco) to the West.

Map 2.1 Political map of Girón



Source: Plan de Desarrollo y Ordenamiento Territorial Girón 2014-2019

Table 2.1 Land use by hectares

Use of land	Hectares	%
Populated area	132,39	0,38
Native forest	2290,66	6,54
Paramo	7235,5	20,65
Grassland	10577,24	30,19
Shrub vegetation	11884,37	33,92
Others	2911,33	8,31
Total	35031,49	100

Source: Own elaboration based on data from the Plan de desarrollo territorial y ordenamiento Girón 2014-2019

The distribution of land use in Girón is largely composed of shrub vegetation resulting in 33.92% of the total land, followed by grasslands, paramo, others, native forest and finally the populated area which constitutes 0.38% of the whole county. As for the township composition, it is formed by the following townships: San Gerardo, La Asunción and Girón, which is the county head. This county has 49 communities, 26 in Girón, 7 in San Gerardo and 16 in La Asunción.

Table 2.2 Parish division of Girón

Canton	Parishes	Area km ²	Percentage of occupied area	Population		
				Men	Women	Total
Girón		351		5777	6830	12607
	Girón	240,91	68,63%	3834	4603	8437
	La Asunción	58,55	16,68%	1429	1622	3051
	San Gerardo	51,54	14,68%	514	605	1119

Source: Own elaboration based on data from the Atlas de la provincia del Azuay 2012

As can be seen in Table 2.2 Girón (county) has a significant number of women compared to men, with 54.17% of the total population, this is due to the great migratory phenomenon that occurred in the country at the beginning of the new century, by which especially men of these small counties decided to migrate for work reasons. Girón is the largest township with a total of 8437 people and occupying an area of 68.63% of the total county, followed by the township of La Asunción and finally San Gerardo with a small difference from the previous one, in terms of territory, but with a big difference in terms of population. The common characteristic among the three townships is the greater number of women than men.

Table 2.3 Population by area

	Total population	Population by area		Area (Km2)	Population by km ²
		Urban	Rural		
Girón	12,607	4,016	8,591	350,99	35,92

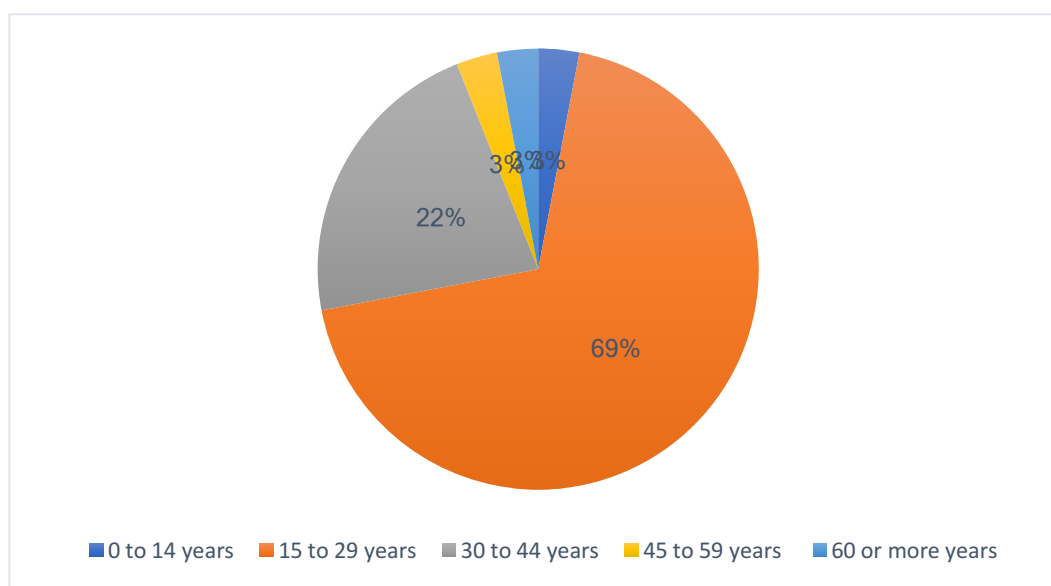
Source: Own elaboration based on data from the Atlas de la provincia del Azuay 2012

Table 2.3 allows us to recognize that most of the population in Girón is in the rural area representing 68.14% of the total population, the existing density in this geographical area is approximately 36 people per km².

2.1.1.1 Migration

Migration according to the *Atlas del Azuay* of 2012, is considering as the displacement of people for more than 6 consecutive months to another geographical area. In Girón, although it is true that it was very notable at the beginning of 2000 due to the economic crisis that enveloped Ecuador, in recent years it has continued for various reasons such as work and study, among others, however, men are the most inclined to leave Girón.

Chart 2.1 Migration by age



Source: Own elaboration based on data from the Atlas de la provincia del Azuay 2012

The most common age in which the population of Girón migrates is between 15 and 29 years old representing a 69% of the total, followed by people between 30 and 44 years old with a 22%, the remaining age ranges represent 9% of the total migration.

Table 2.4 Causes of migration in Girón

Canton	Gender		Causes of migration				Total
	Male	Female	Work	Studies	Family reunion	Other	
Girón	490	234	611	36	63	14	724

Source: Own elaboration based on data from the Atlas de la provincia del Azuay 2012

The biggest reason why people of Girón decide to migrate is for work, followed by family reunion and finally for studies, the latter is a displacement generally to Cuenca where people can access universities. Male migration in this county represents 67.67% of the total.

2.1.1.2 Education

The population of Girón, mostly in the rural area, have little access to education, which is why the percentage of students is low, those who can afford study, usually do so until finishing basic education and very few are those who move to other cities to study college.

Table 2.5 Education level of Girón

None		Basic education		High School		College	
Male	Female	Male	Female	Male	Female	Male	Female
2,40%	5,20%	33,60%	39,30%	6,30%	7,20%	2,50%	2,70%

Source: Own elaboration based on data from the Atlas de la provincia del Azuay 2012

Table 2.5 shows that most of the population completes basic education, especially women more than men with a difference of 5.7%, high school is completed by only a few people with graduation rates at 6.30% in the case of men, and a 7.20% for women. Girón does not have higher education establishments so those who wish to access it must make daily or weekly trips to cities which offer this education and in some cases migrate to other countries to get this type of education, which is why only 2.5% of men and 2.7% of women have a higher education degrees.

2.1.1.3 Weather

Girón has a predominantly cold climate in high altitudes, and temperate in low altitudes, with average temperatures between 10°C and 16°C throughout the year. This county has a recent problem with droughts, which is of great concern. Due to the well-known situation of global warming, there has been a serious decrease in the amount of water in rivers and streams, due to periods in which rain is scarce and the water sources do not satisfy the needs of the inhabitants.

2.1.2 Analysis of Economic Activities

2.1.2.1 The Population and Its Participation on Economy

The participation of people in the economy of their territory is essential its development, that is why the economically active population is the most important in this area. According to the *Enciclopedia de la política* compiled by Rodrigo Borja the economically active population is the set of people who, in a certain society, usually exercise an economic activity or can work, even if they are momentarily without occupation due to causes beyond their control.

According to the provincial atlas, all those over 10 years old who perform some economic activity during the week are considered active, and inactive people over 10 years old who devote themselves to different particular tasks during the week.

Table 2.6 Economically active and inactive population of Girón

Population on working	Economically active population			Economically inactive population		
	Total	Male	Female	Total	Male	Female
10035	50,10%	56,60%	43,40%	49,90%	32,90%	67,10%

Source: Own creation, based on data from the Atlas de la Provincia del Azuay 2012

In total in Girón there are approximately 10,035 people who are considered active, however, only 50.10% are performing economic activity and the remaining 49.90% do activities such as studying, housework, etc. Unlike previous tables, in this one we can note the relevance of men in economic activities, since it represents 56.60% of all the people who are currently working.

Table 2.7 Activities of the economically active population of Girón by gender

Economic activity	Male	Female
Agriculture, cattle raising, forestry and fishing	1264	1152
Mines and quarries exploitation	14	2
Manufacturing industries	183	115
Electricity, gas, steam and air supply	4	4
Water and sewage distribution	9	0
Construction	524	17
Wholesale and retail	208	265
Transportation and storage	158	13
Accommodation activities and food service	42	94
Information and communication	8	17
Financial and insurance activities	16	12
Real estate activities	2	0
Professional, scientific and technical activities	16	12
Administrative and support services activities	16	12
Public administration and defense	97	46
Teaching	50	63
Activities of human health care	23	26
Arts, entertainment and recreation	21	6
Other service activities	22	47
Activities of households	3	121
Undeclared	89	126
New worker	81	30
Total	2850	2180

Source: Own elaboration based on data from the INEC 2010

According to the previous table the primary sector, agriculture and cattle raising, is the one that occupies the largest workforce with 1,264 men and 1,152 women who are dedicated to these activities, therefore making it it is the largest source of employment. The secondary sector is manufacturing and construction, unlike the primary sector, these activities are the best paid. 183 men and 115 women work in manufacturing, while 524 men and 17 women work in construction. Finally, the tertiary sector is wholesale and retail, 208 men and 265 women work in this activity.

2.1.2.2 Economic Units

According to the national institute of statistics and geography of Mexico, economic units are the statistical units on which data is collected. They are mainly dedicated to a type of activity on a permanent basis, combining actions and resources under the control of a single proprietary entity or controlling entity, to carry out production of goods and services, whether for commercial purposes or not.

The following definitions are taken according to the classification of economic units made in the *Atlas de la Provincia del Azuay*:

- Only establishment: a single place where the economic activity takes place.
- Matrix: place where economic activity may or may not be carried out, but they manage branches that carried the economic activity.
- Branch: establishment where the economic activity is carried out but not managed in the place, depending on the matrix.
- Auxiliary: small places that do not have economic activity, but supports an establishment that does.

Table 2.8 Economic units of Girón

Canton	Economic Units	Establishment type				Occupied staff
		Only establishment	Matrix	Branch	Auxiliary	
Total	36158	31598	1111	2566	883	133974
Girón	585	529	10	33	13	1224

Source: Own elaboration based on data from the Atlas de la provincia del Azuay 2012

Girón has 585 economic units of which, the representative ones are the only establishments, that is to say, in which both the economic activity and the administration of the same are carried out with a 90.4% of all the units, followed by the branches, the auxiliaries and finally with 10 establishments, the matrices. The total number of people working within these economic units is 1,224, that is, 9.7% of the population of Girón.

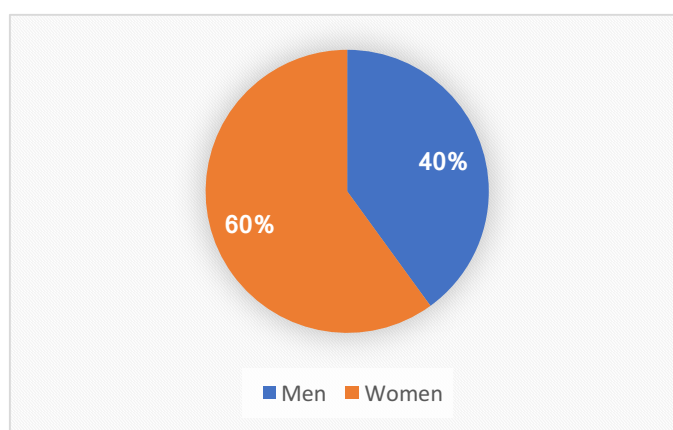
Table 2.9 Type of activity of the economic units in Girón

Canton and activity type	Economic Units	Occupied staff			Total incomes (millions of dollars)
		Total	%Female	%Male	
Provincial	35275	133974	61204	72770	10.376.214.418
Girón	585	1224	735	489	17.076.412
Manufactured industries	67	98	49	49	643.872
Trade	330	493	334	159	8.665.685
Services	188	630	350	280	7.766.855

Source: Own elaboration based on data from the Atlas de la provincia del Azuay 2012

Trade is the economic activity with most establishments, representing 56.4% of all economic units in Giron, after this is the service sector with 32.13% and finally manufacturing industry with 11.47%. In the same order they are located by the amount of income in millions of dollars they generate. The presence of gender in each type of activity is distributed: in manufacturing industry in equal numbers, and in commerce and services there is a greater presence of men.

Chart 2.2 Gender participation in the administration of economic units of Girón



Source: Own elaboration based on data from the Atlas de la provincia del Azuay 2012

The difference between the administration of economic units, based on gender is significant but not extreme, because there is a well-known female participation that is 20% higher than male participation, which is supported by the greater number of female population in Girón.

2.2 San Fernando

What is currently the San Fernando county was formerly called Leoquina by the Cañaris. With the arrival of Sebastián de Benalcázar in 1534, it changed its name to Pacaybamba due to the abundant existence of the Pacay tree. One of the first populations of Azuay lived in this territory. In the 20th century a committee was created to turn San Fernando into a county, the committee was made up of a group of inhabitants of what was the township of San Fernando, the chairman of the committee was the Agr. Serafín Moscoso Durán. The process began and the National Congress approved after 10 months the creation of the seventh county of the Azuay province during the government of Ing. León Febres Cordero. San Fernando became a county on May 6, 1968 (Prefecture of Azuay, University of Azuay, 2012).

2.2.1 Environment Analysis

The county of San Fernando is located at the southwest of the province of Azuay, at an altitude of 2700masl, it has a cold weather with an average temperature of 13°C. San Fernando limits to the North with the county of Cuenca, to the South and East with the county of Girón, and to the west with the county of Santa Isabel.

Map 2.2 Political map of San Fernando



Source: PDOT 2016 – Municipality of San Fernando

As established by the Territorial Ordinance Plan (Initials in Spanish: PDOT) of 2016, the county is divided into two townships: The township of San Fernando, where the county head and the rural township of Chumblin are located. The area of each one of them are the following:

Table 2.10 Parish land area in San Fernando

Parish	Area (km ²)	Percentage
San Fernando	117,69	84%
Chumblín	22,82	16%
Total	140,51	100%

Source: Own elaboration based on information from the PDOT of San Fernando 2016

As it is shown on Table 2.10, the San Fernando township occupies the largest part of the area: 117.69 km², which is 84% of the total territory, while the Chumblín township occupies an area of 22.82 km², 16% of the remaining area, which gives a total area of the county of 140.51 km².

As for the population, San Fernando has a birth rate of 16 children per 1000 inhabitants and there are 129 women per 100 men, which means that there is a high female index. This is the result of the migration process that the county has undergone. However, this rate changes in the population under 1 year of age, where the male index is higher, the birth rate indicates that there are 114 men for every 100 women in this age range, between 30 and 49 years old, the female index is greater.

