



Universidad del Azuay

Faculty of Law

School of International Studies

“Diagnosis of the exportable supply of the Canton Santa Isabel of  
the province of Azuay”

Graduate thesis prior to obtaining a Bilingual Bachelor in  
International Studies minorin Foreign Trade

Authors: Paúl Nicolás Alvarado, Michael Ulloa

Director: Ing. Antonio Torres Davila

Cuenca-Ecuador

2018

## **Dedication**

To Pablo, for their infinite help.

To Ruth, for her time and patience

To Emilio and Gabriela, for their support and love

To Maria Dolores, because, for me, she is a guide and a blessing

To Lizandro, for their example

To the truly architect of the Universe

**Paúl Nicolás Alvarado**

## **Dedication**

All hard work requires effort and personal dedication, as well as guidance and support from those closest to us. It is therefore, through my humble will, I dedicate this work to my family and to God. In a special way to the pillars of my life; to my beloved Mother, whose love, support and encouragement has allowed me to have unique opportunities in life, to my Father, who forged the man I am today and who now watches over me from heaven, brothers and friends.

In the same way, with the deepest respect and gratitude, to the director of our research, Professor Ing. Antonio Torres, along with the rest of the teachers belonging to the University of Azuay.

**Michael Ulloa**

### **Gratefulness**

To our parents, for being the pillars in the culmination of our studies. To our friends, colleagues, teaching and administrative staff of the University of Azuay, for the education and support provided throughout this process. In the same way, to our director Ing. Antonio Torres Dávila for his patience and gift of teaching in the process of this final work.

**The Authors**

## **Abstract**

The following paper focuses in one major area, which is to determine the productive and possible exportable supply of the SMEs (Small and Medium Enterprises) located in the Canton Santa Isabel located in the province of Azuay. The main reason as to why this topic has been chosen is simply because there have not been studies or investigations related to this subject. To fulfil this purpose, a very broad and clear investigation has been made. Starting from the theoretical approach, which is basically conformed of the different trade theories along with the understanding of SMEs and their situation in Ecuador and also the general characteristics of the Canton Santa Isabel. Followed then, by the practical part, which consists of field trips made in order to investigate and obtain information through interviews carried out to the different SMEs' representatives. Finally, a current analysis of the selected SMEs was completed by using the SWOT (Strengths, Weaknesses, Opportunities, and Threats) tool, this in order to determine the actual situation of each one of the companies or associations. We hope that this paper serves as the starting point for future investigations related to the same matter.

## Content Table

Chapter 1: Analysis of the theory of Internationalization and SMEs.....	10
1.1 Theories of foreign trade.....	10
1.2 Theories of internationalization .....	17
1.3 Internationalization of SMEs. ....	21
1.4 Environment Analysis.....	27
1.4.1 Composition and distribution of exportations. ....	28
1.4.2 Main exportation destinies .....	31
Chapter 2. Determination of the environmental conditions of Santa Isabel.....	33
2.1 General Information of the Canton .....	33
2.1.1 Name of the Canton, urban center and parishes.....	33
2.1.2 Total population of the canton by sex and age.....	34
2.1.3 Population in parishes by sex and age.....	35
2.2 Economically Active Population .....	36
2.3 Canton characteristics .....	37
2.4 Economic Entities of Santa Isabel .....	37
Chapter 3: Analysis of the exportable supply of SMEs in the Canton of Santa Isabel ..	39
3.1 Productive Generalities of the Canton .....	39
3.1.2 Productive Sectors: primary, secondary and tertiary .....	40
3.1.3 Social Organizations .....	43

3.1.5 Maps of relationships between different actors.....	45
3.2 Methodology of investigation .....	49
3. 3. General analysis of San Fernandito Dairy Artisan Association.....	55
3.3.1 Analysis of the productive part. ....	56
3.3.2 Analysis of the administrative part.....	61
3.3.3 Analysis of the financial part .....	62
3.3.4 Analysis of the commercial part.....	64
3.3.5 Quantity Diagnosis .....	65
3.4 General analysis of the artisanal liquor company "Los Faiques" .....	68
3.4.1 Productive information.....	69
3.4.2 Administrative part.....	73
3.4.3 Analysis of the Financial Part .....	74
3.4.4 Analysis of the Commercial part.....	76
3.4.5 Quantity Diagnosis .....	77
3.5 General analysis of ASOPROCSI (Association of small coffee producers of Santa Isabel).....	80
Geo reference .....	81
3.5.1 Analysis of the productive part .....	81
3.5.2 Analysis of the administrative part.....	85
3.5.3 Analysis of the financial part. ....	88
3.5.4 Analysis of the Commercial part.....	90
3.5.5 Quantity Diagnosis .....	92

3.6 General analysis of the association of sugarcane growers "La Sulupaleña" .....	95
3.6.1 Analysis of the productive part .....	96
3.6.2 Analysis of the financial part .....	98
3.6.3 Analysis of the administrative part.....	98
3.6.4 Analysis of the commercial part.....	100
3.6.5 Quantity Diagnosis .....	101
3.7 Conclusion .....	103
Chapter 4: Diagnosis of the parameters of Santa Isabel .....	104
4.1 Introduction.....	104
4.2 Methodology .....	104
4.3 Analysis of SWOT and CAME of the organizations studied .....	107
4.3.1 Dairy company "Fernandito" .....	107
4.3.2 Company "The Faiques" .....	114
4.3.3 Organization ASOPROCSI.....	119
4.3.4 Organization "La Sulupaleña" .....	123
Chapter 5: Conclusions and recommendations .....	126
Bibliography .....	127



## **Illustrations Table**

Illustration 1: Porter Diamond .....	16
Illustration 2: Exports Distribution 2012-2016 .....	28
Illustration 3:Exports by Group of products .....	30
Illustration 4: Ecuador Exports year 2016 .....	31
Illustration 5 Population Distribution of Santa Isabel .....	34
Illustration 6: Distribution of Activities of PEA.....	40
Illustration 7: Principal Activity of the Primary Sector.....	41
Illustration 8: Predisposition to invest in Agriculture.....	42
Illustration 9: Asociation Fernandito .....	55
Illustration 10: Georeference of Asociation Fernandito .....	56

## **Index Table**

Table 1: Ecuadorian Exports Composition.....	29
Table 2Economic Entities of Santa Isabel .....	38
Table 3: Activities of Santa Isabel.....	42
Table 4: Social Organizations.....	43

## **Chapter 1: Analysis of the theory of Internationalization and SMEs**

### **1.1 Theories of foreign trade**

From ancient times, trade between human beings has become a latent necessity. To begin with the incipient exchange between the members of the tribes, to afterwards, with them looking for a connection between the different products that can have the different villages around the world. In this way, foreign trade was born; it is unavoidable to quote great examples of history such as the Silk Road in the Asiatic continent and the naval route of Columbus between America and Europe. The common thing between these two routes stated above is that both were looking for an exchange of products so they could have a bigger variety and thereby reach bigger profits in both sides. Likewise, these journeys, accomplish a remarkable economic rise, making philosophers start to question how to benefit from this commercial exchange.

To understand in a simple and efficient manner the different theories of foreign trade, it is necessary to go back to 1630. By that time, Thomas Mun, one of the first scholars that perceived trade in a different way; since trade as such had already advanced in a quick way, Mun decided to establish the mercantilism theory. This theory manifested that countries must export more than what they imported and, if they succeeded, they should receive gold from those countries with a deficit. (John D. Daniels, 2010, págs. 221-223)

Among this proposition given by mercantilism what we can remark with precision, is that those economies that applied this theory were totally focused in the local production without taking into consideration what other States could offer. In other words, it fully limited importations; therefore, there was a strong intervention from the State in this kind of economies so that this way they could protect and stimulate local production. Afterwards, Adam Smith, in 1776, started to question the assumptions of

mercantilism and established something different, leading to the theory of absolute advantage.

The theory of absolute advantage maintains that:

Different countries produce the same goods in a more efficient way than others do, and questions why the citizens of any country must buy goods produced internally when they can buy them cheaper outside. (John D. Daniels, 2010, pág. 224)

In turn, Smith concluded that it turned out to be elemental to specialize in the production of goods where the national industry is efficient. In addition, he considered that the resources should be canalized towards that production, so in that way, there is no waste of inversion in the emerging production. It is so, that for Smith, to see what product is or is not good for a country, depended on two advantages: natural and acquired.

Firs of, the natural advantage, in this theory the production of a good or a specialization thereof, consists, in climatological virtues and the availability of certain natural resources. The difference between the natural advantages from country to country could help understand why it is easier and cheaper, for example, to produce coffee in Colombia rather than in Russia, this is mainly because of climatological reasons on the side of the Latin-American country, which clearly demonstrates a natural advantage.

On the other hand, the acquired advantage, is the one accomplished through the specialization in fabricated goods; which often can be reflected in the manner of production, that is to say, in its innovation, investigation or, basically, in the technology that an economy may have. "An advantage (...) is the capacity of a country to produce efficiently a homogeneous product that is not easily distinguished from one of its competitors". (John D. Daniels, 2010, pág. 225). Thanks to this kind of advantage it is

understandable why it might result cheaper to produce a technological device in the US than in Venezuela.<sup>1</sup> Because, its specialization, production and technological innovation has allowed it to specialize in an outstanding way with regard to other countries.

Subsequently, in 1817, David Ricardo questioned why the theory of the Scottish Adam Smith did not take into account what happened if a country could produce every product in a situation of absolute advantage. So much so, that he suggested a new theory called the Comparative Advantage.

Such theory establishes that the profits could be obtained in a more certain and global way if a country specializes in what it can produce more efficiently. (John D. Daniels, 2010, pág. 225) In other words, a country wins if it concentrates its resources on those goods it can produce more efficiently, creating more wealth on the grounds of the more productive ones and commercializing with them. Even if a country has an absolute advantage in all of its products than another country, it should always keep in mind those goods that are produced more efficiently using fewer resources.

To understand better, an example has been established. While it is true that the US could have the absolute advantage in the production of wheat and coffee over Costa Rica, it is necessary to determinate who really produces these goods more efficiently.

Therefore, let us imagine if both countries possessed 15 unities of available resources. For the US to produce a ton of wheat it needs 5 unities of work, meanwhile Costa Rica requires 10 unities. For the production of a ton of coffee, Costa Rica needs 5 unities of work, while the US requires 10 unities to obtain the same quantity of coffee. Then, without trade, no country would be able to maximize their production and thereby their

---

<sup>1</sup>[www.oei.es/historico/catmexico/Indice\\_Adelanto\\_Tecnologico\\_PNUD.pdf](http://www.oei.es/historico/catmexico/Indice_Adelanto_Tecnologico_PNUD.pdf)

economy. However, thanks to trade and this theory, the US can sacrifice the production of coffee to import it from Costa Rica and increase the production of their wheat and, in the same way, Costa Rica, sacrificing the production of wheat and importing it from the US to increase their production of coffee.

Relative Expenses	United States	Costa Rica
Coffee	10	5
Wheat	5	10

Elaborated by: Paul Alvarado and Michael Ulloa

Thereby, it can be concluded that "Each country should produce what has the lowest cost of opportunity (renounce to less) in front of another country." (Guaman, 2014) That is to say that in our example, Costa Rica should produce coffee and the US wheat. With that production, an exchange is accomplished between them through international trade.

According to this theory, Heckscher and Ohlin established that the comparative advantage should take into account the differences in the allocations of the national factors, such as: the soil, work, wealth, in opposition to the theory of Ricardo which makes emphasis only on productivity.

The Heckscher-Ohlin model was formulated in 1919, by the Swedish economist Bertil Ohlin modifying a theorem of his professor Eli Heckscher. Relying on 3 fundamental aspects of a possible scene: two products, two goods, and two factors. It is based on a principle of the theory exposed by David Ricardo.

Countries specialize in the exportation of goods that require big amounts of the factor of production in which are comparatively more abundant and tend to import those goods that use factors of production that are scarce. (Quiroz, 2012)

That is to say that according to this theory, it can be denoted that the countries which apply it tend to export products that are intensive in the factors of production they possess in a comprehensive manner and import those they lack.

In this way, developing countries could have abundance of labor; meanwhile, developed countries could have abundance in wealth. Therefore, it demeans developing countries to export products that carry a high participation of labor. On the other side, developed countries export widely the goods of capital. For example, Ecuador is the first exporting country of banana<sup>2</sup>, while Germany is one of the main producers of vehicles worldwide.<sup>3</sup> Which gives place to the Heckscher-Ohlin theory to comply.

Nevertheless, it is important to mention that this rule is not seen as perfect because the paradox of Leontief exists. This latter was formulated from an analysis of the Heckscher-Ohlin model. From that point on, the American economist observed that the United States importations are more intensive in the qualified labor than in the capital. Which showed that the aforementioned model did not always comply. In addition, Leontief came to the conclusion that: "This assumed a better harnessing of the availability of professionals, like scientists and engineers, and of technicians, in other words, qualified labor." (Arancibia, 2009)

Afterwards, the necessity to study the movement of capitals, demand, workforce, the specialization of the same, technology, etcetera was clear. Which made this theory known to be more appropriate for the current world – globalized– and complete in terms of international trade, the diamond of Michael Porter was created.

Such model turns out to be more complex since it contains and takes into account different elements such as: factor conditions, demand conditions, support industries and

---

<sup>2</sup> <http://www.proecuador.gob.ec/compradores/oferta-exportable/banano/>

<sup>3</sup> <https://www.forbes.com.mx/los-10-paises-con-mayor-produccion-de-autos-en-el-mundo/>

others related; and, strategies of the company, structure, and rivalry. (John D. Daniels, 2010, págs. 235-237)

First of all, it should be taken into account the demand conditions. This point, practically promotes companies to innovate or even expand and diversify into other markets. Likewise, through this renovation, it also drives these companies to reach quality levels increasingly superior.

The following point, factor conditions, establishes the advantages that different countries and their respective economies can have. This does not necessarily refer to labor and raw materials as such, but rather to those specialized factors that turn out hard to obtain. For example, a specialized and scientifically-based infrastructure, an up skilled workforce, cutting-edge technology, etc.

The third characteristic, support industries and others related, takes into consideration if a company counts with the necessary support inside its environment to increase and even export its production. Here related sectors that are internationally competitive and that can support through their services can be looked for, so a local company can expand towards new horizons.

The last one, a company strategy, structure and rivalry, basically refers to the combination of the three characteristics abovementioned. The presence of national competitive rivals motivates a company to want to better itself at all costs.

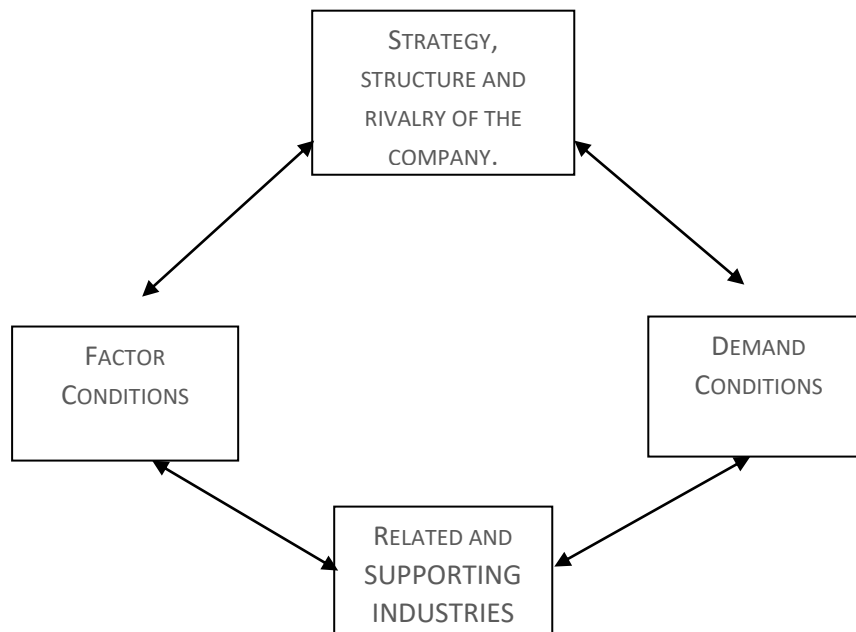


Illustration 1: Porter Diamond

Source: The Competitive Advantage of the Nations, 1991.

Elaborated by: Paúl Alvarado, Michael Ulloa

Nowadays, mainly due to globalization, economic borders have been practically destroyed. This has made the capital movement of products and services now to be at an unprecedented speed. Obviously, this has resulted in foreign trade not being the same it was 30 years ago. Crating new theories, such as the one created by the American David Dollar.