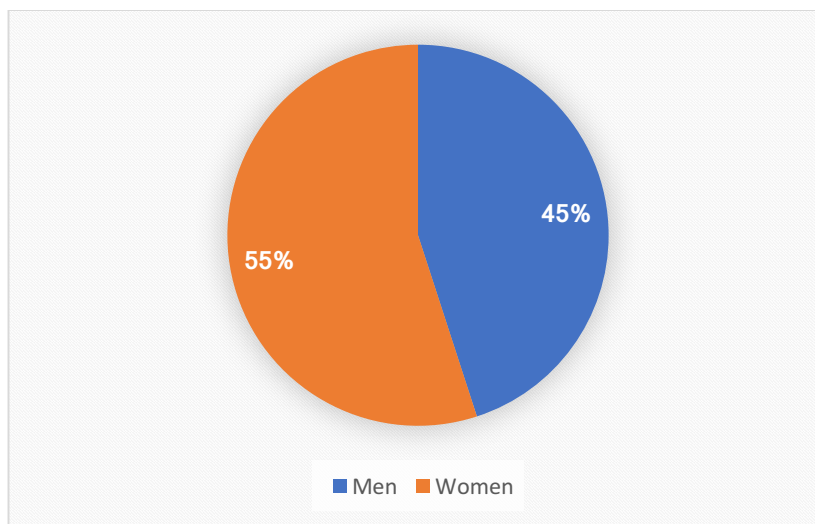
Table 2.11 Male and Female Population in San Fernando

		Inhabitants		
Canton	Parish	Male	Female	Total
San Fernando	San Fernando	1417	1827	3244
	Chumblín	327	422	749
Total		1744	2249	3993

Source: Own elaboration based on information from the Atlas of Azuay 2012

The table shows that of the 3,993 inhabitants of the county, 2,249 are women. In the two townships, the female gender is a majority. This has resulted in women having more participation in the administration of economic units, 55% are managed by women as can be seen in the following chart.

Chart 2.3 Gender participation in economic units of San Fernando



Source: Own elaboration based on information from the Atlas of Azuay 2012

The greater amount of the population of San Fernando lives in the rural area of the county. 1,464 people live in the urban area while 2529 live in the rural area. This is because the rural area is the most extensive and occupies most of the territory. San Fernando has a density of 28.13 inhabitants per km².

Table 2.12 Population per area in San Fernando

County	Population	Urban	Rural
San Fernando	3993	1464	2529

Source: Own elaboration based on information from the Atlas of Azuay 2012

2.2.1.1 Migration

As in the entire province of Azuay, migration has affected San Fernando. According to the 2010 Census, 319 people migrated abroad between November 2001 and November 2010, of which 205 were men, representing 64.26% and 114 are women, representing 35.74% of the people who migrated. The main reasons for migration are work, studies, and family unity, among others. In the following table it can be seen that 88.4% migrate in search of work, 6.26% by studies and 5.01% by family union.

Table 2.13 Migration of Canton San Fernando

County	Gender		Causes of migration				
	Men	Women	Work	Studies	Family reunion	Other	Total
San Fernando	205	114	282	20	16	1	319

Source: Own elaboration based on information from the Atlas of Azuay 2012

It should be taken into account that 1,086 people migrated representing 27.19% of the total population of the county. 70.63% of these people made a migratory movement within the country, and 29.37% made an external migration. The main reason for internal migration is work, since 51% migrates to other provinces or counties for this reason and the remaining 49% do so to study. Most of the migrants are within the working-age population, between 15 and 34 years old, they represent 74.46% of the migrant population. 68.45% of the people who migrate choose the United States as their country of residence.

2.2.1.2 Education

70.16% of the population in the rural area has reached a level of primary and basic education, while in the rural area that rate is 53.77%. The average level of education and high school graduation represents 27.78% in the urban area and 15.59% in the rural area. Finally, the urban population has reached 10.08% at the top level, while the rural population has reached 3.48%. In the table below the percentage of people by sex and the level of instruction they have reached throughout the county can be seen (Municipal GAD of San Fernando, 2016).

Table 2.14 Population by gender according to instruction level in San Fernando

County	None		Basic level of education	
	Male	Female	Male	Female
San Fernando	1,50%	4,50%	32,90%	40,40%

High School		Bachelor		Presschool	
Male	Female	Male	Female	Male	female
6,40%	7,80%	2,40%	3,70%	0,30%	0,20%

Source: Own elaboration based on information from INEC census 2010

2.2.2 Analysis of Economic Activities

In San Fernando, there are 2,553 people who are in the Working Age Population (In Spanish: Población en Edad de Trabajar, PET), for which people between 15 and 74 years old are considered. Of these, the highest percentage corresponds to women because the migration has affected San Fernando for many years and has caused mainly women to take care of their family and dedicate themselves to work.

Table 2.15 PET of San Fernando by age range according to gender

Age Range	Male	Female	Total	%
15 to 19 years old	208	240	448	17,5
20 to 24 years old	168	195	363	14,2
25 to 29 years old	101	147	248	9,7
30 to 34 years old	61	108	169	6,6
35 to 39 years old	67	121	188	7,4
40 to 44 years old	62	122	184	7,2
45 to 49 years old	65	104	169	6,6
50 to 54 years old	75	94	169	6,6
55 to 59 years old	70	81	151	5,9
60 to 64 years old	54	96	150	5,9
65 to 69 years old	67	83	150	5,9
70 to 74 years old	65	99	164	6,4
Total	1063	1490	2553	100

Source: Own elaboration based on information from PDOT 2016 San Fernando

In the table it can be seen that 31.76% of PET are between 15 and 24 years old, most of these 811 people are studying. The inhabitants between the ages of 25 and 74 make up 68.24% of the PET. Not all PET is working or looking for a job, this is why the Economically Active Population (EAP) are the people who contribute with work and labor, that is, who contribute or are available for the production of goods or services. According to the 2010 census, the PEA of San Fernando is 1701 people who make up 42.59% of the total population and 24 people were looking for work.

As for the economic sectors in which the PEA is distributed, the first is agriculture and livestock that occupies 54.32% of these 1,725 people, and of which 28.35% are women and 25.97% are men. The secondary sector is Industry and manufacturing consisting of electricity, gas, steam and air conditioning, water distribution, sewage and waste management, and construction with 15.77% of the economic population, where 13.45% are men and 2.32% are women. Finally, the tertiary sector is that of wholesale and retail trade, transportation and storage, housing activities, professional, scientific and technical activities, etc. The tertiary sector has 29.91% of the economic population, men represent 12.41% and women 17.51% (PDOT, 2016).

Graph 2.4 PEA Economic Sectors of San Fernando of 2010



Source: PDOT 2016 – Municipality of San Fernando

Among the economic activities that generate the most income to the county are those that belong to the primary sector, and within it the most significant is milk production. It is estimated that 750,000 liters are commercialized at 0.35 dollars, which generates an income of \$ 262,500 per month.

2.3 Chapter Conclusions

This chapter, being a compilation of the most relevant information obtained from both the province Atlas and the Development and Territorial Organization Plan, has allowed recognition of the general characteristics of Giron and San Fernando counties, social and economic environment. Through this it can be concluded that these two counties have very similar characteristics in the areas mentioned above.

Regarding the social issue, these two areas have a common problem, migration, because due to the abandonment of their native places, mostly men, has caused those who remain in these territories not to dedicate themselves to innovative economic activity, having got used to using the remittances sent by their relatives to survive and move on without the need to create or find a business to sustain themselves. In these two counties, there are a significant number of people living in the rural area compared to the urban area.

Finally, economically, both counties share once again practicing farming activities. As these areas are considered purely agricultural and livestock, most of the economically active population is dedicated to these two areas, either to the extraction of raw milk and its subsequent processing in cheese or yogurt, or to the planting and harvesting of plants for sale. The main source of income in these two counties comes from these activities, so the associations / companies to interview are directed to them.

Chapter 3

INVESTIGATION OF THE EXPORT PROPOSAL OF SMALL AND MEDIUM ENTERPRISES IN THE GIRON AND SAN FERNANDO COUNTIES.

The information collected from the economic activities carried out by the assigned counties will be detailed in the next chapter to later analyze the existing exportable supply. Generalities of all the associations and SMEs that exist in these counties will be described. However, for the selection of those that have an exportable offer, we will choose the ones that meet the requirements to be an SME mentioned in Chapter I. The selected SMEs and associated micro enterprises of Girón and San Fernando that were visited and studied with interviews will be described, indicating their year of founding, location, offered products, among other characteristics concerning the organizational, financial, production and sales areas. The mentioned areas will be scored with the application of an Export Audit, that will facilitate determining whether each company or association interviewed is suited for exportation in the future.

3.1 Productive Generalities of the County, Production Sectors

3.1.1 Girón

This county is characterized by its high productivity in branches related to agriculture, animal breeding, forestry and fishing, all activities composing its primary sector. Most of the economically active population of this county works in the mentioned activities as they are the main source of employment and, therefore, income in Girón. In the following table the main productive activities of this county will be indicated.

Table 3.1 Economic Activities of Girón

Activity	Parrish			Total	%
	Girón	Asunción	San Gerardo		
Agriculture, animal breeding, forestry y fishing	1520	608	275	2403	47,99
Manufacture Industries	212	68	18	298	5,95
Construction	383	108	46	537	10,72
Wholesale and retail	372	81	20	473	9,45
Transportation and storage	103	62	6	171	3,42
Others	857	220	48	1125	22,47
Total	3447	1147	413	5007	100

Source: Own elaboration based on information from the Territorial Development and Organization Plan of Girón 2014-2019

As seen on Table 3.1, what was stated in the above paragraph is verified. Agriculture, animal breeding, forestry and fishing are the activities that generate more employment for the economically active population. Followed by these is construction, which belongs to the secondary sector, one of the most important sectors in the county due to the constant need for labor to build houses. This occupation is equally important in the urban as in the rural area and generates an important amount of income to the economy of the county. It is better remunerated than agriculture or animal breeding. Followed by these, is the tertiary sector of wholesale and retail, which include mainly small shops and transportation, and still represent an important source of income for Girón.

3.1.2 San Fernando

People from San Fernando mainly focus on agriculture and dairy activities. The production of dairy foods is done by hand in most cases, and represents an average income of \$4,756 per day, which result in \$142,680 per month. 750,000 liters of milk are produced daily, sold at \$0.35 each, this generates an income of 262,500 dollars (Municipal GAD of San Fernando, 2016).

It is important to note that almost all families have milk production, they make cheese and *quesillo*². An estimated 600 pounds and a minimum of 50 pounds of cheese and quesillo are produced by almost all the families in San Fernando. If a family produces an average amount of cheese they will have a monthly income of \$285. The 933 producers

² Type of cheese that is famous in Ecuador.

of milk obtain 6 liters per cow per day of the 2,799 productive cows of the county, which gives an approximate of 503,828 liters per month and 35,631 per day. 11% of milk and processed products is destined to consumption while 89% is sold (Municipal GAD of San Fernando, 2016).

Table 3.2 Milk Production

Monthly liters of milk	Number of Producers	Number of cheese factories	Destination of the products	Number of productive cows
503.828 liters	933	20	11% consumption and 89% commercialization	2799

Source: Own elaboration based on information of the Territorial Development and Organization Plan of Girón 2016

In San Fernando, there are 20 micro-enterprises that produce cheese, some of them have recently started producing yogurt, milk sweets and other types of more processed cheeses that are sold at higher prices. Each business obtains its milk from 6 to 50 suppliers and 12 of these companies prefer to sell their products on the coast.

The activity that generates the most income is the production of cheese. The 20 micro-enterprises that make cheese sell it at a price between 1.40 to 1.50 dollars per pound and the types of cheese that are produced are: fresh cheese, fresh pasteurized cheese, raw cheese, leaf cheese, and *quesillo*.

Table 3.3 Businesses that produce cheese in San Fernando

Business	Product	Processed liters per day	Number of providers	Where they sell	Sale price per pound	Amount sold per day
Lácteos San Fernando	Cheese Yogurt	2500	50	Cuenca Machala,	1,5	600lb
El Paraíso	Cheese	1000	50	Naranjal	1,2	450lb
Busa	Cheese	1200	20	Guayas	1,25	450lb
Lácteos Siranaula	Cheese	1000	15	El Oro	1,25	350lb
El Vaquero	Milk	300	10	Unión	1,2	300lbs
La Estancia	Cheese	800	20	Machala	1,25	260lb
Rosas	Cheese	250	19	Machala	1,3	260lbs
El Buen Amigo	Cheese	980	30	Milagro	1,5	180lbs
Las Gemelas	Cheese	470	18	Naranjal	1,2	180lbs
Pacay	Cheese	450	12	Machala	1,2	160lbs
El Lucerito	Cheese	400	28	Machala	1,25	150lbs
La Mar	Cheese	250	30	Cuenca	1,6	150lbs
Dayanita	Cheese	700	8	El Oro	1,3	100lbs
El Porteño	Cheese	150	6	Machala	1,15	50lbs

Source: Own elaboration based on information from the Municipality of San Fernando 2010

In addition, San Fernando carries out some activities that give an added value to its products. Among these activities is the production of *chamburo*³ jams and sweets, *horchatas*⁴ from medicinal plants, soaps, oils and homemade creams, and an association that makes knitted fabrics.

According to the information from the San Fernando PDOT there is a business that is dedicated to planting, cultivating, and harvesting medicinal plants. This information was collected by the Municipal GAD in 2012. However, after investigating and carrying out work in the field, it was found that there are two associations that sell dried and packed medicinal plants. They also make homemade products such as soaps, shampoo, ointments and oils based on the medicinal plants that they harvest. In addition, there are 1640 Agricultural Productive Units, APU⁵. 32.5% of the APU of San Fernando are smaller

³ It is a fruit that can be found in some areas of Ecuador.

⁴ An Ecuadorian traditional drink made of a mixture of medicinal plants.

⁵ According to the INEC, the APU are extensions of land of 500m² dedicated to agricultural production for sale and are considered economic units.

than one hectare, 18.10% are between 1 and 2 hectares and 0.18% have an extension of more than 200 hectares.

3.2 Not Interviewed Businesses

The following businesses were not considered for the application of the interview, mainly because these are considered micro companies. This type of company is not going to be investigated for this project. However, it is important that they are known in case this information is necessary for future productive studies of San Fernando and Girón. The reason why these are not being chosen is specified in the Methodology section.