Dollar, with his book Competitiveness, Converge, and International Specialization proves a theory which parts from the principle that says: “countries with high capital should have a mix of products of intensive production in labor towards goods relatively intensive in capital” (Davis & Weistein, 2001). Dollar, also, mentions that consumables that the industry can use, have a direct relation with capital abundance. Thus in this way produce sufficient assets for its local demand and to be able to export based on standard



suppositions about preferences and in what can be produced according to the production and capital force. (Davis & Weinstein, 2001)

Moreover, before focusing specifically on theories of internationalization, it is necessary to make a brief analysis of the SMEs (Small and Medium Enterprises) and the current situation of them in Ecuador. To begin with, what is an SME? Well, according to the institutional page of the IRS (Internal Revenue Service) of Ecuador, states the following:

SMEs are known as small and medium-sized ensembles that according to their sales volume, share capital, a number of employees, and their level of production or assets present characteristics specific to this kind of economic entities. Generally in our country small and medium-sized companies that have been formed make different kind of economic activities amongst which we would like to highlight the following: wholesale and retail trade, agriculture, forestry and fishery, manufacturing industries, construction, transport, storage, and communications, immovable property and business services, communal, social and personal services. (SRI, 2016)

Furthermore, their current situation in Ecuador should also be analyzed. According to with an article published by the newspaper El Comercio, the following statement was made: “Small and medium-sized enterprises (SMEs) are vital for the Ecuadorian economy. 65% of jobs are generated by SMEs, they contributed with 15% of the GDP last year (2016) and currently around 1 500 of them export.” (El Comercio, 2017)

## **1.2 Theories of internationalization**

Companies in this globalized world are forced to take certain actions and projects, obliged by the course of action of the same. Now thanks to the breakdown of economic

barriers and the accelerated movement of capitals, a company can open up to an international market since it is no longer exclusive, only, for big companies. Internationalization has become an attractive and reachable proposal for any company, particularly, for the SMEs which are the centerpiece of our study.

First of all, we must have clear the meaning of internationalization. Basically, it consists in: “an inclusive process of decisions and strategic operations that facilitate the establishment of links and/or growing relationships, increasingly stable between a specific organization and its foreign market” (Martinez, 2009)

That is why, many authors call internationalization, an alternative for companies with an excess of benefits. For example, for Daniels, this course of action could constitute. "To access products and at the same time acquire them, as well as services. All of this abroad with far more accessible prices" (John D. Daniels, 2010)

Similarly, as mentioned above, there are many factors that have been generated thanks to globalization and thereby have forced in a certain way companies –regardless of their size– to seek to enter or come forward in other markets. With the objective of expanding, growing, gaining prestige (local market included), diversifying risks, emerging from protectionism (in case of existing restrictions imposed by the local government), among others.

There are a number of authors that mention some ways to internationalize a company. Each one of them provides a necessary contribution, which is pertinent to mention.

To get started, we can cite Alex Medina Giacomozzi, who in his article "Causes of the internationalization of a company", mentions and explains several causes and factors that drive a company to seek internationalization. To highlight, he considers that the most common way for an entity to internationalize is through exportation.

Therefore, "This is the most common form for a company to become internationalized and requires an investment comparably low related to other procedures of launch outward" (Giacomozzi, 2006)

There are two types exportation, indirect and direct. Indirect export, according to Medina Giacomozzi, "is the simplest form of internationalization of a company, since it is done in an indirect form, meaning, through a third company, that is, in reality, the one exporting." (Giacomozzi, 2006) In terms of direct export. "This modality is even more complex than the previous one, since the company itself is responsible for managing the exportation in its totality, both in the country of origin and destination, so it assumes all the responsibility." (Giacomozzi, 2006)

Another form of internationalization can be the contractual relationship with the exterior. Consisting in: "The transfer of certain rights to other company, which can be found located in a third country." (Giacomozzi, 2006) Inside of this category of internationalization, we can find some divisions like:

Foreign licenses. Permits that the company grants another entity located in a third country for the implementation of certain activities, processes or products, according to the terms of the license.

Foreign franchises. Right given to a company located in a third country in order for it to begin certain activities, having responsibility for the brand and other strategic aspects of the product or franchisees processes. (Giacomozzi, 2006)

Likewise, there are other models of internationalization which are worthy of studying and analyzing. It should be emphasized, that these models are almost, exclusive, of big companies since it requires strong investments in capital and resources. Therefore it is not among our center study which are SMEs, however it is worthy of mentioning it:

Office of external representation. It is an extension of the same company in the market of a third country, necessary interventions are required for its constitution and the development of its activities.

Foreign direct investment. A company has a direct investment in another country whether to acquire an existing company or form a new one. (Prieto, 2011)

It is also important, to analyze both sides of the coin. The internationalization, as such, represents an ambitious project for small and medium-sized companies, which makes this part of a decision surely not an easy one to take. As a result, some important obstacles at the time of entering an international market will be mentioned.

Enrique Fanjul within his publication “Principal barriers to internationalization of a company” for the site IberGlobal indicates to what he considers the four main limitations of internationalization.

#### **I- Financial resources limitations.**

The company needs money to fund the productive activity, circulating capital, etc. More directly related to its international activity, the company needs to provide the resources to fund their commercial and marketing activities. (Fanjul, 2016)

#### **II- Lack of prepared management personnel.**

Within this field, we can find that for many companies the lack of preparation of their management has resulted in a real problem. In Fanjul's words: "There are (extreme) cases of companies that to prepare an email, they write in their domestic language and then translate it to foreign one on a translator online." (Fanjul, 2016)

### **III- Difficulty to identify potential customers or partners and business opportunities in other countries.**

In spite of finding ourselves in full swing of information, there still remains a significant gap in how to handle such information in companies. Therefore, until now there still are, companies that don't even know how the culture of the country where they are located works. This is something, that should be considered fundamental.

### **IV- Additional barriers.**

Basically, it has to do with: “technical and administrative difficulties, evolution of the exchange rate, documentation, problems of collections and payments and the competition of other international companies.” (Fanjul, 2016)

Another barrier to consider is the lack of modernization on the part of different programs made by the governments, especially, in Latin America.

Most of the public support programs to the companies of the countries in development have little or no impact on the performance, they were not profitable and offered no general vision of the theoretical justifications for the government investment to support SMEs. (Batra & Mahmood, 2003)

### **1.3 Internationalization of SMEs.**

After referring and briefly explaining internationalization itself, it can be understood in a more effective way, based on how it functions, what benefits, obstacles it carries along, among others. So in this way, it can be used as support for those SMEs that decide to apply this theory in order to grow as companies.

For a start, for an SME, to internationalize it has to bear in mind many aspects such as: if the goods they produced are sufficiently competitive to launch them to another market, if there is enough production, if they have enough knowledge to export as well as the requirements for it.

Consequently, it is of utmost importance to cite María Pilar Pardina Carranco, who in her book “Internationalization of SMEs”, considers that for SMEs to be competitive abroad three main alternatives should be kept in mind, understand and determinate if they are capable of applying them. Such options are: price, differentiation and specialization.

In terms of price, she manifests that: “companies that can use this strategy are mainly those with products with a high turnover, with low manufacturing costs and a small profit margin”. (Pardina Carranco, 2015, pág. 11)

For differentiation,

It constitutes to distinguish from the competition including in our products an added value, whether it is for presentation, quality, origin, label, design, etc. It can be applied to those products that have a relation price-quality compensated. (Pardina Carranco, 2015, pág. 12)

Finally, the specialization,

It is about selling products to very specific market sectors with low competition and small profit, where specialization factors are more important than the price or quality. This strategy can be used by companies with products, of high range of innovators and with a high-profit margin. (Pardina Carranco, 2015, pág. 12)

It is worth considering and mentioning these factors, because in case of not fulfilling such requirements it could be critical for the internationalization of a company, since it could end up failing.

All of this information is vital for those small and medium-sized companies that are interested or want to give a step forward to internationalize. That is why once analyzed this theory of internationalization, it can raise questions such as: What exactly is there to win if they give a step forward to export (internationalize)? Well, then, Pardina Carranco, determinates in a certain way the advantages or profit that SMEs can end up having in case of exportation.

She mentions four key points that the company can end up obtaining in case of export. The first one, production; at this point, she states the following:

It allows capitalizing the infrastructure that the company is not using for only focusing on a local market. This translates in an optimization of human, material and economic resources. Exploitation of a technological or innovative advantage and life prolongation of the products able to be positioned in markets where is not crowded. (Pardina Carranco, 2015, p. 15)

In the following, sales and marketing, she indicates that it is possible to reach a wider market, with a bigger support towards marketing, the same that can end up improving the image of the company and adding greater prestige. For the third one, finance and administration, she mentions that the company can get to have an increased profitability through a bigger investment and development, it also achieves a risk diversification and a bigger access to international funding.

For the last one, organization and human resources, there is a continuous improvement in education through new obstacles and challenges, as well as an improvement in management techniques. (Pardina Carranco, 2015, p. 16)

Additionally, something important to mention is that inside all these operations of foreign trade there is an important number of actors that could take action in a decisive way. Carranco, summarizes them in four: customs departments, carriers, insurance companies and, finally, financial institutions.

Each of the four entities turns out to be very important in all the process to internationalize. In many of the cases, it is a significant help as well as, a major obstacle if you do not know the actions of them. We will not be studying in a significant way the operation of these actors since it is not part of the central axis of our study; but still, it is important to mention it.