Table 3.4 Existing businesses in San Fernando

TIN	Business Name	County	Parish	Economic Activity	Type
100473446001	Tirado Reiban Juan Bautista	Girón	Asunción	Production of raw cow milk	Micro
100984228001	Yunga Idrovo Gladys Victoria	Girón	San Gerardo	Elaboration of butter, cheese and serum	Micro
101156792001	Ramón Sanmartín José Roberto	Girón	Girón	Production of raw cow milk	Micro
101169472001	Castillo Orellana Luis Hugo	Girón	Asunción	Production of raw cow milk	Micro
101221208001	Tacuri Lautaro Gustavo	Girón	Asunción	Production of sugar cane alcohol	Micro
101224673001	Tacuri Gavilanes Aníbal Lautaro	Girón	Asunción	Production of Panela	Micro
101276418001	Tuba Lojano María Rosa	Girón	Girón	Production of raw cow milk	Micro
101302347001	Sánchez Vallejo Gladys Yolanda	Girón	Girón	Preparation and sale of morocho	Micro
101548469001	Uchupaille Pando José Manuel	Girón	Asunción	Production of raw cow milk	Micro
101731040001	Vásquez Sánchez Mario Humberto	Girón	San Gerardo	Production of raw cow milk	Micro
101879484001	Villa Pogllo Rosa María Etelvina	Girón	Girón	Production of raw cow milk	Micro
102438272001	Idrovo Machuca José Gonzalo	Girón	Asunción	Elaboration of other milk products: Milk delicacy	Micro
102466018001	Granda Balladolid Rosa Inés	Girón	Girón	Tomato and pickle crops	Micro
102535572001	Soria Paute María Ángeles Aurora	Girón	Girón	Production of raw cow milk	Micro
102604741001	Zhiñin Lalvay María Laura	Girón	Girón	Production of raw cow milk	Micro
102674801001	Quizhpi Picón Lourdes Yolanda	Girón	Asunción	Elaboration of handicrafts	Micro
102779030001	Terán Mosquera Diego Ramiro	Girón	Girón	Production of raw cow milk	Micro
102874773001	Uchupaille Ríos Rómulo Alfonso	Girón	Asunción	Production of raw cow milk	Micro
102906203001	Abril Quinde Gladys Celina	Girón	Girón	Production of raw cow milk	Micro
102970332001	Guallpa Panjon María Berzabeth	Girón	San Gerardo	Production of grass	Micro
102989886001	Palacios Delgado Trinidad Del Roció	Girón	Girón	Footware wholesale	Micro

103281960001	Mendieta Erraez María Bolivia	Girón	Girón	Girón	Clothing wholesale	Micro
103490827001	Yunga Uchupaille Bilma Beatriz	Girón	Girón	Asunción	Production of raw cow milk	Micro
103676847001	Panamá Vele Moisés Javier	Girón	Girón	Girón	Guinea pig breeding	Micro
103787024001	Otavalo Cárdenas María Angelita	Girón	Girón	Asunción	Vegetables, spinach, lettuce, celery, parsley crops	Micro
103986790001	Zhuzhingo Arévalo Manuel Patricio	Girón	Girón	San Gerardo	Elaboration of butter, cheese and serum	Micro
104239108001	Naula Ordoñez Segunda Celidonia	Girón	Girón	Girón	Production of raw cow milk	Micro
104572581001	Panjon Arévalo María Esthela	Girón	Girón	San Gerardo	Elaboration of butter, cheese and serum	Micro
105074090001	Siranaula Chacha Pedro Fernando	Girón	Girón	Asunción	Elaboration of butter, cheese and serum	Micro
105084636001	Hernández Sánchez Viviana Del Rocío	Girón	Girón	San Gerardo	Production of raw cow milk	Micro
105179774001	Terán Mosquera Damián Andrés	Girón	Girón	Girón	Production of raw cow milk	Micro
300970563001	Hernández Guzmán Raimundo	Girón	Girón	San Gerardo	Production of raw cow milk	Micro
602775645001	Quindi Morocho José Pedro	Girón	Girón	Girón	Cutting, carving and finishing of marble	Micro
700931868001	Loza Vivanco Rogelio	Girón	Girón	Girón	Sportswear clothing production	Micro
703580092001	Pauta Rodríguez Maritza Del Pilar	Girón	Girón	Girón	Clothing wholesale	Micro
140058413000	Sigcha Yunga Lourdes Alexandra	Girón	Girón	Asunción	Elaboration of butter, cheese and serum	Micro
100464049001	Gavilanes Peralta Sergio Bolívar	San Fernando	San Fernando	San Fernando	Production of raw cow milk	Micro
100467299001	Yanza Carehipulla Segundo Miguel	San Fernando	San Fernando	San Fernando	Production of raw cow milk	Micro
100642669001	Idrovo Monge Rafael Ambrosio	San Fernando	San Fernando	Chumblin	Production of raw cow milk	Micro
100914985001	Quito Piedra Luis Enrique	San Fernando	San Fernando	San Fernando	Production of raw cow milk	Micro
101148898001	Guallpa Guallpa Manuel Celestino	San Fernando	San Fernando	Chumblin	Production of raw cow milk	Micro
101318525001	Cárdenas Tintín Pedro Guillermo	San Fernando	San Fernando	San Fernando	Elaboration of butter, cheese and serum	Micro
101325579001	Criollo Peña Lucrecia Isabel	San Fernando	San Fernando	San Fernando	Production of raw cow milk	Micro

101345973001	Azaña Pasato Manuel Jesús	San Fernando	San Fernando	Elaboration of butter, cheese and serum	Micro
101345973001	Azaña Pasato Manuel Jesús	San Fernando	San Fernando	Elaboration of butter, cheese and serum	Micro
101359222001	Guallpa Panjon Carlos Arcenio	San Fernando	Chumbblín	Production of raw cow milk	Micro
101405520001	Vásquez Guzmán Alfredo Justiniano	San Fernando	Chumbblín	Production of raw cow milk	Micro
101577682001	Monje Guanga Mariana De Jesús	San Fernando	San Fernando	Production of raw cow milk	Micro
101662997001	Idrovo Manuel Emiliano	San Fernando	San Fernando	Elaboration of butter, cheese and serum	Micro
101825636001	Pasato Pasato Carmen Rosario	San Fernando	San Fernando	Elaboration of butter, cheese and serum	Micro
101877298001	Tintín Teresa De Jesús	San Fernando	San Fernando	Elaboration of butter, cheese and serum	Micro
102263167001	Pasato Plaza Rina Del Carmen	San Fernando	San Fernando	Preparation of juices, nectars, fresh fruit concentrates and vegetables.	Micro
102357084001	Urbina Suscal Brígida Inés	San Fernando	Chumbblín	Production of raw cow milk	Micro
102389707001	Murillo Vega Martha Margarita	San Fernando	San Fernando	Elaboration of butter, cheese and serum	Micro
102516390001	Encalada Siranaula Rafael Eduardo	San Fernando	San Fernando	Production of raw cow milk	Micro
102657137001	Idrovo Machuca Víctor Ramiro	San Fernando	San Fernando	Production of raw cow milk	Micro
102705175001	Sigcha Zambrano Rosa Ibelia	San Fernando	San Fernando	Elaboration of butter, cheese and serum	Micro
102787553001	Pasato Ramón Segundo Eleuterio	San Fernando	San Fernando	Elaboration of butter, cheese and serum	Micro
102821519001	Gavilanes Pacheco Diego Martin	San Fernando	San Fernando	Elaboration of butter, cheese and serum	Micro
102847969001	Astudillo Fajardo Cesar Braulio	San Fernando	San Fernando	Elaboration of other milk products: Milk delicacy	Micro
102877131001	Quizhpi Suscal Raúl Patricio	San Fernando	San Fernando	Production of raw cow milk	Micro
103074894001	Criollo Guamán Segundo Pedro	San Fernando	Chumbblín	Artichoke and asparagus crops	Micro
103180790001	Guallpa Guallpa María Manuela	San Fernando	Chumbblín	Guinea pig breeding	Micro
103373312001	Monge Cedillo Manuel Filormo	San Fernando	San Fernando	Production of raw cow milk	Micro
103789491001	Castro Peña José Rolendio	San Fernando	San Fernando	Elaboration of butter, cheese and serum	Micro
103789491001	Castro Peña José Rolendio	San Fernando	San Fernando	Elaboration of butter, cheese and serum	Micro

103985081001	Peña Aucaay Mesías Enrique	San Fernando	San Fernando	Elaboration of butter, cheese and serum	Micro
104144308001	Idrovo Machuca Patricio Estevan	San Fernando	San Fernando	Elaboration of butter, cheese and serum	Micro
104886437001	Pasato Siranaula Luis Armando	San Fernando	San Fernando	Elaboration of butter, cheese and serum	Micro
110294575300	Araujo Román Jack Renzo	San Fernando	San Fernando	Elaboration of other milk products: Milk delicacy	Micro

Source: Own elaboration based on information from the Ecuadorian institute of Internal Rents Service (In Spanish: SRI)

3.2.1 Interviewed Businesses

The following list of actors are those that were considered for this project, an interview was made to each of the associations and companies after determining that they are within the parameters for the study for their possible exportable offer.

Table 3.5 Interviewed Businesses and Associations

Name	County	Parish	President	Phone #	Type	Economic Activity
Asociación de Plantas Medicinales Chumblín	San Fernando	Chumblín	Natividad Zhiñin	0991924368	Association	Horchata, Ointments
Asociación la Natividad de Chumblín	San	Chumblín	Patricia Guiñin	0981735770	Association	Chamburo jam
Asociación Vida y Naturaleza	San	Chumblín	Doris Espinoza	0981936274	Association	Natural Products
Lácteos San Fernando	San Fernando	San Fernando	Martín Gavilanes	0999618637	Small	Cheese factory
Asociación de Productores Agropecuarios Gironenses	Girón	Girón	Yolanda Farez	0986814309	Association	Strawberries, Tomatoes
Asociación de Productores de Productores de Cuyes Leocapac Unidos	Girón	Girón	José Arpi	0993442094	Association	Tomatoes, Babaco
Asociación de Productores Agropecuarios 3 de noviembre	Girón	San Gerardo	José Plaza	0981740030	Association	Tomatoes
Asociación 6 De Julio de San Gerardo	Girón	San Gerardo	Rebeca Nieves	0993684682	Association	Guinea pig
Asociación San Gerardo de Wuawualpata	Girón	San Gerardo	Ana Pillacela	0989104805	Association	Guinea pig
Asociación Unión y Progreso Tuncay Cedropugro	Girón	La Asunción	Angelita Llauca	0997616662	Association	Milk
Agro productores Girón	Girón	Girón	Andrés Illescas	0998918746	Association	Achira starch

Source: Own elaboration based on information from Municipality of Girón, Municipality of San Fernando and the Ministry of Agriculture and Animal

Breeding

3.3 Methodology

The research was carried out using a mixed qualitative - quantitative method in which a series of simple questions was designed to obtain information of the main qualities of the organizations or businesses, that were answered by representatives of each one. The questions were focused on aspects that inquire about the association or company in its organizational structure, product and production characteristics, aspects of marketing and sales, and financial aspects. In this way important information was obtained for the study, such as the productive capacity of the company, the possibility of growing and reaching more distant markets, adapting to the demand in quantity and quality.

An Export Audit was applied with punctuated questions, each one obtained a grade of 0, 3, or 5, depending on the level of development or progress that the company has in each of the aspects. A final score is obtained from which there is an objective criterion to decide if the company is or is not able to export, or if it has the potential to do so in the future.

3.3.1 Application of the Interview

After obtaining a database of all existing companies in San Fernando and Girón, the parameters to define an SME established by the Andean Community of Nations, which is found in section 1.4.3 of this work, were taken into account. It was on this basis that it was decided which companies should be interviewed, since the object of study of this research is only micro-companies associated, and small and medium-sized companies.

For the elaboration of the interview applied to the different associations and companies, it was necessary to get the help of existing Export Audit, which was obtained thanks to the collaboration of Pro Ecuador and MIPRO (Production Ministry). Taking these question banks as a basis, new questions were eliminated and added according to the information that we wanted to obtain for this research. Since many of the questions were very specific and covered topics irrelevant to the study objective, and likewise certain relevant questions did not appear, there was a need to formulate new questions. This is how we proceeded to develop a new interview model, which consists of 30 questions, which were divided into themes: organizational, productive, financial, and sales.

Within the organizational scope, we sought information on how the company/organization is organized, inquired if it is formally constituted, the time of existence in the market, registration in institutes such as the MAG (Ministry of agriculture

and livestock) or the SRI (Internal revenue service), use of machinery or technology, among other key questions, to understand the type of company that was being analyzed.

In the issue of production, the questions were focused both on the final product and its production process, unknowns such as what products they offer, what is their star product, if they have certificates or licenses for their product, and similar questions were key to obtaining the required information. Information regarding the creation of the product and every step of that process was requested.

For the financial section, information on income, expenses, profits, debts, etc. was sought in the survey, to know if the company / organization is in an adequate financial position in the case exportation becomes desirable. Finally, questions were asked about sales, trying to know, to which markets their product has arrived and if there is demand for them.

This is how the interview, which covers these four areas, was applied to each of the companies / associations visited, obtaining in some cases a good opening in all the answers, while others refused to answer certain questions, however, the information collected was sufficient for the elaboration of the present investigation. Next, the question bank used is presented:

- Name of the association / company.
- Name of the president / representative.
- Geographic location.
- Legal constitution, type of business.
- Year of establishment of the Association:

- **Organizational structure**

1. How many people are in the association / company?
2. Date of founding?
3. Do they have a strategic plan, mission, vision?
4. What is their goal?
5. How did it start?
6. Do they have legal status?
7. Do they have an organizational chart, or how do they communicate within the organization?
8. How are the decisions made?

9. What are their advantages over competitors?
10. Do they have RUC?
11. Do they have a logo or brand?
12. Have you registered with the IEPI?
13. Technological level, do you use any type of machines?
14. Have they considered exporting their products in the short, medium or long term?
15. Main competitors of the sector and what products are competitors producing

○ **Financial aspect**

1. Do they have a common capital?
2. How are profits divided? Reinvestment or distribution?
3. What expenses does the association have? Are they greater than the profits?
4. Regarding competition, how do they consider your prices, high, low?
5. Do they keep accounting?
6. How are they financed?
7. Would they be willing to borrow to enlarge?
8. Do they have any type of guarantees, in the case of debt?
9. Are they up to date with their tax obligations?

○ **Product and production**

1. What do they produce?
2. Do they have a star product?
3. Product characteristics
4. Amount of production
5. What they produce the most
6. Do they have any type of licenses or certificates?
7. Labeling, packaging or packaging and what types
8. Production price
9. Sale price
10. Do they have personnel that perform necessary quality controls?
11. Would they be willing to change their containers or labels depending on the market?
12. How often does their staff have training to improve production?
13. Do they have constant accessibility to the raw materials they need, is the supply regulated?
14. Do they have technical specifications of the product?
15. Do they have trained personnel for the maintenance of machines and equipment?

16. Do they have suppliers or do they supply themselves?
17. Production cycles
18. Production method
19. What is the productive capacity (monthly, weekly, daily)? How much can it be extended?
20. Size of facilities or where they make their products
21. Do they have the capacity to add value to their products or adaptations according to the demand?

● **Marketing and sales**

1. In what markets do they currently sell?
2. Advertising tools
3. Do they have personnel dedicated solely to sales?
4. Do they have customer service?
5. Do they have a website or social network?
6. What has been the farthest market that their product has reached?
7. Has their product ever reached foreign markets? Through whom or how do they achieve it?

In the preparation of the Export Audit, the most important questions of each topic were included, and each one was given a score of at least 0, 3 in case of fulfilling part of the answer, and 5 as a maximum score. The maximum points total is 190, obtaining the following scores in each research area: organization 60, finance 40, production 60 and sales 30.