Something that is really necessary to know before starting any process of internationalization are the INCOTERMS 2010. Since they turn out to be, the cornerstone of any process, whether it is of importation or exportation. The INCOTERMS 2010 are: "International terms of trade. There are a total of thirteen terms (...) transfer expenses and responsibilities of transportation to the buyer. It dates from 1936 and the last valid version dates from 2010." (Pardina Carranco, 2015, pág. 17)

The constant support that can have governmental entities, is also an interesting source of knowledge to give a big step that is internationalization. For example, in the case of our country, there are public offices responsible for giving all the needed advice regarding international market and how to get there. ProEcuador, is one of them, in fact in its institutional site mentions: "Is in charge of executing policies and norms of production of exportation and investment of the country, in order to promote the offer



(...) and the actors of Ecuador, favoring strategic insertion in foreign trade."  
(ProEcuador, 2017)

Besides, it has the advice to reach markets, and also gives adequate economic support. For example, the Ecuadorian state has given credits for more than 40 million granted directly to the representatives of SMEs.<sup>4</sup>

Before beginning to think in internationalization it is also upright to think in all the alternatives, steps, strategies that the company can take. In addition, it is necessary to analyze and know if the company is prepared and consider its possibilities of gaining access to foreign trade.

The first step, without a doubt, is to make an analysis of the company resources. That is to say, "if we have enough capacity of production (...) if we have enough personnel to confront this internationalization" (Business School Barcelona, 2013)

Another factor is to keep in mind the profitability of the product, Always, a good of the company will sell more than the other and this is something that the organization must deeply know, to know which product to sell and which one not to.

Likewise, "it is also important to pay attention to the communication policy (...) since that message will be the same inside the country as well as outside of it." (Business School Barcelona, 2013)

Once gained deeply knowledge of these previous steps, it is moment to establish everything about the company's actual situation. It is here, precisely, where the tool FODA<sup>5</sup> enters into play. This instrument gives the unique opportunity to know the

---

<sup>4</sup> <http://www.eltelegrafo.com.ec/noticias/politica/2/gobierno-compromete-credito-para-las-pymes>

<sup>5</sup> <http://www2.uca.es/serv/dafo/DAFOhelp.html>

Strengths, Opportunities, Weakness, Threats of the company and in that way have a clear landscape of the same.

Within the strengths we can find everything that makes the company *different* from the competition and the capacities the same could have.

Furthermore, the opportunities are all the positions or factors that are beneficial or positive for the organization. This could be found in the environment of the company, this should count with the necessary capacities.

The weaknesses, on their own, cause an evident disadvantage in front of the competence. That is to say, all of the positions or points within the organization, in which you can't face or have points against. A clear example is the lack of resources or not having enough, quality and production.

Threats, are the different moments or extern situations, which could affect the thought or normal development of the organization. These threats could even interrupt the permanence of the same. For example, political instability or natural disasters.

Now, once analyzed the steps, requirements or the minimum needed for the internationalization of an SME, it is time to think of the environment in which they are located. Within this study the main products out country exported will be analyzed, as well as its main destinations. From where they originate, if they only originated from big companies or also clusters or organizations. All with the main objective of knowing where an advantage of business opportunity could exist.

## 1.4 Environment Analysis

Ecuador, according to information from the Trademap site, represents the 0.1% of exportations globally, placed in the 69<sup>th</sup> position.<sup>6</sup> Also, it is pertinent to mention that for the Ecuadorian Central Bank, exportations from Ecuador are divided in two ways: oil exports and non-oil exports. As its name implies, oil exports are all exported products and derivatives of this hydrocarbon. On the other hand, non-oil exportations, in its turn, are divided in traditional products which are the primary products sold by the country such as: shrimp, banana, cocoa, etc. and untraditional exportations, “are those that have an important growth in recent years, those are: flowers, oil, tropical fruits, wood, abaca, among others” (Cueva, 2014)

Therefore, Ecuador is considered a primary exporting country. Since it depends on external market prices and mostly sells products without considerable processing. In fact, according to an investigation from El Comercio newspaper, barely 1% of exportations have a high technological component. "In this group there are electrical, pharmaceutical goods, etc." (Enriquez, 2017)

Unfortunately, in our opinion, extractivism has been one of the reasons why Ecuador still remains a developing country. Such phenomenon has inculcated certain degree of conformism in Ecuadorian people. Therefore, mentioning such inappropriate use and exploitation of resources –which by the way are non-renewable, such as: petroleum, gold, silver, etc.)–, has helped to generate the simple idea to extract and export, without giving any kind of added value. This turns out to be a separate issue, nevertheless, worth to emphasize.

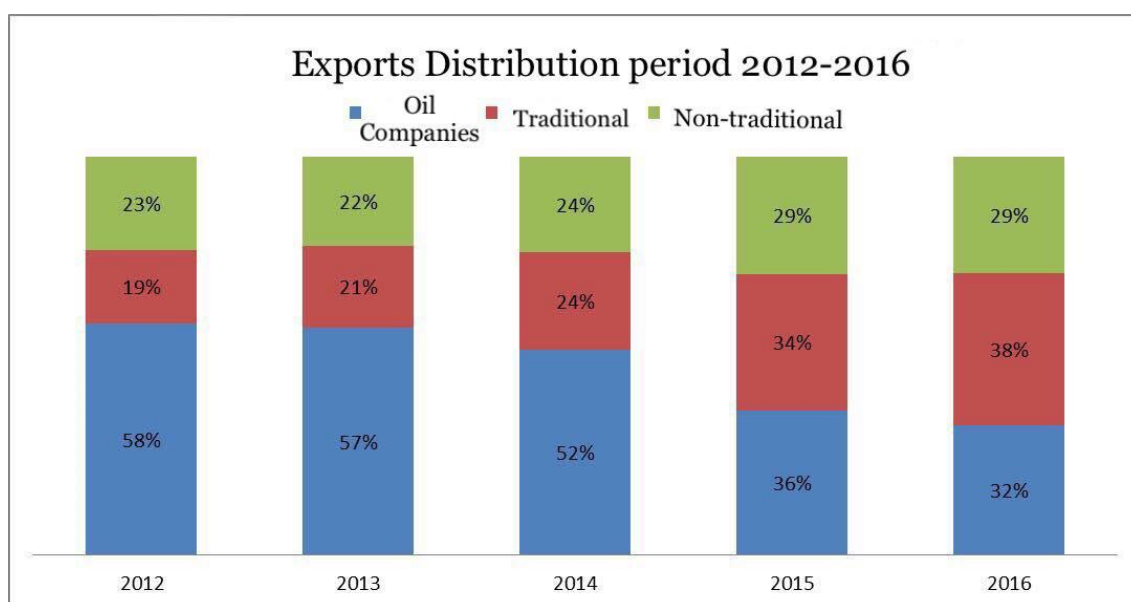
---

<sup>6</sup> [http://www.trademap.org/Country\\_SelProductCountry.aspx?nvpm=3|218|||TOTAL||2|1|1|2|1|1|2|1|1](http://www.trademap.org/Country_SelProductCountry.aspx?nvpm=3|218|||TOTAL||2|1|1|2|1|1|2|1|1)

### 1.4.1 Composition and distribution of exportations.

During the last four years there has been a constant in the distribution of exportations in our country. As mentioned before, we still largely depend on oil sales and, is something that seemingly will not change in a near future. While it is true that it is the primary product of exportation in Ecuador; it is proved that it tends downwards which leads to reflect and is worthy of analysis.

According to the Ecuadorian Central Bank data, exports covered between the years 2012-2016 are found composed in the following way:



**Illustration 2: Exports Distribution 2012-2016**

Source: Ecuadorian Central Bank

Elaborated by: Paúl Alvarado, Michael Ulloa

As can be seen since the year 2015 there is a remarkable growth of the traditional product exports, which means around 10 gain growth points. In addition, it can be seen that oil exports decreased, this basically because of the falling price of it in the

international market, signaling the end of the oil bloom that Ecuador had during some years. (El Comercio, 2014)

That said, from this graphic and respective analysis, it can be established something positive for the main objective of the present work, is to determinate if there is or is not an exportable supply in Canton Santa Isabel. As mentioned above, the exports of traditional products have grown during the last two years, which could mean a business opportunity for an SME with a desire of internationalization.

Now, in the case of the monetary value represented, we obtain the following values, same that can turn out to be worthy of analysis.

<b>Years</b>	<b>Oil Companies</b>	<b>Traditional</b>	<b>Non-traditional</b>
<b>2012</b>	23764761,83	13791957,38	9972804,45
<b>2013</b>	24750933,18	14107399,45	10643533,73
<b>2014</b>	25724432,49	13275852,68	12448579,81
<b>2015</b>	18330607,72	6660319,46	11670288,26
<b>2016</b>	16797666,33	5459164,8	11338501,53

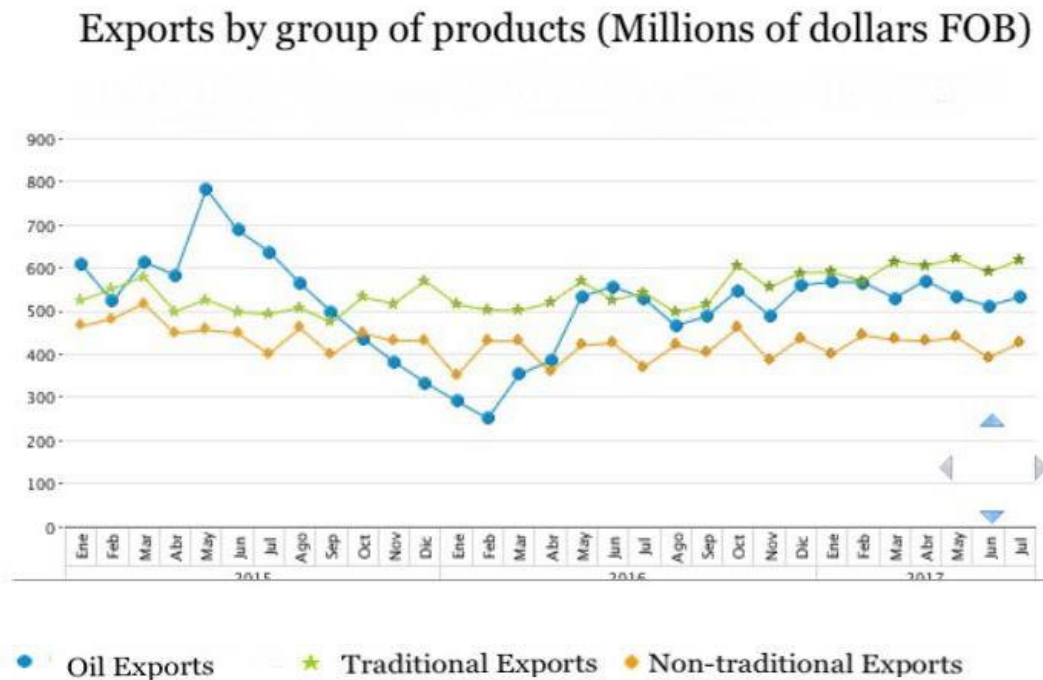
**Table 1:** Ecuadorian Exports Composition

Source: Ecuadorian Central Bank

Elaborated by: Paúl Alvarado, Michael Ulloa

Within the analysis of the table explained above is the significant decrease in oil revenues. From the year 2015 to 2016 the drop is situated in around 2 billion dollars, again due mainly to the price decline of the same. Another interesting characteristic is that in past years this same sector had a steady rise.

The behavior in terms of the exportations in our country, except for the oil sector, has had slight significant changes, but changes after all, thus for a company to know in which sectors there is opportunity, is appropriate to show the monthly behavior of these during 4 years.



**Illustration 3: Exports by Group of products**

Source: Ecuatorian Central Bank

Elaborated by: Paúl Alvarado, Michael Ulloa

After this analysis conducted, we can reach an evident conclusion. Despite oil sector being the one that generates more money within the exportations in Ecuador, it no longer is the more attractive to invest in. The main reason, to mention this, is the fact that since the year 2014 it has decreased its market participation. Which does not generate much confidence, in addition, historically depending on petroleum and its industries has carried Ecuador to significant economic crises.

Thus, we can mention that the other sectors could be interesting when investing. Such as the exportation of traditional and non-traditional products. Its evolution has remained constant and besides shows clear signs of having an upward, which proves that this could be a business opportunity.

This analysis was made, to comprehend that in this market is good to invest and in what product or products the country can have an advantage at the moment of export. It is important, by the fact that just as it was made an analysis of how the company, its organization, staff training within the institution must be, it is also, necessary to know the environment where the company is. That said, once analyzed which are the primary products that Ecuador sells, it is also worthy to know the main destinies and trade partners of our country. So, in this way, “what to sell, how to sell and who to sell.”, can be determined.

#### 1.4.2 Main exportation destinies

By the same token, it is important to know Ecuador’s main trading partners. Below are the main countries importing from Ecuador, in the year 2016, according to Trademap<sup>7</sup>:



**Illustration 4: Ecuador Exports year 2016**

Source: Trademap Elaborated by: Paul Alvarado, Michael Ulloa

<sup>7</sup>[http://www.trademap.org/Country\\_SelProductCountry\\_TS.aspx?nvpm=3|218|||TOTAL|||2|1|1|2|2|1|2|1|1](http://www.trademap.org/Country_SelProductCountry_TS.aspx?nvpm=3|218|||TOTAL|||2|1|1|2|2|1|2|1|1)

According to the chart made, it can be denoted that the USA is the main consumer of Ecuadorian goods and by a wide range. In 2012<sup>6</sup> it imported a total amount of 16 797 million dollars. In second place, Chile, with a total of 5 436 million dollars; Vietnam, with 1 150; Peru, with 1 115 and Colombia with 934 million dollars.

It is noteworthy, that the only country outside the American continent is Vietnam, one of the main reasons why it is between the first buyers of Ecuador is due mainly to its geographical situation, since it is strategic to get into the Asiatic market. Regarding, the rest of countries, it is mainly due to proximity and trade agreements, except for the US, that by being the largest economy of the world ends up being the main buyer of Ecuador.

In this way, having presented and analyzed different theories of foreign trade and their general characteristics –in particular, the theory of internationalization- as well as the meaning of SMEs, their condition and their environment in which they're located (Ecuador), turns out to be crucial. Since it leads the way to begin focusing on the main objective of the present study.

To understand or at least to have a general idea of everything that has been presented will provide certain support for the reasoning of the rest of the work. For example, the current state of SMEs in the Canton of Santa Isabel and if they fulfill or not with the fundamental requirements expanded in this chapter to export. Likewise, having investigated the basic structure of the current situation of Ecuador –regarding foreign trade- in the same way, it will serve as a pillar undoubtedly for the processing and analysis of the companies subject to investigation of the Canton of Santa Isabel.



## **Chapter 2. Determination of the environmental conditions of Santa Isabel**

### **2.1 General Information of the Canton**

In the following chapter many aspects will be established of the Canton Santa Isabel, such as general data of the population, what they do (Economically Active Population), social organization, among others,

Briefly, the current territory of Santa Isabel, was inhabited by Cañaris and Incas, that conformed the “Cañaribamba” doctrine, where the order and way to build their houses, is to ram some sticks to the ground, leaving a hole the size they wanted the house to be, and after ramming, they throw mud the size of a hand, and that is their way of building. (Prefectura Azuay, 2017)

Its date of cantonization was January 20 of 1945. The average temperature is of 10-20 °C, this is one of the factors that has made the Canton to be a highly touristic zone, as well as a place where agriculture stands out, especially grindings dedicated to elaboration of alcohol.

#### **2.1.1 Name of the Canton, urban center and parishes**

To begin with, according to the Art 3 of the decree 2002-64 of the creation of the cantons of Camilo Ponce Enriquez, that includes Carmen del Pijilí states constancy of the creation of the Canton of Santa Isabel. The same that is conformed of parishes of Santa Isabel, Abdón Calderon and Shaglli.<sup>8</sup>

According to INEC, its cantonal headboard and urban center is Santa Isabel (Chaguarurco). Nevertheless it is necessary to clarify –to avoid confusions- that there is a contradiction in the decree mentioned above, since the Art 2 mentions that the parish

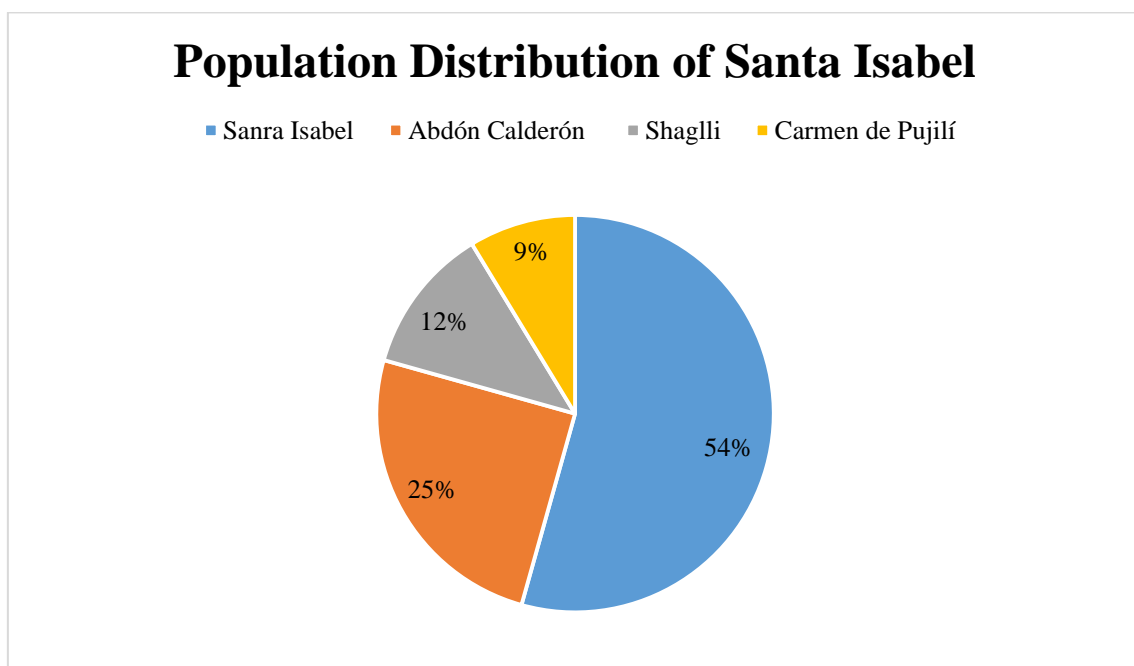
---

<sup>8</sup> [anda.inec.gob.ec/anda/index.php/catalog/94/download/1852](http://anda.inec.gob.ec/anda/index.php/catalog/94/download/1852)

of Pijilí belongs to the Canton of Ponce Enríquez, but, in practice it has always been considered as belonging to Santa Isabel, whereby it will be added to this study.