If a company obtains between 160 and 190 points, that is to say between 85% and 100% of the total, this means that it is in capacity and with the necessary measures to export, it would be enough to receive help from PRO Ecuador to determine which would be the best means of export and it will be guided for a better process of internationalization. A score between 135 to 159, that is, 70% and 84% of the total, means that the association or company has the potential to export in the future, but due to certain shortcomings in some of its aspects, be it organizational, financial, productive or sales, still need to be developed so that, with the correct monitoring and compliance with them, they have the possibility to internationalize their product in the medium or long term. Finally, the lowest rank is found with a score lower than 135, that is to say less than 70% of the total, this means that there are many errors within the company or association and they need to

strive to improve the areas in which they are lacking, the possibility of internationalization of their products with this score in the near future is null.

3.3.2 Process for the collection of interviews

The process of obtaining a list of companies / associations to visit was complex since several public agencies had to be contacted to form a database, which would later be filtered according to the conditions that the companies had to meet, thus finally obtaining the actors as set out in subchapter 3.2.2.

1. A visit was made to the decentralized autonomous governments (GAD) of the Girón and San Fernando counties. This visit included the company of Mr. Antonio Torres and Eng. Luis Salcedo who introduced the topic to those in charge of providing the necessary help for this investigation and later explained the required information. In Girón, Eng. Diego Terán was present and in San Fernando the Eng. Manuel Guallpa. Once these first meetings were over, the indispensable help of these two public servants to obtain a list of the names of the associations or companies, contact numbers, sector in which they were located, and their economic activity. The aid of San Fernando was immediate, obtaining the information required for the subsequent classification, however, we did not have the same support from Girón, so it was appropriate to contact the MAG requesting the information above, and also go to the SRI.
2. The data obtained thanks to these two institutions and the GAD of San Fernando allowed us to obtain a large database which had to be filtered in order to finally get the list of companies / organizations that fulfilled our conditions, and which to interview. The classification of the actors in interviewed and non-interviewed organizations was based on certain conditions such as the following:
 - The parameters established for SMEs of the Andean Community of Nations, set out in subchapter 3.2.1
 - That they are currently active
 - That they have a RUC
 - Their business matrix must be located in the Girón or San Fernando county
 - That they are not branches of a company based in Cuenca
3. Once the companies / associations were selected, they were contacted by the numbers that were provided by the various aforementioned organizations. The calls were made without any help or pre-announcement by the institutions or

people who collaborated with the contacts. Of the final list of possible interviewees, 80% agreed to the interview, while the remaining 20% did not answer or refused to provide information about their business.

4. Once the appointments were agreed upon, we went to the places indicated by the representatives of both small businesses and associations, which places were located in the different townships of both Girón and San Fernando. These visits were made without the accompaniment of teachers, public servants, etc. In general, the interviews were carried out only with the representatives, that is, to a single person in their home or place of work.
5. Access to the places where the appointments were made was 60% close and easy to access and 40% distant and difficult to access. A place was considered close and easily accessible if it did not exceed 80 minutes from the city of Cuenca and had signs and paved roads. A place was considered distant and difficult access if it exceeded 80 minutes from the city of Cuenca, was without signage, unpaved roads, and even without roads so that walking became necessary.

3.4 Profile of the Interviewed Businesses and Associations

3.4.1 Association *Plantas Medicinales Kimsacocha*

3.4.1.1 Profile

Name of the Association/Business	Year of Establishment
Association <i>Plantas Medicinales Kimsacocha</i>	2008
Products	Location
-Horchata - Ointments -Aromatic oils -Soaps -Shampoos	Chumblín Parrish, near the central park
	Coordinates
	(-3.1396611, -79.2545111)
President	Natividad Zhiñin
Phone	0991924368
Date of the Interview	September 11, 2017

3.4.1.2 Organizational Structure

The Kimsacocha Medical Plants Association is located in the Chumblín township of San Fernando. It is made up of 4 families with a total of 10 people, mostly women. This

association was developed from training provided by a specialist of INV metals, a Canadian exploration and development company of mineral sources of Loma Larga or also known as Quimsacocha (INV Metals, 2015), who through training and speaking to a small group of women, he taught them how to best use their plantations and feed themselves. Over time this specialist gave them the idea of making products from the plants in their gardens and to show others their beneficial properties. This is how in 2008 the participants agreed to proceed with the help of their families, forming the Kimsacocha Medicinal Plants Association, which is now 9 years old.

To legalize their organization they went to the SRI to be provided with a RUC, once they obtained it, they presented their work plan to INV metals thanks to those who initiated it. However, their plan did not last long in practice because, although they still have their clear objective, the mission and vision have been lost due to lack of support, as has their RUC, which, being a tax burden and not an aid, decided get rid of it a few years ago.

They have a board consisting of the president, secretary, and treasurer. Natividad Zhiñin, who is the current president, is the only person with a greater range of power within her organization, since she represents them in any type of situation. The communication between the members is means of weekly meetings in which any problem is made known and the respective decisions are made, which are decided by majority vote.

Medicinal Plants Kimsacocha, has the necessary packaging for the distribution of their products in which their brand consists, but they do not have a logo, because they have not seen the need to do so because the markets that they currently occupy recognize them only by name. As for its competitors, Natividad knows some that exist in San Fernando and offer organic natural products, however, being small these do not affect them because people still prefer their brand and their best-selling product, horchata.

Picture 3.1 President of the Kimsacocha Medical Plants Association



Source: Personal file

Picture 3.2 Students with Mrs. Natividad Zhiñin



Source: Personal file

3.4.1.3 Product and Production Characteristics

Among the products offered are: horchata, ointments, oils, soaps and shampoos. Each one of these is distinguished by being totally organic, because the members of the organization when sowing and harvesting them in their ample lands worry about providing the best products to their clients without the use of chemicals or liquids that

affect their final result. Unfortunately, they do not have any type of license or certificate for their products.

The process is not complicated, however, it must be done with certain techniques and portions that members already know so that the products provide the best results. Next, each product and its production process will be described:

- Horchata. the seed is sown and in 3 months the plant is ready to harvest. Later they wash all the plants collected in a day, follow the drying process which takes approximately 2 or 3 days and is ready to pack and sell.
- Oils. For the preparation of their oils, they acquire glycerin from Cuenca, and mix it with their medicinal plants. To provide the benefits and aromas of the plant they need to mix them when the plants are green, the time of preparation is from 2 to 3 hours.
- Ointments. They buy the base for these and mix it in the same way with green plants to preserve both benefits and aroma. The preparation time of these is 1 day
- Soaps and shampoos. For the preparation they buy the respective bases and mix it with their plants, generally for these they use camomile. Its preparation takes 1 day.

Of all these products the best seller is the horchata, which comes in bags of 32g each, you can get 50 bags per week for each family, that is to say, they sell an approximate 200 bags of horchata with a price of \$ 0.50 cents each. Followed by this product are the oils. The preparation of rosemary, chamomile and rue, each offering a different benefit, 30 bottles of these are made per family per month, a total of 120 are sold for the end of each month at \$1.50 each bottle.

The ointments are intended to relieve muscle aches and colds. They are made every two months and a maximum of 80 bottles are offered. In general, this product is made to order because, due to the different characteristics of its other products, it should be used shortly after its time of preparation so as not to lose its benefits. It has a cost of \$4. Finally, soaps and shampoos are the least sold, however, this is thought to be due to their recent entry into the market. They only make 40 soaps sold at \$ 2.50 each and 40 shampoos at \$3.50 per bottle, every 6 months. Their products are only prepared by hand because they think that this helps to take advantage of the characteristics of their plants. The containers and packaging for the different products are purchased monthly in Cuenca. They want, in the medium or long term, to export their products with the help of the aid of the State.

Picture 3.3 Products of the Kimsacocha Medical Plants Association



Source: Personal file

Picture 3.4 Tea bags of some of the plants that the Association has



Source: Personal file

3.4.1.4 Financial Aspects

The profits in the organization have two destinations, one part passes to the members of the Association and another part passes to a common capital, which is destined for any expense and reinvestment that they wish to make. As for expenses, these are associated with obtaining seeds, in which they spend very little because most of the seeds are from old crops, and for labels and containers, which cost around \$80 per month.

Their source of funding from the beginning was their own, they never had financial help from any entity, so their investment was divided equally among the members of the association. They do not have people in charge of accounting because they gave up their RUC, they do not see it as necessary. Each family keeps an account of what is sold and goes to the treasury for the respective calculations and distribution of profits.

3.4.1.5 Marketing and Sales

The Kimsacocha Medicinal Plants Association, currently sells in the prefecture fairs which are held weekly, where its brand already has recognition. They do not have a lot of reception in San Fernando because people usually have their own medicinal plants and downplay the product offered by this organization.

By not having any advertising tools or website, they have made themselves known through fairs to which they are invited, where they exhibit their products and explain its benefits. The farthest place they have gone has been to the province of Loja, to which they have gone as guests to promotional fairs. For this Association, the sale is normal throughout the year, however, during the holidays in July and August sales are reduced by a small percentage, and increases during the Christmas season. This organization has in mind to export in the future because it believes that its products, being organic and planted by them personally, offer a lot of advantages. Their main flaw is not having found a way to market themselves in more cities, much less internationally. Its current president believes that they would be able to extend their offer if their clients increase.

3.4.1.6 Export Audit

	Score
Organizational Structure	38
Financial Aspects	23
Characteristics of the product / production	32
Marketing and sales aspects	8
Total	101

The maximum score that can be reached in Organizational Structure is 60 points, in Financial Aspects: 40 points, in Characteristics of the product / production: 60 points and in Marketing and sales aspects: 30 points.

The Association medicinal plants Kimsacocha, in the organizational structure obtained a score of 38 due to the small number of members that comprise it, use of only hand labor,

having a large number of competitors and not having enough experience in the market. Regarding the financial aspects, the rating was 23 because they still have a long way to go to have the desired accounting and organize more in terms of expenses and profits because they have no knowledge of these issues.

The characteristics of the product / production obtained 32 points, the products they offer have potential because they are different from what is commonly offered. However, they do not have certificates nor is there adequate personnel to perform the necessary quality controls. Finally, in the aspect of marketing and sales, the lowest score of 8 points was obtained, as it did not have any advertising tools, customer service, people exclusively in charge of sales and rarely sold to interprovincial markets. The total obtained by this association is 101 points, representing 53% of the total. In accordance with the ranges established above for product internationalization, it is not suitable.

3.4.2 Association of agricultural production "Talanquera"

3.4.2.1 Profile

Name of the Association/Business	Year of Establishment
Association of agricultural production "Talanquera"	2003
Products	Location
-Tree tomato greenhouse	San Martin Grande-San Gerardo
	Coordinates (-3.1375222,-79.2014004)
President	Zoila Guallpa Pasato
Phone	0981740030
Date of the Interview	October 30, 2017

3.4.2.2 Organizational Structure

The Association of Agricultural Production Talanquera, was founded in 2003 with the help of José Plaza, who took the initiative to see the existing poverty in the township and the need of some of the people to get ahead to solve their day to day issues. The initial plan was to have an informal association. However, he realized that to have the support of the state or any legal association or institution, that they should first establish a defined strategic plan. This is how they obtain their RUC and establish themselves as an Association to work with the township GAD of San Fernando and with INV metals.

They began to dedicate to the production of milk and cheese, however, there were two reasons that caused this enterprise to not be successful. On the one hand, was the shortage of member resources, which did not allow them to make large investments, and second, they realized the great amount of competition that existed not only in their township but in the whole county. These were the reasons why they could not position themselves in the dairy market and went on to plan B, the creation of a kidney tomato greenhouse. In the following years, they presented themselves to the MAGAP, giving their strategic plan in writing, referring to the tomato greenhouse.

Talanquera is made up of 7 people and has its respective board of directors, of which Zoila Gualpa is the president, however, José Plaza is the one who is currently in charge of organization. They have a treasury delegate and secretary. As for decision making, this is done at the weekly meetings, through the vote of all the members, with majority votes deciding actions. This Association does not have any type of packaging, so in turn it does not have a brand or logo.

3.4.2.3 Product and production characteristics

About a year and a half ago, with the start of its new project, a 10x4m greenhouse dedicated to the planting of tomatoes was built, however, due to bad weather and strong winds, it deteriorated until it was unusable when it collapsed. They are currently in the construction of a new greenhouse of 14x6m. The land will be provided by Mr. José Plaza so that the Association can carry out their respective crops and activities.

The tomato project was carried out some time ago, it seemed a good idea because it generated 99% of profits. The problem of this was that you can not plant the same product every year, but it must be varied, so they have experimented with bean planting. José Plaza was able to explain that the tomato plant loads 6 months after being planted and gives a further 5 loads from the first, this plant lasts approximately one year. Each plant yields a total of 6 to 10 lb. Once the tomatoes were harvested they were placed in boxes and sold in the market at \$6, which represented a great loss since they really had to sell them at \$12. At the time of the interview José Plaza did not have samples of his product or the boxes of the same, but he explained that they had a great resemblance to the following image.

Picture 3.5 Example of the box of tree tomatoes



Source: es.uline.mx

3.4.2.4 Financial aspects

This association has a common capital, however, this is not continuous since there are always expenses or investments. For the initial investment, the members of Talanquera did not need a big budget because they only needed to build the greenhouse, which was mostly financed by state institutions, and buy the plants that had a value of \$0.10 each. They bought a total of 200 plants that cost \$20, which had to be divided between 7 members.

The expenses they have are limited, the cost of water, and the salary of a technician that helps them maintain their tomatoes condition. At present, they do not hire labor due to the reduced size of their greenhouse. The prices offered by Talanquera are very cheap compared to the competition, but it is something that they want to change because they feel that their effort is not compensated with their earnings, because we must remember that even if the gain is 99%, according to José Plaza, this amount must be divided into their common capital and divided once again among 7 members

3.4.2.5 Marketing and sales

The markets this association currently sells at are San Gerardo and San Fernando, being Girón the furthest territory they have reached. They do not have any type of advertising tools, or a web page. Its main clients are those who arrive at the markets and those who already know about their organization, so they buy their products directly from the members.

	Score
Organizational structure	28
Financial aspects	26
Production/product characteristics	22
Marketing and sales aspects	3
Total	79

3.4.2.6 Export Audit

The Organizational structure of Talanquera is malfunctioning, mainly because there are few people who work there, and each is dedicated to the same tasks, which does not allow them to efficiently cover the activities of expanding the association. In addition, its lack of logo or brand that does not allow them to differentiate their products in the market. It is for these main reasons that they got 28 points in this area. In the financial aspects, with 26 points, they still have a lot to develop especially for a common problem that was found in most associations, and that is that they do not have enough knowledge in the financial area to better organize themselves and find the most appropriate way to expand through credits or loans.

Talanquera scored 22 points for their production and product characteristics, mainly because its product does not have innovative features and even though it is a first-use product, it does not have the necessary certificates or adequate packaging for its commercialization. In terms of marketing and sales, they received 3 points because they do not have advertising tools, customer service and currently, only sells in the local market (Girón). In total Talanquera's score was 79 points, representing 41% of the total, and according to the internationalization range this organization is not suitable for the export of its products.