### 2.1.2 Total population of the canton by sex and age

The total population of the canton includes 18.393 inhabitants not counting with Pijilí. However, as mentioned, previously, counting with the parish it reaches a population of 19.900. All this data according to the census made by INEC in 2010.



**Illustration 5 Population Distribution of Santa Isabel**

Source: VII Censo de Población y VI de Vivienda, 2010; INEC

Elaborated by: Alvarado Paul, Ulloa Michael

It is necessary to mention that, in the canton of Santa Isabel the population is distributed in; 50,6% (11.632) of women and 49,4% of men. (INEC, 2010)

### **2.1.3 Population in parishes by sex and age**

#### **-Santa Isabel (CHAGUARURCO)**

According to the last census, most of the population is found in the cantonal headboard.

“The Cantonal Capital, in the year 2010, has a total of 11.607(100%) inhabitants of which 5.607 (48,3%) are located in the Cantonal Headboard and 6.000 (51,7%) in the rest of the headboard.” (C+C CONSULCENTRO, 2013)

In terms of the distribution of the population the 48,3% are men, while the 51,7% are women.

#### **-Abdón Calderón**

For their part this parish counts with a population of 4 631 inhabitants. (INEC, 2010)

From them, 2 291 are men which represent a 49,6% of the population; likewise, women are around 2 340 which means it reaches 50,5% of the population.

It should be emphasized that the population, “889 (18,12%) are located in the cantonal headboard and 2 340 (81,88%) in the rest of the parish.” (C+C CONSULCENTRO, 2013)

#### **-Shaglli**

According to the census, at the year 2010 the parish of Shaglli counted with 2 155 inhabitants that are distributed in the following way. According to the canton's land management plan, 98 inhabitants are located in the cantonal headboard, while 2 057 are located in the rest of the parish.

Likewise, 47,1% is represented by the male sex, while the 52,9% is formed by the female sex. In other words, there are 1 016 men and 1 139 women.

### **-El Carmen de Pijilí**

According to the census of 2010, “El Carmen de Pijilí Parish is conformed of 1 507 inhabitants, 180 (11,9%) corresponding to the headboard and 1 327 (88,1%) to the rest of the parish.” (C+C CONSULCENTRO, 2013) In terms of the distribution by sex the 57,6% are men and the 43,3% women. Which in numbers represent 854 men and 653 women.

## **2.2 Economically Active Population**

The EAP of the canton according to data of its Land Management Plan is currently made of 8 331 people- Most of which are located in the cantonal headboard with around 4 904 that represent the 53,1% of the population. (C+C CONSULCENTRO, 2013)

The composition of the EAP consists mainly of the following occupational groups:

- 41% is conformed of agricultures and qualified workers
- 14% is conformed of service workers and salespeople
- 14% is conformed of elementary occupations (officers, operators, craftsmen, etc.)

However, according to the census made in the year 2010, the main branches of the main activities are:

- Agriculture, livestock and fishing with 46%
- Wholesale and retail trade with 11%
- Construction with 10%

All this shows that, without a doubt, the main activity of the entire Santa Isabel canton is any activity related to agriculture or livestock. In fact, almost half of the population is dedicated to it. According to the data of the Secretary of Planning and Development (SENPLADES), the main products are: tomato, onion, corn, beans, pepper. (SENPLADES, 2017)

### **2.3 Canton characteristics**

Santa Isabel is a pure tourist canton. S tourist establishments are settled there, above all, for the climate benefits that occur in the sector. In fact, there are several inns, hotels and hostels that receive many people on holidays or weekends. In addition, the presence of vacation homes in the Valley sector is really notorious. According to the data of Appraisals and Cadastres of the Municipality of Santa Isabel, the cost of the land has increased remarkably. (Faican & Galán, 2011)

### **2.4 Economic Entities of Santa Isabel**

The national economic council (CEDEC) -now with the name of Consultative, Productive and Tributary Council- within its statistics, has a way of ordering the data collected from the economic entities of the country. Since it orders them in four categories. The 2012 edition of the Atlas of the province of Azuay collects these data from CEDEC and for Santa Isabel, it shows them in the following way.

<b>Total of Economic Entities</b>	<b>684</b>
Unique Establishment	610
Parent Establishment	12
Branch Establishment	42
Local Auxiliary	20
<b>Employed Personnel</b>	<b>1381</b>

## **Table 2 Economic Entities of Santa Isabel**

Source: Atlas of the Province of Azuay, 2013

Elaborated by: Alvarado Paúl, Ulloa Michael

### **- Unique Establishment**

It basically consists of the establishments that have a single place to work. For example: bazaars, micro market, groceries, etc.

### **- Parent Establishment**

"These are establishments that carrying out an economic activity or not, operate a series of branch establishments that generate the economic activity." (Prefectura del Azuay, 2013)

### **- Branch Establishment**

Basically, they are the establishments that depend on a local matrix. That is to say, they do not carry out all their economic activity in a single place, but rather, all their activity depends on the orders of a parent establishment.

Something, that is necessary to mention, is that the 684 economic entities provide work to a total of 1381 people, according to the data of the Atlas. Which, statistically, is 1.03% of the total of the province of Azuay. Furthermore, the 684 economic entities, are 1.89% of the total entities of the province. Being the integral of all entities: 36 158.

## **Chapter 3: Analysis of the exportable supply of SMEs in the Canton of Santa Isabel**

After having read and analyzed the information obtained in the Canton of Santa Isabel in general we can move to the next part of the present work, which we consider the main focus of the same.

In this section, the different entities, associations, companies located in the Canton of Santa Isabel will be distinguished. However, it should be emphasized that those who comply with the requirements -established according to the Andean Community of Nations- to be considered as SMEs will be studied, meanwhile, those who do not comply will be merely mentioned or described yet not studied.

To make these studies about SMEs in the Canton, many aspects will be considered for the elaboration of the corresponding interviews. Among the more important to stand out: general data (company profile), location, goods and how they are produced, number of employees or associates, as well as certain financial, logistical, commercial, administrative aspects, among others.

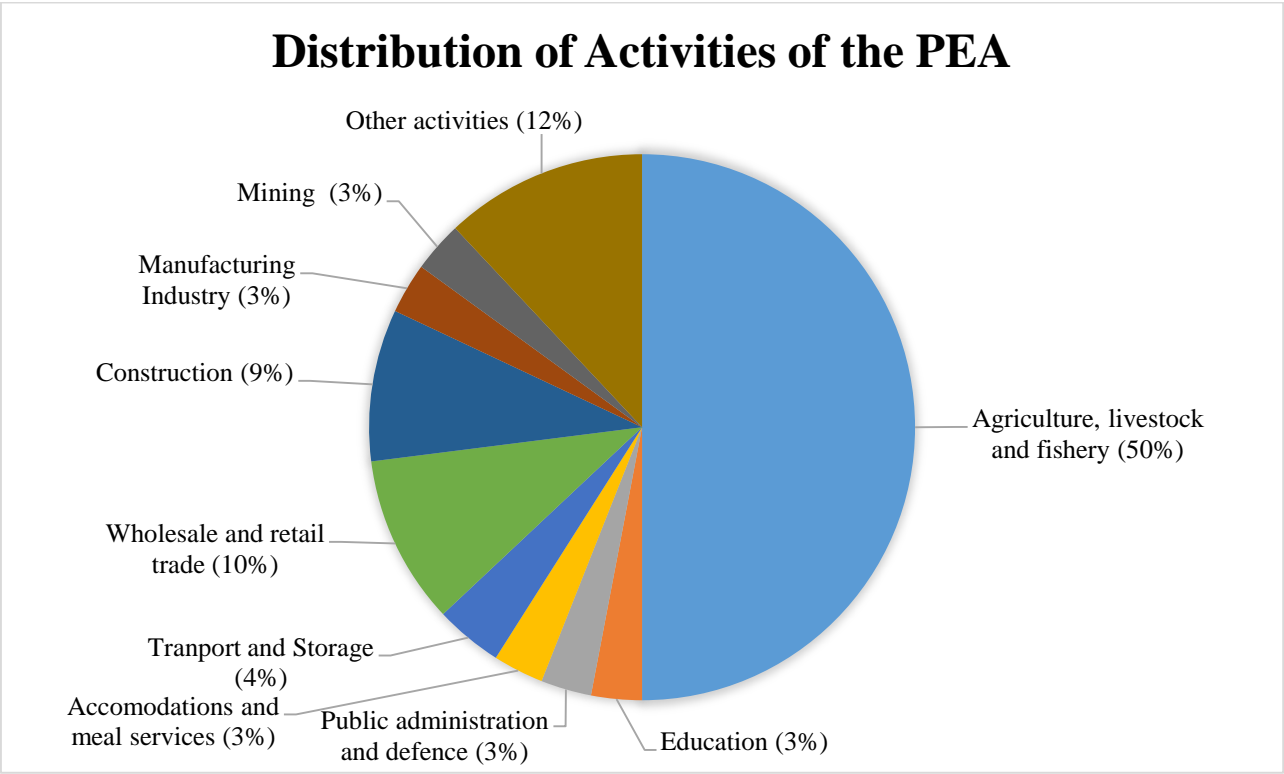
### **3.1 Productive Generalities of the Canton**