3.4.3 Asociación Leocapas Unidos

3.4.3.1 Profile

Association/company Name	Establishment year
Leocapas Unidos	2010
Products	Location
-Guinea pig	Center of Leocapa, near the church
-Tomatoes	Coordinates
	(-3.1851554,-79.1792537)
President	José Arpi
Phone number	0993442094
Interview date	October 27, 2017

3.4.3.2 Organizational structure

Asociación Leocapas Unidos was created in 2010 with the assistance of MAGAP, the institution they attended and asked for help to get started with this project. In its beginnings it had 23 members dedicated to breeding and selling guinea pig, and harvesting vegetables. Over the years people were abandoning the project because they did not have the support of the municipality of Girón. Currently, only 13 people are part of this association. They do have a board consisting of president, Mr. José Arpi, treasurer and secretary. For getting the MAGAP approval, it was necessary to register in the SRI and deliver a strategic plan. Nowadays its biggest problem does not come from the lack of help from public institutions, but from nature itself, because due to the lack of rain throughout the year, the drought causes them to lose a large quantity of vegetables and food for their cuyes.

To address different issues, the members meet every two months to provide the best solutions or make necessary decisions for the future of their association, through voting, and discussions with the president. Currently their concern is their tomato greenhouse, and they plan to experiment with planting babaco. The boxes in which they sell their products are made of cardboard and do not have a logo or brand that differentiates them from the competition, which is important because almost everyone in Girón performs the same activities as this organization.

Picture 3.6 President of the Asociación Leocapas Unidos



Source: Personal file

3.4.3.3 Production and product characteristics

The breeding and sale of guinea pig has been the strength of Leocapas Unidos over the years, being the only product that generated them profits. At the end of 2016 and during this year, the municipality gave them a large amount of tomato seeds to start a new project and not to depend only on their animals. Once the seeds were obtained, they proceeded to build a 25x15m greenhouse and planted these seeds. Since then the municipality only helps them with the assistance of a technician who visits this greenhouse twice a year and analyzes the state of the plants.

This greenhouse has a total of 870 plants, which were already discarded after five loads of tomatoes. The maximum time of use of these plants is seven months, the product that these plants load progressively is being smaller and of lower quality. In their prime tomato season, they used to sell a box of 70 pounds at \$40 approximately. This sale was made approximately for 3 months, but with the later loads, which means they sold smaller tomatoes, the same weight boxes sold at \$30.

After ending their tomato project, they started their babaco project, for this they have not used seeds because this fruit does not have them, but they have grafts or stakes that were obtained in Paute. At present they have 400 plants in their greenhouse that will last 18 months, in which after 8 months they should produce their first fruits, and from there each plant loads approximately every 10 months, with a total of 80 to 90 babacos. They do not have specifications of the amount they will sell in each box or the value of it. In 8 months when they get their first load, all the members will be consulted, to decide on this issue.

As for guinea pigs, they sell them in the October-March season, due to the Girón festivities and later Christmas, New Year and Carnival. They have approximately 1000 cuyes among the entire association and are sold after 3 or 4 months of breeding at \$10 or \$ 4 depending on their weight. Their products, being sold over the counter in non-regulated markets, do not have certificates or licenses corresponding to food products.

Picture 3.7 Guinea pigs of the Asociación Leocapas Unidos



Source: Personal file

Picture 3.8 Tomato's greenhouse



Source: Personal file

3.4.3.4 Financial aspects

Leocapas Unidos has a common capital, which is used to modify certain aspects of the greenhouse so the babaco fruits will be produced in the best possible way. The profits that are generated in the association are distributed among the 13 active members, and a small percentage is directed to treasury, this money has served in recent months to renew hoses, purchase grafts, etc.

The organization profit is significantly greater than their expenses, since the latter are very low because they do not hire people to work for them. The technical assistance is provided by the municipality. However, to access this they must pressure this institution for a considerable period to obtain the required visits. In the interview, Mr. José Arpi expressed that they would be willing to go into debt to enlarge their project, but not in large quantities because of the fear of losing everything.

3.4.3.5 Marketing and sales

In this aspect, the association is not good since it only sells its products to the local market in Girón. It does not have any type of advertising tool or web page where its products are known. All the members oversee the sales and what they earn, is gathered and divided. The most distant market they have reached is Cuenca when they participate in fairs organized by the Azuay prefecture.

3.4.3.6 Export Audit

	Score
Organizational structure	34
Financial aspects	26
Production/product characteristics	22
Marketing and sales aspects	3
Total	85

The Organizational structure of this association scored 34 points, due to its shortcomings in strategic planning, the large number of competitors they have, and the lack of a corporate image that allows them to differentiate themselves from their competitors. In financial aspects they put more weight on the distribution of profits than on reinvestment, like most of associations studied in this investigation. They do not have any financial knowledge, therefore they get 26 points in this area. The characteristics of the product/production reached 22 points, due to the lack of certificates and packaging to sell

their products, also they do not have people in charge of supervising the correct management of the greenhouse to obtain quality products.

In terms of marketing and sales, only 3 points were achieved because they do not promote their product and only sell it to the local market (Girón). Leocapas Unidos reached 85 points, which means 45% of the total, within the lowest range, so they cannot internationalize their product.

3.4.4 Asociación Agroproductores Girón

3.4.4.1 Profile

Association/company Name	Establishment year
Asociación Agro productores Girón	2015
Products	Location
-Achira starch	Center of Girón; crops in Guagrín, Leocapac, Fátima and Pongo
-Achira bread	Coordinates
	(-3.1627752,-79.1474152)
President	Ing. Andrés Illescas
Phone number	0998918746
Interview date	October 18, 2017

3.4.4.2 Organizational structure

Asociación Agro productores Girón, currently represented by Ing. Andrés Illescas, is in Girón and was created in 2015 by a group of young entrepreneurs who wanted to start a project with a little-known tuber: achira. It all started in 2013 with the concern of 3 young people to find a new business that could help the economy of their county, so after proposing the idea of the achira they decide to get together and start doing the necessary research to see how viable the project was. After realizing that with this tuber they could obtain starch, and that it was not common nationally or internationally, they decided to go ahead with the project. This is how they acquired achira seeds in Loja and planted them on small lands, as only 3 people in charge of the investment.

Over time more people were interested in this plan and joined, reaching 10 people who remain to this day. With the contribution of each of them, they managed to get 6 hectares of land where they currently plant and harvest achira plants. These lands are distributed in different sectors of Girón such as: Guagrín, Leocapac, Fátima and El Pongo.

To be legal, they went to register in the Popular and Solidarity Economy Institute (IEPS) as well as in the Internal Revenue Service. In the first mentioned institution, it was a main requirement to have a strategic plan, so the project has the corresponding validity. Its objective is the recovery of the importance and quantity of achira that has been lost in Girón and throughout Ecuador. After having carried out the corresponding investigation, they realized that there are very few achira sowings in Ecuador, therefore, they are determined to be able to have an achira processing plant in Girón, which is known as the county where achira starch and bread can be obtained.

Regarding the organization chart, each partner oversees different activities. However, all the partners oversee the two phases of which their business consists: the first, to sow, the second, obtain the raw material and transform it. In the marketing and treasury area different managers are designated. For decision making, they hold monthly meetings at which the scheduled topics are discussed and the respective decisions are made by voting among the 10 members. As part of the plan delivered to IEPS, they also have a well-defined business plan and a market study that established an initial investment of approximately \$ 145,000.

This association has the support of the University of Cuenca, which helped in the creation of its logo and brand known as *Achirita*, as well as the design of the packaging in which they sell their achira bread. Due to the knowledge that its members have of the risk of not protecting their brand and logo they started the respective processes for the registration of the same but, unfortunately, they did not manage to register them due to a lack of budget at that time.

In terms of competitiveness, they do not feel affected by internal competitors because there are very few in Ecuador, their competition is only in Girón and Santa Isabel where recently new associations have started to plant achira, however, they consider themselves as the largest and the main producer of achira starch not only in the area but also in the country. Their strongest competitors are companies from other countries, especially Colombia that sell achira starch to Ecuador at prices much lower than those that the association can sell.

Picture 3.9 Achira plants



Source: Personal file

3.4.4.3 Production and product characteristics

Asociación Agro Productores Girón currently offers achira starch. Before they were selling bread and ice cream, but they realized that starch was much better. To get their flagship product they planted the achira seeds and waited between 9 and 14 months to harvest a tuber like cassava. Depending on the land, the tuber can be harvested after a year or a year and two months after it has been planted. It is necessary to plant it in a place with access to a large amount of water and in a land between 1400 and 2800 meters above sea level to obtain the product in the shortest possible time. The product can be obtained all year round, which is why they want to sow and harvest it every month. Once the tuber is harvested, it goes through a special washing process, depending on how well it is washed, then it is scratched, and the starch is obtained.

Regarding the amount of production, it depends on the land and the size of the tuber that is formed. At the time of the interview, they did not know the exact amount they can get because they were in the harvesting process. But from previous experiences, they consider that 12,000 seeds/plants of achira can be planted into each hectare, of which 80 quintals of tuber are obtained and after processing. They have obtained between 20 and 40 quintals of achira starch per hectare per month. Tractors are used to move the land and to facilitate the process of planting, but the stage of obtaining the raw material, transforming, it and packing it is done only with manual labor.

Permissions are a fundamental part of this association when offering a food product. They know what they need to obtain, but have failed to because of their lack of funds. However, they are in the process of obtaining permission. For the commercialization of achira starch, either in a few or large quantities, hermetically sealed plastic bags are used in different sizes, and for the sale of starch bread, these are sold in cardboard boxes that have graphic design with the needed information. In their packaging is the corresponding labeling and in turn the nutritional information of each product. The final product is sold in quintals, at \$150 each, and in small bags, at \$1.50, and large bags at \$2.50.

Picture 3.10 Achira tuber



Source: Personal file

Picture 3.11 Achira bread packaging



Source: Personal file

3.4.4.4 Financial aspects

The association does not have a constant common capital because, so far, the partners have not had any profits because all the money from the sales is aimed at paying the loans they made for the purchase of land and raw materials, that means profits are to be shared between partners and for the association. The money with which each member has contributed and their loans, have been used for the rent and purchase of land, purchase of seeds, to pay people who are dedicated to the product harvest and transformation, and for all the expenses of registration. All the investments made by this organization have been loans from the Banco del *Fomento*.

The production price is very high, which is why the association cannot sell at prices that can be competitive with the product that comes from other countries. The association sells the quintal of achira starch at \$150, Ing. Andrés Illescas told us that Ecuador gets its achira starch from Colombia that is purchased at \$90 per quintal, therefore, this affects the profits and positioning of the association in the market.

3.4.4.5 Marketing and sales

Currently the association has a sales group which delivers a certain number of quintals of achira, mainly to the bakeries of Girón, which are its biggest clients, they also attend fairs held in different cities of the country, so people can know the starch and all its benefits. They have sold it in Cuenca and Quito. In Quito, the association opened a store in which all kinds of organic products from different small producers were sold, and not only their achira starch, but also their bread and ice cream from achira. Unfortunately, shortly afterwards they closed it for lack of money to pay the rent.

The Association has done research and would like to sell starch to companies in Cuenca such as Cartopel, diaper factories, glue producers and soft drink producers. These companies use achira starch that comes from other countries or use substitutes such as corn starch or cassava starch that are available at lower prices, however, the use of achira starch is much more beneficial.

Agro productores Girón is promoted through a Facebook page, which shows images of all their products, as well as plantations and the work they do to get them. Currently they are in the process of obtaining the domain of their website. For two years they have been increasing their customers nationwide and have even had people from other countries who are interested in buying the product in higher quantities. However, they need more

experience to position themselves in the market relative to their main competitor: Colombia.

3.4.4.6 Export Audit

	Score
Organizational structure	47
Financial aspects	24
Production/product characteristic	42
Marketing and sales aspects	26
Total	139

The organizational structure of this association generated 47 points out of 60, due to the number of existing competitors in the market, having a corporate image but not being registered to protect it and for the slight experience they have. As for the financial aspects, they reached 24 points. Because they borrowed so much money, everything goes to pay loans but not to generate an income for the members and beyond that, to be able to reinvest for the association's wealth.

The characteristics of the product/production scored 42 points out of 60, due to the lack of technological level that could help make the process more efficient and the lack of certificates for its product. In marketing and sales, they achieved 24 points because their sales are currently limited to the local market and in certain occasions in fairs held in different cities of the country. The total this organization reached is 139 points, which represent 73% of the total, being within the range that has the possibility of exporting their products through the improvement of certain aspects of the association.

3.4.5 Asociación Vida y Naturaleza

3.4.5.1 Profile

Association/company Name	Establishment year
Asociación Vida y Naturaleza	2015
Products	Location
Soaps	Chumblín, San Fernando.
Shampoos	One block from the central park.
Oils	Coordinates
Ointments	(-3.1301157,-79.2428985)
Lip balms	
President	Mrs. Doris Espinoza
Phone number	0981936274
Interview date	September 11, 2017

3.4.5.2 Organizational structure

This association has 10 mothers as members, who have been working in it since 2015 in Chumblín (San Fernando). It was formed with the aim of helping the children of Chumblín since most of them were suffering from malnutrition, these mothers decided to join since their children were also affected by the lack of food and information about the correct nutrition their kids should have. The mining company INV helped them with workshops given by a nutritionist who taught them how to grow their own organic food and how to properly prepare food.

The nutritionist, also, taught them to make natural products such as soaps, shampoo, oils, ointments and lip balms, using plants that can be easily obtained in the area. Currently, their goal is to continue growing as an association dedicated to craft completely natural and organic products that are characterized by using medicinal plants, without ingredients that affect people's health or the environment.

The Association has a RUC, it does not have an organizational chart. They have only chosen Mrs. Doris Elizabeth Espinoza as president who represents the association and oversees communicating about meetings, problems, fairs to which they have been invited, or any issue applicable to all the members. Meetings are held every 15 days in which all types of decisions are made by voting.

They already have the necessary packaging to sell and distribute their products. However, the association began a year ago with the product development project, so they do not

have a logo or brand, but they are in the process of getting them. In the county there is another association that produces natural products, however, this organization is not affected by this competitor, since the competition produces some of the same products, but in small quantities.

Picture 3.12 Members of the Asociación Naturaleza y Vida



Source: Personal file

Picture 3.13 Students with Mrs. Doris Espinoza, president of the association



Source: Personal file

3.4.5.3 Production and product characteristics

All the products are handmade, no type of machinery is used, and the ingredients are completely organic. The 10 women are responsible for planting and harvesting most of the plants they need for processing, but they make sure that all the plants they use are free of chemicals and pesticides. The products offered are: hair growth shampoo, shampoo for

hair loss, camphor oils, soaps, ointments and lip balms. The manufacturing process is not complicated and is similar for all products. The processes of the different products are:

- Shampoo: It uses several traditional medicinal plants and fruits, for example, tucalara, avocado, rosemary, aloe, pineapple and lemon, depending on the type of shampoo. These natural ingredients are added to a soap base mixture, vitamin E and loor that they buy in Cuenca.
- Soap: Boil for 45 minutes the chamomile and other plants depending on the soap, leave it for 15 minutes at rest and mix it with the soap base, vitamin, coffee base, oatmeal, honey and essences.
- Bone Ointments: eucalyptus, pine and nettle are boiled in vaseline, vitamin is added, a mixture is made adding camphor and aloe vera.
- Lip balms: Boil the mint with vaseline, add essence (orange or mint), vitamin E and flavoring, pack it, let it rest and label it.
- Camphorated oils: Nettle and a mixture of plants in canola oil are boiled over low heat and at the time of packing a camphor tablet and rosemary flowers are placed in each bottle.

The products they sell the most are shampoos. They sell them in 50ml bottles at \$3.50, soaps are sold in small squares at \$1.50, the ointments and camphor oils are priced at \$3,00 and lip balms are sold in two sizes at \$1.50 and \$2.00.

The bottles for their products are plastic or glass, and the labels are bought in Cuenca, as well as the base soap, base oil, petroleum jelly, flavorings and vitamin E that they buy at J&M stores. They have their plants all year, since most plants are harvested by themselves. Currently, people order for up to 50 of each of their products, and they think they can increase their production. They are in the process of obtaining all the certificates necessary to be able to market their products.

Picture 3.14 Productos of the Asociación Vida y Naturaleza



Source: Personal file

3.4.5.4 Financial aspects

The profits obtained from their products sold are shared equally among all the members, but they always leave a percentage in a common fund to buy necessary materials and for any expenses that arise. The Association has no debts, because since the beginning they have financed their own money and thanks to INV mining company help that made the first non-refundable contributions to start the business.

Due to the great support from the mining company, the association has not had major expenses since INV has helped them with packaging and labels to sell their products. In addition, INV company helps the Association with a place where women make their products weekly. However, this company plans to get the association to work on its own. Currently INV continues to help these women with the first steps and guidelines to consolidate the association and obtain their own monetary income.

3.4.5.5 Marketing and sales

Asociación Naturaleza y Vida mainly sells its products in the local market. The biggest sale of products occurs during December and at fairs in San Fernando and Cuenca.

They do not have any type of advertising tools. Their products are known locally and they are only available in more markets through their participation in fairs. They sell their products directly. They believe that they can increase their production and to adapt their products depending on the needs and requirements of the clients.

3.4.5.6 Export Audit

	Score
Organizational structure	31
Financial aspects	25
Production/products characteristics	42
Marketing and sales aspects	11
Total	109

The association scored 31 points in organizational structure, due to the fact that they do not have a defined strategic plan, although they do have an objective in mind, its organizational chart only consists of president and treasurer. They do not have a corporate image and they still have aspects to develop since they have only been in the market for two years. In Financial aspects they reached a score of 25 out of 40 total points, because the association has difficulty obtaining financing on their own. Although they have land that could be used as warranty to obtain loans, the 10 members are people with scarce resources, and work essentially thanks to the support of INV mining company.

They have products that can be received in the market because they are completely natural and organic. It is innovative in the sense that they offer beauty and hygiene products made with very effective medicinal plants that give very good results and that is why they have obtained a score of 42 on the production and products characteristics. However, they have a deficit in the productive part since they do not have any type of technology or machinery that facilitates the productive process, nor have they obtained the necessary licenses or certificates for their products. They have a large deficit in the advertising aspect, they do not handle any advertising tool to promote their product, and do not have technical specifications of their products.

The final score is 109, which represents 59% of the maximum score. This means that the association is not ready to export. They have good products and may have the potential to reach more distant markets. However, it must still improve in all aspects to be more efficient at production time, in order to obtain more financing and improve their sales.

3.4.6 Asociación Natividad de Chumblín

3.4.6.1 Profile

Association/company Name	Establishment year
Asociación Natividad de Chumblín	2007
Products	Location
-Chamburo jam -Chamburo preserves -Chamburo Yogurt	Chumblín, San Fernando. Calle 4 de mayo
	Coordinates
	(-3.1300357,-79.2419956)
President	Patricia Guiñín
Phone number	0981735770
Interview date	September 12, 2017

3.4.6.2 Organizational structure

Asociación Natividad de Chumblín was formed in 2007, since then they have been dedicated to make preserves, jams, and yogurt, all using a fruit called chamburo. Lately they have been selling caramel. The 6 women who are currently part of this association carry out their activities in Chumblín (San Fernando) since all of them live in this township. They have a RUC and are registered as a legal entity since March 27 of 2007.

The association was formed thanks to the support of INV mining company. This company came to Chumblín and as part of their work to help the community, they began to visit the townships of San Fernando promoting and helping to improve family gardens. They realized that chamburo was harvested by most families in Chumblín. This is the reason why the association was formed, to find a way to transform and give an added value to this fruit. The association president, Patricia Guiñín told us that in the same year they created the organization, she spoke with the mayor so that they could participate in a fair held in San Fernando on May 30, 2007, where they sold their product for the first time.

The president told us that in the beginning they had a well-established organization chart. However, some members left the association, so the directive that was registered is out of date. They still have a president elected who represents them in any fair or meeting with authorities, as well as a treasurer. Monthly meetings are held where decisions are made by the vote of all members.

Unfortunately, the association does not have any logo or brand for their products and due to the lack of these they could not sell their products in the chain of supermarkets of La

Favorita group. However, they have already made an agreement with students of the University of Azuay to help them with a logo design.

No type of machinery is used in the manufacturing process, everything is done by hand and the product is free of artificial preservatives and ingredients. As for the competitors, there is a group of people in Chumblín that makes chamburo yogurt in small quantities. The president considers them their only competitors. There is no other association or company that produces chamburo jam or preserves.

Picture 3.15 Pictures of the Association



Source: Personal file

Picture 3.16 Students with Mrs. Patricia Guiñín



Source: Personal file

3.4.6.3 Production/product characteristics

The association has four products: jam, preserves, and yogurt all made with chamburo and milk caramel. The product they sell the most is the chamburo yogurt, so they produce large amounts of this, 200 bottles of 1 liter per month. They produce 50 bottles of each one (conserved chamburo, jam of chamburo and the milk caramel), which means 150 bottles per month in total.

The association did have production permits and sanitary registration for all products, but currently the permits are not valid due to their recent expiration and the non-renewal is because they have not produced regularly in the year for lack of customers. However, each of its products carries a label that specifies the ingredients, the nutritional information, the food traffic light required by the Ministry of Public Health, together with the name of the association and the name of the product.

The production process of each product is the following:

- Chamburo jam: a part of the chamburo fruit the members buy and the other part is sown and harvested by the members, then they sort the fruit, peel and cut it, then cook it in water, add sugar and boil it. This process takes 3 hours in a day to produce about 45 jams.
- Conserved chamburo: The chamburo peeled and cut in a pressure cooker is cooked and then the syrup is added, it is packed and labeled.
- Chamburo Yogurt: Ferment is added to the milk, it is left to rest for a day, and then the chamburo is added, it is packaged and labeled.

The yogurt is sold in 1-liter plastic bottles at \$2.00, and the jam and conserve in large glass containers containing 450g are sold for \$3.50 and also in smaller packages of 225g. The association buys the sugar from different suppliers in Girón and Cuenca, the glass containers are sent from Quito, the plastic bottles and labels are purchased from a supplier in Cuenca.

The production cycle is constant almost all year, they produce more in September and October with that surplus they are supplied for November and December when they have difficulties to get the chamburo. The association is considering having its own greenhouse to resolve this problem. The chamburo plant takes two and a half years to bear fruit since the plant is sown and it bears fruit constantly from January to October.

Picture 3.17 Products of the Asociación Natividad de Chumblín



Source: Personal file

Picture 3.18 Chamburo Preserves



Source: Personal file

3.4.6.4 Financial aspects

The profits obtained are distributed 50% for the 6 members in equal parts, while the other 50% is left for the association common fund, which is used for purchasing packaging, labels, raw material, also for the payment of rent of the shop they use, and for water and electricity. So far they have not had the need to make loans of any kind, but if necessary, they are willing to do so to increase their production or implement technology in their production process.

3.4.6.5 Marketing and sales

The Association sells the same amount of products throughout the year except in December when their sales increase, which affects them because during this month it is more complicated to get the fruit. Its main client is the mining company INV that buys their product frequently. Thanks to them it has arrived in small quantities in Canada. In addition, they have sold in the store "La Yunta" in Tarqui and until 2016 they sold in Cuenca in the supermarkets "El Gran Sol". Currently they sell their products in El Paraiso park on weekends and in a supermarket of which the president did not remember the name. In all cases the association sells directly without the need for intermediaries.

They do not manage social networks or a web page. Their advertising is done through flyers delivered during fairs in which they frequently participate. The president said they are able to adapt their products depending on the demand of customers and increase the amount of production, however, their only limitation is the lack of a market

3.4.6.6 Export Audit

	Score
Organizational structure	28
Financial aspects	26
Production/products characteristics	44
Marketing and sales aspects	13
Total	111

The Association has established a strategic plan, however, its objective and vision have been affected throughout the 10 years they have been in the market and now they partially fulfill them. They have some problems in their organizational structure, with 28 points in this aspect. This organization has a very weak organizational chart because it is a small association that does not require a very high level of administration. Another point that affects them is not having a logo or brand and not using machinery to produce, everything is done by hand. In the financial aspect they lack accounting, which is essential for them to keep a record of their income and expenses. Neither do they have guarantees that help them obtain credits so they can expand.

In production/products characteristics they reached a score of 44 points, which is relatively high because they have a variety of products that are not easily found in the market, because of the chamburo. However, the lack of machinery results in the

inefficient production process. They do not use advertising tools, which makes it more difficult for more people to know about their products, nor do they have technical specifications to control the amount of raw material and manage their production. The total score of 111 indicates that the association needs to improve in several aspects to be able to export its product that may be desired by foreign markets.

3.4.7 Productos Lácteos San Fernando

3.4.7.1 Profile

Association/company Name	Establishment year
Productos Lácteos San Fernando	1987
Products	Location
-Yogurt	San Fernando. Jesús Arriaga y Camilo
-Cheese	Tapia
	Coordinates
	(-3.1472353,-79.2482233)
President	Martín Gavilanes
Phone number	0999618637
Interview date	September 21, 2017

3.4.7.2 Organizational structure

Productos Lácteos San Fernando is a company that was founded on a family legacy of 60 years of experience in milk production. It is well known throughout the county of San Fernando and even in Cuenca and other cities on the coast. The owner of the company and president, Martín Gavilanes, said that the production of cheese and milk has been carried out since 1987, and over the years has gained experience and now the company has grown and has its own dairy processing plant in which they have been working for two years.

The plant has 9 employees who are responsible for processing milk and obtaining final products such as cheese and yogurt. The president indicated that the company's objective is to offer healthy dairy products that comply with all health standards and are made with clean products free of hormones or artificial extra ingredients. The company has established an organizational chart, and has a RUC to carry out all its commercial activities. The president is in charge of making the main decisions and for certain decisions he takes into account the opinion of the workers. For the sale of its products, the company has a logo and brand that are duly registered in the IEPI. The company has

machinery to pack, to pasteurize laboratory elements, to analyze milk, specialized production machinery and manual labor for some parts of the process.

There are 20 micro companies in San Fernando that are dedicated to cheese production. The president believes that it is good for the company to have competitors since it drives him to constantly improve his product, made with the best milk, without antibiotics, chemicals, or bacteria. The president is sure that his company is one of the few in the sector that buys and uses only milk from people who can ensure that it does not contain elements that affect people's health.

Picture 3.19 Mr. Martín Gavilanes, president of the company



Source: Personal file

3.4.7.3 Production/products characteristics

The company produces cheese and yogurt, of these two the most sold product is cheese. The amount of daily production is 390 cheeses of 500g, 50 cheeses of 25 pounds and 120 liters of yogurt a week. This last product is new for the company since the production of yogurt started 2 months ago. In times of milk shortage in San Fernando the company sells it, because is also engaged in the purchase and sale of milk. This company buys milk from Tarqui suppliers as they apply the correct techniques of obtaining milk and comply with the hygiene requirements made by the company.

The processing plant works every day of the year without stopping, the production can not be stopped, Martín Gavilanes is always present to supervise. The company has all the permits, licenses and certificates required by law and complies with the health conditions established by the ARSA. The products are sold in the appropriate containers, the yogurt

is packaged in plastic bottles that contain one liter and to pack the cheese a special plastic for food is used that is known as 100% virgin plastic. They acquire these packages from Ecoplas a Machala company. The sale price of fresh cheese of 500g is \$2.10, semi-soft cheese of 500g is sold for \$3.00 and the cheese sold per pound is priced at \$ 1.60. As for yogurt, it costs \$ 1.60 a liter bottle.

The company has the technical specifications of its products. The production process starts with the entry of the company's milk collection tanks, afterwards an analysis of the milk is made, once verified that it does not contain antibiotics, the milk is pasteurized and transformed into cheese and yogurt. Once the products are packed, the delivery trucks are responsible for distributing them in San Fernando, Girón and other nearby counties of Azuay. The company also has customers from El Oro province, who buy directly at the plant and take care of the distribution, and also send their products to certain clients in Guayas province.

Picture 3.20 Cheese of Productos Lácteos San Fernando



Source: Personal file

3.4.7.4 Financial aspects

The profits are obtained from the finished products sale: cheeses and yogurt, as well as from the sale of milk that has a certification of not containing antibiotic or chemicals. The salary is paid to employees, raw materials and packaging are purchased, and electricity and water expenses are covered. In addition, the part of the profit corresponding to the employees of the company is paid and 90% is reinvested to continue growing as a company, currently they are expanding the production plant.

The company's greatest expenses are labor. The president said that the expenditure on machinery is made only once and maintenance costs are minimal compared to labor. In the same way, profit is used to purchase raw materials, packaging and labels.

3.4.7.5 Marketing and sales

The company does not allocate money from its profit for advertising because until now its products have been well received in all the supermarkets and stores it has reached. The president believes that this is due to the fame that San Fernando and its company have for producing high quality dairy products. Its main clients are from the province of Azuay, and it has also reached El Oro and Guayas markets.

The sales cycle of the company is constant because its product is food and a staple. However, there are times such as the holidays between the months of August and September that sales go down and also when there is milk overproduction.

3.4.7.6 Export Audit

	Score
Organizational structure	52
Financial aspects	38
Production/products characteristics	55
Marketing and sales aspects	25
Total	170

This small company reached the highest score of all the analyzed actors. It is properly organized because it has several years of experience, its strategic plan and corporate image are well developed and put into practice. The score of 52 that it reached in organizational structure represents the correctly formed organization chart, its compliance with all the tax and legal requirements, in addition to the points already mentioned. Although it has 55 points in product and production characteristics, it can be said that the company can improve in this aspect by adding new things to their products because they are no different from those already existing in the market, so it is necessary to diversify the production. But in the production it has all the necessary certificates and licenses, machinery is incorporated in the production process, and quality controls are carried out all the time.