#### **3.1.1 Main economic activities**

The Canton of Santa Isabel, thanks to its natural advantage - in other words, its geographical location and thereby its warm weather and variety of soil-, maintains an important productive participation inside the Azuay Province.

According to the population and housing Census of 2010, made by the INEC; around 50% of the economically active population, is concentrated in activities such as: agriculture, fishery, livestock, forestry, proving the economic dependency of the population in said activities.

Likewise, around 18% are involved in wholesale and retail trade and in construction activities. The rest, in activities such as: transport and storage, education, accommodation and meal service activities, mining, etc. In the following graphic, it can be denoted in a more accurate way the different activities and their respective percentages.



**Ilustration 6: Distribution of Activities of PEA**

Source: Development and Land Management Plan of the Canton of Santa Isabel

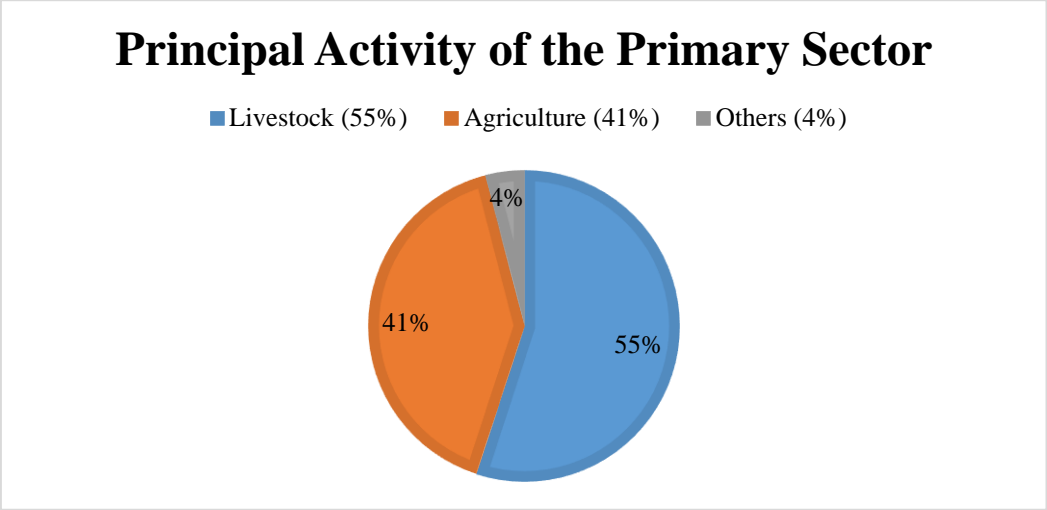
Elaborated by: Alvarado Paul, Ulloa Michael

**3.1.2 Productive Sectors: primary, secondary and tertiary**

**3.1.2.1 Primary Sector**



According to the development and land-use plan of the Canton of Santa Isabel; the main productive sectors among the primary sector are livestock and agriculture, with a 55 and 41% respectively.

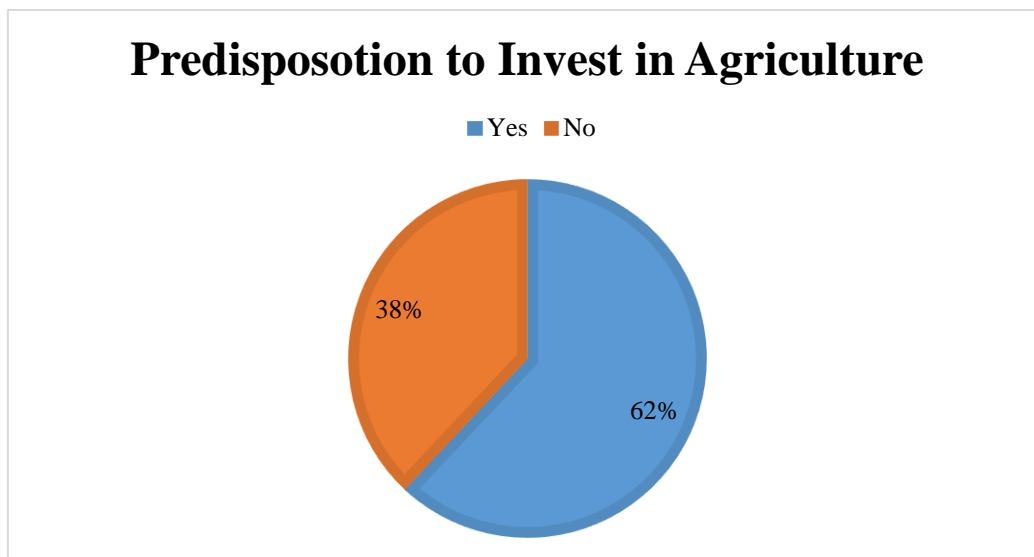


**Illustration 7: Principal Activity of the Primary Sector**

Source: Development and Land Management Plan of the Canton of Santa Isabel

Elaborated by: Alvarado Paul, Ulloa Michael

An interesting fact to mention is the tendency that the population, whether rural or urban, has in relation to agriculture. According to a query made by C + C Consulcentro, most of the people surveyed chose to maintain investments in agriculture, as shown in the following graph:



**Illustration 8: Predisposition to invest in Agriculture**

Source: Development and Land Management Plan of the Canton of Santa Isabel

Elaborated by: Alvarado Paul, Ulloa Michael

### 3.1.2.2 Secondary and Tertiary Sector

In this sector, according to the Plan of Development and Land Management, the population of the Santa Isabel Canton is dedicated mainly to activities related to trade (53%), as well as services (43.3%) and finally crafts (3.7%). The established can be indicated in a better way in the following table:

Activity	Frequency	Percentage	Accumulated Percentage
Trade	114	53	53
Services	93	43,3	96,3
Craft	8	3,7	100
Total	215	100	

**Table 3: Activities of Santa Isabel**

Source: Development and Land Management Plan - Santa Isabel

Elaborated by: Alvarado Paul, Ulloa Michael

Therefore, it can be stated that the main economic activities of the population of the Canton of Santa Isabel fall on the primary sector, which focuses mainly on agricultural activities. While in the secondary and tertiary sector, there are mainly activities related to trade, services and crafts.

### 3.1.3 Social Organizations

According to the study and therefore research carried out for the preparation of the land management plan of Santa Isabel, in the Canton there are 130 social organizations of various kinds. The same; are divided as follows.

Santa Isabel Canton	Social Organizations of Santa Isabel Canton
Pro Improvements Committee	81
Producer Associations	7
Trade Associations	4
Professional Guilds	3
Transportation Cooperatives	14
Educational Institutions	17
Sport Clubs	4
<b>Total</b>	<b>130</b>

**Table 4: Social Organizations**

Source: Development and Land Management Plan of the Canton of Santa Isabel

Elaborated by: Alvarado Paul, Ulloa Michael

Within the Santa Isabel canton there are several economic organizations that are daily in charge of promoting the economy and work in the sector. Within our study focused on SMEs we considered seven productive associations/companies that are the most representative of the Canton. Of which four organizations and companies, located in different parishes, were interviewed. This is because they meet the requirements determined by the CAN.<sup>9</sup>

The interviewed associations were the following:

- Association of dairy producers San Fernandito
- Liquor company Los Faiques
- ASOPROCSI (Association of small coffee producers of Santa Isabel)
- Sugarcane growers association La Sulupaleña

We managed to arrange interviews with 4 associations, the following three we decided not to interview for a common reason: they are branches of much larger companies located in the capital of the province. This is the case of the companies La Italiana and poultry Galindo. The last interviews were not carried out since the company La Italiana is already a formed, consolidated industry and is much larger than those considered for our study.