The owner of the company owns assets that can be used as guarantees to obtaining bank loans, the profits obtained are reinvested to enlarge the production plant and expand the

company. It has flaws in the advertising part since it does not allocate any part of its budget to promote their products or publicize its brand. However, this company does comply with the points referring to customer service and technical specifications.

1.1 Chapter conclusions

After having carried out the field work and prepared the reports of each company and association, it can be seen, both in Girón and San Fernando, that there are few associations that could have potential to internationalize their products. They must first go through a long process of improvement in all of the analyzed aspects: organizational, marketing and sales, productive, and financial. These counties have few resources to provide support to people to carry out their projects and enterprises. Basically, each company and association advance on their own. Of all the existing companies in San Fernando and Girón, only the company that produces cheese and yogurt, Lácteos San Fernando, is small. All the others are considered associated micro companies.

It is necessary to emphasize the lack of technology, the lack of innovation in products, and the nonexistence of medium companies that can be competitive in the market. The analyzed associations are not large and are not properly organized. However, they have products with great potential. The associations in the area work with very little, and in most cases, with no state support. The associations that have developed products with a certain level of innovation have the support of the mining company INV which is located in San Fernando. This private company has been responsible for forming these organizations and giving them the necessary help to continue growing and developing.

Chapter 4

EXPORT SUPPLY DIAGNOSIS OF THE SMALL AND MEDIUM-SIZE ENTERPRISES OF GIRÓN AND SAN FERNANDO

The purpose of this chapter is to expose, through a SWOT and crossed SWOT analysis, the weak and strong points of the associations interviewed in the previous chapter, as well as the potential they have through taking advantage of their opportunities and knowing the limitations resulting from their threats. All this will allow the reader of this thesis to understand why the associations in Chapter III received the scores that they did.

4.1 Asociación de Plantas Medicinales Kimsacocha

4.1.1 SWOT analysis

- **Strengths**

- They have a good number of people. With the right organization, they could take care of different activities so that their association can prosper.
- They have good communication by holding weekly meetings and being able to decide on important issues.
- The fact they have a brand, allows them to differentiate themselves in the market.
- They have more than 7 years of experience in the market which has helped the Association to gain a good foothold in the market.
- The profits they make are good for every product they sell, especially because the production costs are very low.
- They consist of several families that have guarantees to facilitate access to loans.

- **Opportunities**

- The association is the only one in the county and one of the few in Ecuador dedicated to the production and packaging of horchata.
- The preference for natural products and free of chemicals or preservatives continues to increase in the population, which is a growing market that the association can take advantage of.
- The prices of organic products that can be found in markets are very high and the association sells its products at affordable prices for all audiences.

-The ointments offered by the Association can be used as alternative natural medicine as they are already famously effective.

-The soaps and shampoos are made without chemicals or artificial components unlike those produced industrially

- **Weaknesses**

-They do not have innovative products or new features that can attract more customers.

-They do not have licenses or certificates for their products and have not started the process to obtain them.

-The people within the organization do not have assigned activities, making the production chain less efficient.

-There is no training for the improvement of the association in all its aspects.

-The organization does not have technical specifications of their products that facilitate recognizing their advantages.

-They do not have any type of machinery or technology that allows them to be more efficient.

- **Threats**

-Hygiene and medicinal product industries can offer more innovative products using the same supplies.

-The number of competitors increases all the time.

-There are bigger competitors in the city, which have the technology needed to have a larger production.

4.1.2 Crossed SWOT analysis

- **Potential**

The Association can take advantage of the need for organic products at the low cost that the market demands in order to find new customers in markets beyond the local one. Thanks to the 10 people dedicated to the production of products, they can increase their production quantity to cover part of the demand. In addition, one of the strengths of Kimsacocha that can help them expand their potential is that these 10 women always have the raw material they need to make their products and get them at low cost because the association has the ability to sow and harvest medicinal plants, which decreases the production product price. The association can get all the necessary permits to sell its products in stores and supermarkets, which would allow them to reach more customers.

- **Limitations**

The main limitations of this association are linked to the lack of training that its members have, not only in matters of production improvement, but also in improving its presentation and being competitive in the market. The products offered by Kimsacocha have great potential to achieve a broader market. However, the necessary improvements have not been made in terms of sales or activity specialization to the different members of the organization so everyone can focus on a certain area. Another strong limitation is their approach, although it is true that they have an aim to export in the future, they are only focused on local markets and do not go beyond them, risking in distant markets that allow them recognition and demand for their products.

4.2 Asociación Vida y Naturaleza

4.2.1 SWOT analysis

- **Strengths**

- They have adequate packaging and labels for the distribution and sale of their products, with designs that can draw customers attention.
- Participation and contribution of the 10 members, which allows them to continue advancing and improving their production techniques with help of a specialist in their training every 15 days.
- Products completely natural, organic and effective, made without harmful chemicals, with medicinal plants that do not contain pesticides.
- They offer oils, ointments, shampoos, soaps and lip balms hand-made and organic, as demanded by the market.
- The association sows and harvests some of the plants, this allows them to obtain their product at low production costs.
- Constant training and creation of more desirable products in the market.
- Low cost of their products, with which more people can buy them.

- **Opportunities**

- Increased demand for chemical free beauty products, the association is noted for the organic development of its products, having as main components plants with multiple benefits.
- Existence of few competitors allows them to enlarge the market because they can offer innovative products.

- **Weaknesses**

- The association does not have technology.

-It does not have a logo or brand that helps identify the products, however they know the importance of having an image that differentiates them in the market, which is why they are in process of creating one.

-They do not have guaranteed access to loans or credit to increase their production.

-They have difficulties reaching markets beyond the local.

- **Threats**

- Same or similar products are already offered that fulfill the same function.

-Imposition of best-known brands, nationwide that offer beauty and hygiene natural products.

-Larger companies that have higher production and position in the market.

4.2.2 Crossed SWOT analysis

- **Potential**

This association has a great advantage in the market in the shortage of existing competition. They should take advantage of the number of members and assign specific activities that allow them to be known in all possible markets. Once positioned as a brand, and making their products known, they could develop even more products that attract the attention of people who opt for chemical-free products such as those developed in this association. They can take advantage of the opportunity that people prefer to buy low cost products to build customer loyalty with what they offer.

- **Limitations**

A limitation for the association is the lack of technology that hinders the development of their products, this does not allow them to take advantage of the existing demand.

The fact that implementing a higher level of technology will allow them to do that, even though other groups want to offer the same products, would not reach this association because it is one step beyond where they can see. The absence of a well-developed logo or brand does not allow these products to be differentiated or recognized, so reaching markets beyond local ones is difficult.

4.3 Asociación Talanquera

4.3.1 SWOT analysis

- **Strengths**

-It has an established objective which directs the association to improve its techniques, increase its production and decrease its production costs.

-The greenhouse helps them to increase the amount of fruit they can obtain from each plant, they can also count on a constant quantity of product all year round, without being affected by climate changes.

- **Opportunities**

-Constant demand for tomatoes.

-The association could take advantage of the tomato as raw material to transform it into other types of products with added value and with even more market demand.

-They can expand and receive support from the Ministry of Agriculture and Livestock.

- **Weaknesses**

-Few members within the association.

-They do not have a logo or brand that allows them to differentiate in the market to which their products arrive.

-They do not have any type of technology beyond manual labor.

-They do not have any of the needed certification.

-The training its members are given is over long periods of time so they can not have a continuous improvement in their production

-Null product diversification

- **Threats**

-They have a large number of competitors

-Other competitors offer the same product, but with added value being preferred by consumers.

-The packages in which they send their products are not suitable for trade because of their minimum degree of security for tomatoes protection.

4.3.2 Crossed SWOT analysis

- **Potential**

The fact that they have a project to enlarge their greenhouse would help the association a lot because their products are of primary necessity, the more they offer to the market, the more profits they will have. By having a good organization, they could make a new distribution of activities that allow them to deal with all members and expand their tasks to sales and logistics issues.

- **Limitations**

The existing competition affects them directly because their products can not be chosen by their loyal customers. In addition to this, the fact that they do not own a logo or brand does not allow them to reach the expected markets. The packaging in which the

product is sold is not adequate as it shows little initiative and little concern for product safety. Finally, offering only tomatoes would be an advantage if they produced them in large quantities, but this is not the case and since they do not have more products that allow them to reach the customer, their quality does not allow them to position themselves in the market.

4.4 Asociación Natividad de Chumblín

4.4.1 SWOT analysis

- **Strengths**

- The fruit they use for their products can not be easily obtained and is not common, thanks to this they can attract more customers.
- Their product has already reached international markets through intermediaries.
- The prices managed by the association are very low and completely affordable.
- They use the food traffic light required by the Ministry of Public Health for the sale of processed food products.

- **Opportunities**

- Currently their product is non-existent in the market, which means that they have no competitors. The association can take advantage of this advantage to gain customers quickly.
- There are supermarket chains that can start selling this product, this will facilitate the distribution of their product nationwide.
- Being a product of chamburo, a fruit that does not get easily in other countries could be sold to distributors who can export the product

- **Weaknesses**

- The number of members is very small, they only have 6 people.
- They do not maintain a financial organization that allows them to correctly track profits and expenses.
- They do not have a logo or brand that identifies them in the market.
- They lack machinery/technology that facilitates the production process
- Delay in obtaining the necessary certificates that give the customer greater security when purchasing their product.
- They do not have customer service which does not allow them to have a feedback of the quality of their products
- Little product diversification.

- **Threats**

- Competition growth that offers products of the same range with different fruits.
- Difficulty acquiring loans.
- As they are not publicized, their product does not have any positioning in the market.
- The products are easy to imitate because the information of how they get their sweets and preserves is not protected

4.4.2 Crossed SWOT

- **Potentialities**

The marmalade and preserves of chamburo are not common products in the market and this Association has the advantage of offering them. By making themselves known properly they could sell to supermarket chains and later reach the markets they wish to have new and well received products. The fact that they are being supported by a Canadian company has allowed their products to reach that country. So with good logistics they could reach international fairs and little by little publicize their product.

- **Limitations**

The small number of people that make up the Association does not allow the proper development of activities such as sales or product logistics. A big problem that the association has is poor financial organization because they do not keep correct accounting that allows them to know if they are apt to acquire loans or credits that would facilitate their expansion and market competitiveness. The fact of not making themselves known and not promoting their products represents a threat, because their products can be imitated and produced by the competition, leaving their merit aside.

4.5 Leocapas Unidos Association

4.5.1 SWOT Analysis

- **Strengths**

- The participation of its 13 members means that the Association can have constant growth and progress.
- They have clear and defined objectives, as well as good communication to all members of the Association.
- Their activity allows them to obtain constant profit with respect to the expenses they incur as an organization.

-The members have land and real estate in their possession that increases their value and would help them to obtain bank loans if necessary.

- **Opportunities**

-Constant market demand for staple food products such as tomato or babaco.

-The growing current trend of consuming organic products would allow the association to take advantage of this market.

-The prices at which they offer their product are affordable for anyone and in some cases lower than the prices of the competition.

- **Weaknesses**

-They do not have a brand or logo that differentiates their product from the competition.

-They only use manual labor, which delays their activities.

- Their funding sources are reduced to what they contribute, because they do not have financial support from any entity.

-They do not have the necessary packaging to market their product, which reduces the confidence of buyers.

-With little diversification of products, the Association can offer only one product at a time.

-They have not assigned activities to the different people of the Association, so completing tasks becomes confusing.

- **Threats**

-Great number of competitors, not only in the township but also in the county.

- Product is easy to obtain, anyone could equal and even improve their production and sales.

-Lower positioning than its competitors, by not having a differentiating logo and producing in a smaller quantity.

- Greater reach to distant markets on the part of their competitors.

4.5.2 Crossed SWOT

- **Potentialities**

Although the products offered by the Association are fruits without any processing or modification they have the advantage of differentiating themselves from the competition by guaranteeing that their product is completely organic, it does not contain chemicals or pesticides that affect the health of consumers. The tendency of consumers to prefer

products that meet these characteristics is constantly increasing, which is why the association can take advantage of this aspect to gain customers in the market.

- **Limitations**

There is too much competition in the market, large companies that currently cover market demand produce in much larger quantities and sell at lower prices. The Association is still small and does not have the necessary resources to increase its production significantly.

4.6 Agroproductores Girón Association

4.6.1 SWOT Analysis

- **Strengths**

- They have the work and constant support of its 10 members who are willing to promote the Association.

- The members have carried out an in-depth investigation of their product and have enough knowledge to grow as an association and expand to more markets.

- They have an organization chart that allows them to assign activities to each of its members.

- They have a logo, brand, and packaging design which helps them to differentiate themselves in the market.

- They have a different and difficult to get product.

- They have a RUC and the Association is registered in the IEPS and complies with all the tax requirements.

- They have knowledge of their potential customers and have set the goal of expanding their product to large industries.

- **Opportunities**

- There is no greater offer for their product in the market, it is a food that has been lost over time, but the Association is recovering it.

- The product can be used in various industries for the production of glue, diapers, soft drinks and cardboard processing.

- The rarity of this tuber in Ecuadorian territory allows them to seize the market.

- It is a product that can be exported due to the lack of this starch in the world.

- It is a starch that can replace the starches that are commonly used. In addition, it has greater effectiveness.

- They can obtain several innovative products thanks to this starch, these would be very desired in the market.

- **Weaknesses**

-The Association is made up of a small number of people given the magnitude of the project.

-They do not have the level of technology that they need to speed up their production.

-Their unrecovered investments still keeps them from obtaining profits and thus to be able to reinvest them.

-They do not have adequate trained personnel to perform quality controls.

-The sizeable investment made, although it was good initially, is affecting them because they are very indebted and do not generate the profits that they anticipated to cover both their expenses and their loans.

- **Threats**

-International competition, Colombia is a direct competitor in Achira starch.

-The lack of general knowledge about this tuber and about its starch affects its correct commercialization and the price that should be sold, for which the demand is low.

4.6.2 Crossed SWOT

- **Potentialities**

The Association has great knowledge of its product, the benefits of this, the uses that can be given to it, and knows that its potential customers are large companies engaged in the manufacture of diapers, glue, soft drinks, cardboard production, among others products. They can take advantage of this market and sell the starch in large quantities because it is a product that has been lost in Ecuador and is currently mostly achieved by importing the product from other countries. The Association has 6 hectares of plantations which allows them to obtain a large amount of raw material to cover part of the market.

- **Limitations**

Currently, the Association must pay a large amount of money because, to start the Achira recovery project, it was necessary to make several loans for the purchase of seeds and land, to cover the costs of consolidating as an association, and making the payments to the people dedicated to obtaining raw materials, among other expenses. This represents a problem for the Association because the lack of money does not allow them to carry out their activities regularly and has slowed their growth.

4.7 San Fernando Dairy Products

4.7.1 SWOT Analysis

- **Strengths**

- The company is well organized and follows an established organizational chart, in which different people are in charge of different activities.
- They have all the necessary permits and licenses to ship their product to the market.
- Their business plan is specific and detailed, making it easier to follow.
- Not only do they have their own logo and brand, but are also supported by the IEPI by having registered it.
- Obtain raw material at very low costs.
- Post guarantees and credibility for obtaining loans or credits.
- High fidelity of your existing customers.

- **Opportunities**

- The demand for dairy products is constant as they are primary consumption products.
- Establishing alliances with milk suppliers, to obtain better quality raw material and at an even lower price.
- They can be diversified into products related to existing ones.

- **Weaknesses**

- Their products are common and have no major differentiation from those that already exist in the market.
- The company does not handle advertising tools, nor does it allocate part of its capital to publicize its product.
- The location of the processing plant hinders the distribution of their product and makes it more expensive.

- **Threats**

- There are much larger companies that are engaged in the production of cheese and yogurt.
- There are similar products in the market from other brands that are already known and are preferred by consumers.
- The market is currently looking for products that have characteristics that differentiate them from common products.

4.7.2 Crossed SWOT

- **Potentialities**

The more than 60 years of experience that the company has benefits them because they have a certain advantage thanks to their knowledge of the market. The company is properly organized and its vision leads it to continue growing and gaining customers, this will allow it to cover the increasingly constant and growing demand for dairy products. The company can begin to diversify its production, increase its level of technology and offer more and more varied products to the client and offer them at a lower price than the competition.

- **Limitations**

The number of products and brands that exist in the market are increasingly better and meet the wide variety of features that customers demand. This represents a threat to the company since they currently only offer two types of products. Although the company is a leader in its local market and has gained loyalty from its customers, at a provincial and national level there are a large number of competing companies that are larger and already cover most of the market.

4.8 Chapter Conclusions

After having carried out a SWOT analysis of the six associations and the small dairy company, it can be seen that they all have quite similar problems. In general, none of them has a correct and complete organizational structure, all have different aspects in which they need support to improve in each of the fields that have been analyzed in this thesis. Although they offer products that are currently in great demand, since they are completely organic and handmade, the internal shortcomings and, mostly, the lack of financial resources has caused them to lack the internal strengths that would allow them to face the external threats of the market.

It is difficult for these associations to compete, at this time, with larger companies that already have market positioning. The lack of knowledge has left them unprepared to take advantage of the opportunities that exist in markets far from their local areas. With the support of people to guide them in the development of a correct business strategy, they would be able to promote these small ventures and take advantage of the potential that their products have.

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

The different theories of foreign trade that have emerged throughout history have complemented each other, allowing the development of the concept and understanding the importance that it implies today, thus has been able to facilitate trade relations between almost all countries of the world. Internationalization is a concept that has developed in the new era of foreign trade, which has encouraged a greater number of companies around the world to offer their products without considering the borders as an obstacle and to see them as new and better opportunities for success. The world economy has actors who were not given the importance they now have and were not considered. These actors are known as SMEs, small and medium enterprises, that may have the potential to offer their products or services at an international level.

This degree work was based on the study of these actors located in the province of Azuay, in Girón and San Fernando cantons, trying to recognize the possibility of exporting their products. The analysis prior to field research consisted of obtaining general information about the respective cantons' social, educational and economic issues. Through this previous investigation, it was possible to reach the conclusion that they are cantons which migration has affected in such a way that women are in charge of economic activities since it is mostly men who have migrated. The fact that most of the population finishes only primary or secondary school, leaves people with basic or no knowledge on how to properly conduct a business in organizational or accounting areas. Agriculture and livestock, having most of its economically active population working in these, are the activities that provide the greatest economic return to these territories, so all the associated micro companies and existing SMEs are directed to these.

During the research process, there was a number of micro-companies associated, commonly known as associations, which are a fundamental part of the economy of these cantons. The number of small companies was reduced, because these territories have little incentive to generate their own businesses, in addition to the little state aid they receive for their progress. Through the interviews conducted, it was possible to conclude with the following; due to the scarcity of resources in these cantons, the lack of financial or technical support from the decentralized autonomous governments slows down the few enterprises in the area, leaving the growth of these under their own financing. The few associations that excelled in this research for owning products with greater export

potential have achieved their development thanks to private support. The technological level is non-existent and in the only small company found San Fernando Dairy Products, this was minimal. The authors and members of these ventures are mostly women due to the existing migratory problem in both San Fernando and Girón, the small company is the only one dedicated 100% to its activities, because the members of the associations do not have continuous demand to offer their products must be dedicated to other economic activities. It is for these reasons that most associations have had difficulty growing and even more to export.

Through the application of an Export Audit, prepared based on the Export Audit models used by the Ministry of Productivity of Ecuador and the Institute for the Promotion of Exports and Investments (PRO Ecuador) and developed with specific and important aspects for these six associated micro enterprises and the small dairy company of these two cantons, qualifications could be given for the different aspects of each company that would allow to know the possibility of exporting. The results obtained were not favorable to achieve the immediate internationalization of the products offered in these cantons, with the exception of *Lácteos San Fernando* and *Agro producers Girón*, which is closer to achieving the export of their products. However, this company and association also need to improve certain aspects in their structures to achieve it.

Each association studied has a potential that would allow it to achieve a future export and reach markets where they may have greater demand. However, they have a long way to go to achieve this goal, mainly because of the great need they have not only for financial but also technical support. Adding to this, is the lack of experience, knowledge and training which any company needs to think about the internationalization of their products.

RECOMMENDATIONS

It is important that both local and government authorities pay more attention to the associated micro-enterprises, not only in the financial sphere but also in training, in organizational matters, sales, etc. since these associations need more support in these fields to develop properly and carry out their projects. Most of these organizations consist of people who have not finished their studies so it is understandable that they need a guide to know how to grow take their business, because with the necessary support their products could reach the international market.

It is possible to find international organizations interested in financing or supporting different types of projects, especially when these associations offer products that are difficult to obtain in other markets, mainly because of the ingredients they contain, such as: chamburo, achira and various medicinal plants that occur in few countries in the world besides Ecuador. In addition, they are desirable for the organic and artisanal way that these associations make their products.

Alliances can be formed with the different universities near these cantons, specifically Cuenca, so that these associations can be offered support in the development of a correct corporate image, a guide for obtaining certificates or necessary licenses for their products, the elaboration of a key strategic plan that will help them to direct their association and thus effectively and efficiently fulfill their proposed objectives.

Interinstitutional agreements could be signed, and with the help of the decentralized autonomous governments these associations can obtain assistance from educational institutes, receiving training, consultancies and advice to improve their businesses.

BIBLIOGRAPHY

- Greco, O. (2005). *Diccionario de comercio exterior*. Florida: Valletta Ediciones.
- Balladares, E. (2013). Procedimientos de exportación para el sector carrocero de la provincia de Tungurahua y la ampliación de su mercado (Tesis de pregrado). Ambato, Ecuador: Universidad Autónoma Regional de los Andes.
- Zamora Torres, A. I. (2008). *Rentabilidad y ventaja comparativa: un análisis de los sistemas de producción de guayaba en el Estado de Michoacán*. Universidad Michoacana de San Nicolás de Hidalgo.
- Helpman, E. (2014). *El comercio internacional*. Fondo de Cultura Económica.
- Pérez Campdesuñer, R. (2012). *Reflexiones sobre los costos de calidad*. El Cid Editor.
- Rozas, S., & Corredor, C. (2016). *Negocios Internacionales: fundamentos y estrategias (2da edición)*. Bogotá: Ecoe Ediciones.
- García, G. (2012). *Estrategias de internacionalización de la empresa: como realizar negocios internacionales*. Madrid: Ediciones Pirámide.
- Elorza, J. C. (june 2, 2017). *Banco de Desarrollo de América Latina*. Retrieved agosto 28, 2017, from América Latina: muchas mipymes, pero poco competitivas: <https://www.caf.com/es/conocimiento/blog/blog/2017/america-latina-muchas-mipymes-pero-poco-competitivas/?parent=26408>
- Prefectura del Azuay; Universidad del Azuay. (2012). *Atlas del Azuay*.
- GAD Municipal de San Fernando. (2016). *Plan de Ordenamiento Territorial*. San Fernando.
- Hill, C. (2011). *Negocios Internacionales. Competencia en el mercado global*. New york: McGRAW-HILL.
- Chacholiades, M. (1992). *Economía Internacional*. Bogotá: McGraw-Hill.
- Cue Mancera, A. (2014). *Economía internacional*. Editorial Patria.
- GAD municipal de Girón. (2014). *Plan de desarrollo y ordenamiento territorial del cantón Girón*. Girón.
- Lafuente, F. (2012). *Aspectos del comercio exterior*. B-EUMED.
- Medina, A. (2006). *Causas de la internacionalización de la empresa*. Red análisis económico.
- Pardina, M. P. (2005). *Internacionalización de pymes*. Madrid: Ministerio de educación de España.
- Barrera, M. (2001). *Situación y Desempeño de la PYMES de Ecuador en el Mercado Internacional*. Montevideo, Uruguay.
- PRO Ecuador. (2017, Septiembre). PPT Export Audit. Cuenca, Azuay, Ecuador.
- INV Metals. (2015). Retrieved from INV Metals: <https://www.invmetals.com/>
- Corporación Ekos media. (2009). La MIPYME y su importancia en la economía ecuatoriana. *Ekos*.

- Zhiñin, N. (september 11, 2017). Interview about the Asociación Plantas Medicinales Kimsacocha. (K. Elizalde, & E. Vazquez, Interviewers)
- Comunidad Andina de Naciones. (2011). *Decisión 702; Decisión 748; Decisión 749*.
- Comunidad Andina de Naciones. (2008). *Resolución 1260: Parámetros para clasificar las MIPYMES*.
- Superintendencia de Compañías y Valores. (2017). Retrieved from <http://www.supercias.gob.ec/portalscv/>
- Pasato, Z. G. (october 30, 2017). Interview about the Asociación de producción agropecuaria "Talanquera". (K. Elizalde, & E. Vasquez, Interviewers)
- Arpi, J. (october 27, 2017). Interview about the Asociación Leocapas Unidos. (K. Elizalde, & E. Vazquez, Interviewers)
- Illescas, A. (october 18, 2017). Interview about the Asociación Agroproductores Girón. (K. Elizalde, & E. Vazquez, Interviewers)
- Espinoza, D. (september 11, 2017). Interview about the Asociación Vida y Naturaleza. (K. Elizalde, & E. Vázquez, Interviewers)
- Guiñín, P. (september 12, 2017). Interview about the Asociación Natividad de Chumblin. (K. Elizalde, & E. Vásquez, Interviewers)
- Gavilanes, M. (september 21, 2017). Interview about the company Productos Lácteos San Fernando. (K. Elizalde, & E. Vázquez, Interviewers)
- Rodríguez, G. (2005). *Internacionalización de la pequeña y mediana industria*. . Red actualidad contable Faces.

APPENDICES

Appendix 1: Export Audit applied to the companies. Example Lácteos San Fernando.

Organization		
Questions	Answers	Score
How many people work in the company?	0= less than 8	3
	3= 8-12	
	5= more than 12	
Does the company have a strategic plan, mission and vision?	0=No it doesnt	5
	3=It does, but does not put it in practice	
	5= It does, and put it in practice	
Do they have an objective?	0=no they dont	5
	3= They have it but do not comply it	
	5= they have it and comply it	
Have the objectives been communicated to the different members of the organization/company?	0=do not apply	5
	3=Yes, to most of them	
	5=Yes, to all them	
Do they have an organization chart?	0=no they dont	5
	3= they have it but do not comply it	
	5= they have and comply it	
Do they have TIN?	0=No	5
	3=They used to have it, but it is not available anymore	
	5=Yes	
Is the company/organization registered in the IEPI?	0=No	5
	5=Yes	
Does it have any logo or brand?	0=no	5
	5=Yes	
Do they use more machines or labor?	0=only labor	3
	3=both	
	5=they use more machines	
How many competitors does the company/organization have? *county level	0= a lot of competitors	3
	3=there exist competitors but they do not affect the company/organization	
	5= lack of competitors	
Do they have the long-term goal of exporting their products?	0=no	3
	3= yes, but they do not feel ready yet	
	5=totally	
How many years of experience do they have in the market?	0=less than 2 years	5
	3=2 to 7 years	
	5= more than 7 years	
		52

Financial aspects		
Questions	Answers	Score
Do they have a common found?	0=no	5
	3=yes, usually	
	5=yes, all the time	
The earnigns are reinvested?	0=no	5
	3=they distributed more than they	
	5=yes	
Expenses are greater than costs?	0=yes	5
	3=The profit is minimal	
	5= The profit is significantly higher	
The proces that they handled are competitive?	0=the highest of the market	5
	3=within the common price	
	5= the best in the market	
Does the company/organization have accounting ?	0=no	5
	3=yes, but it is not constant	
	5=yes all the time	
Which are their financing sources?	3=own	3
	5=loans	
Do they have guarantees to obtain loans?	0= no	5
	5=land and/or real state	
Are they up to date with tax obligations?	0=no righth now/does not apply	5
	3= yes most of the time	
	5= yes all the time	
		38

Product		
Questions	Answers	Score
Do they have an most sold product?	0=no	5
	3=they have multiple most sold products	
	5= yes	
Is the product innovative?	0= no, is common	0
	3= it has few innovative charactericts	
	5=yes	
	0=no	5

Do they have the necessary licences?	3=they are in process	5
	5=yes	
Does the company/organization have technological level?	0=no	5
	3=yes, they are incorporating it	
	5=yes	
Do they have the righth packaging to sell their products?	0=no	5
	5=yes	
Do they have constant accessibility to raw material?	0=no, they depend a lot on their	5
	3=most of the time	
	5=yes	
Is there staff that carry out quality controls?	0=no	5
	3= sometimes	
	5=always	
Does the company/organization have the capacity to increase the production	0=not now	5
	3=yes, at a long term	
	5=yes, short/medium term	
¿Can you adapt the designs and quantities according to what the market needs?	0= no, it is a lot of work	5
	3= yes, progressively	
	5= yes immediately	
Does the staff have continuous capacitation to improve the production?	0=once a year	5
	3=every 6 months	
	5=more than 3 times a year	
Does it have trained staff for the maintenance of machines and equipment?	0=no/do not apply	5
	5=yes	
Does the production processes cause harm to the community?	0= not in big quantities	5
	5= not at all	
		55

Sales		
Questions	Answers	Score
Does the company/organization sell beyond the local market?	0=no, only locally	5
	3= yes, only in fairs	
	5= yes all the time	
Does it have any type of advertising tool?	0=no	0
	3= si, but they dont use it	
	5=si, and they use it	
	0=no	5

Does it have staff responsible only for sales?	5=yes	5
Does it have customer service?	0=no	5
	5=yes	
What markets have your products reached?	0=only locally	5
	3= intraprovincial	
	5=interprovincial	
Do the products have technical specifications?	0=no	5
	3=they are in process to obtain them	
	5=yes	
		25

Company's total score: 170/190