That is why, briefly, we managed to get information on how the company provides employment and boosts the economy of the sector, the production manager was interviewed to learn with further detail about how the economy moves. According to information provided by the GAD, it is the company with the largest plant in Santa Isabel.

---

<sup>9</sup> <http://intranet.comunidadandina.org/Documentos/decisiones/DEC702.doc>

The other company is poultry Galindo that is not part of our study either due to the fact that only the farms are located in Santa Isabel and the main plant in Cuenca.

On the other hand, we have organizations that are too small; within these are, one-man enterprises, with little production or that simply do not have the necessary income to be considered in our study.

Within the study we found the representative case of the onion association "Santa Isabel", which despite having several partners, having a collection center and even with a clear and defined statute, it does not have the minimum production levels. Since their levels do not even reach to supply the local market, it is not possible to think about selling in the capital of the province. This is why it does not have the necessary characteristics to enter deeply and in detail into our study.

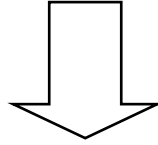
### **3.1.5 Maps of relationships between different actors**

#### **3.1.5.1 Association of Dairy Artisans San Fernandito**

The relationship that exists between the different actors involved in the many activities such as: obtaining of raw material, production, packing, and distribution, among others of the products of the previously mentioned organization will be stated below.

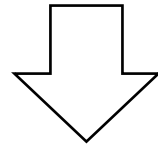
**1.-**

13 partners of the organization give the raw material of their land to the market (?)



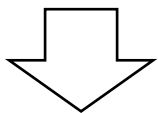
**2.-**

Production of the product in charge of a group of designated partners and two employees.



**3.-**

Sealing and packing by another group of designated partners.

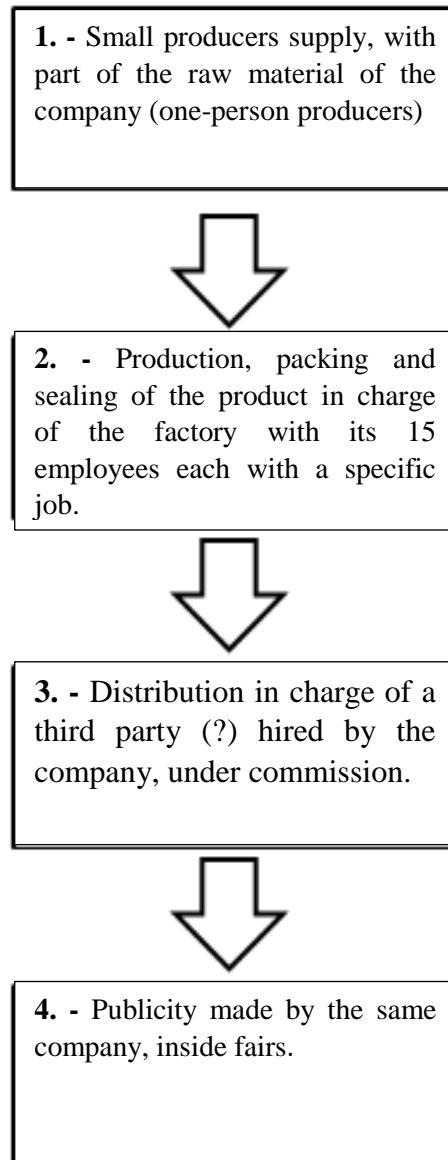


**4.-**

Direct distribution to selling points. (?)

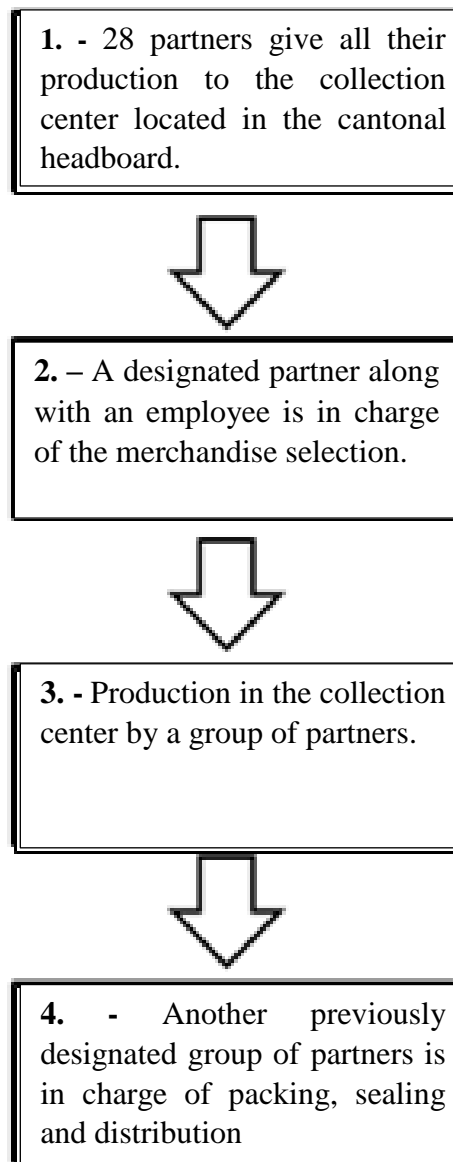
### 3.1.5.2 Liquor Company Los Faiques

For the present company, unlike the other Associations, appears another actor like the product distribution or even the obtaining of the raw material. An organization chart showing the function of the different actors in a more detailed is stated below.



### 3.1.5.3 ASOPROCSI (Association of small coffee producers of Santa Isabel)

For the following association, is interesting the study, since all of the associated, participate in one way or another in the production, distribution and even the publicity of their star product that is granulated coffee. Following this is showed in a detailed way its relation or division of functions of the different authors.





### **3.2 Methodology of investigation**

Getting to deeply know the reality and productive capacity of a specific zone is what is searched, so in this way we can get to know their potential to export and if they really had the capacity of doing it.

For this investigation many limitations were established being the most representative one the fact that it will only and exclusively be made in the canton of Santa Isabel, in the province of Azuay. Similarly, time delimitation aspects for the primary information to be obtained. Within which we can quote:

- Development and land management plan of the year 2013.
- CAN decisions in the last 10 years about SMEs.
- Documents of investigation of the GAD of Santa Isabel of the last four years.

To obtain all the necessary data for this investigation, a two-part study has been made. The first part is a field study to visit each company and the second one inside the field study, to create a series of questions to obtain qualitative and quantitative information and in this way obtain information with two essential characteristics: to be reliable and verifiable.

It is also important to mention the nature of the data obtained. On one hand is the quantitative information, which.

It is based on the measurement of the characteristics of social phenomena, which implies deriving from a conceptual framework relevant to the problem analyzed, a series of postulates that express relationships between the variables studied deductively. This method tends to generalize and normalize results. (Bernal, 2010)

Likewise, on the other hand there is the qualitative information, what this type of data seeks is:

According to Bonilla and Rodríguez, it is oriented to deepen specific cases and not to generalize. Their concern is not primarily to measure, but to qualify and describe the social phenomenon from determining features, as they are perceived by the elements themselves that are within the studied situation. (Bonilla & Rodriguez, 2000)

Regarding the model of questions that was used to obtain the aforementioned data, it was divided into two parts. The first one, with general questions to obtain all the qualitative information which can give us important information about the fundamental characteristics of the organization. In addition, it gives us a support to know and understand the true situation of the same.

On the other hand, the second part of the questions has the objective of having a quantitative database based on an EXPORT AUDIT model. Which,

Is a proposed analytical model to evaluate the export capacity, allowing to distinguish corporate resources and market requirements, in this way the aptitude of a company is evaluated. (Alvarado, 2007)

In the same way, in order to develop this unique Export Audit model, several training from Pro Ecuador was received. This added to own knowledge was able to create this model which is based on four axes.

These axes are: administrative, productive, financial and sales. The four were considered due to the fact that each represents a fundamental gear for the correct analysis of the company. In addition, we consider that the four complement each other to form a single technical and operational force.

The administrative part, according to the network of entrepreneurs Victoria 147 is basically, "the step number 1 to reach a point of data governance, from this the accounting is transformed into the inputs of financial analysis is fed." (Garibay, 2017)

On the other hand, the productive part, which is nothing more than "a process in which a series of inputs (factors), are transformed into outputs (products)". (University of Jaén, 2017)

The importance of the same lies, basically, in the result of all this process which produces a product that becomes the image of the company and from which, the highest income comes out of. In this case, a false step in the process could generate large losses to the company.

The financial part "tries to maximize the present value of the company by obtaining financial resources, in the most economical way and its proper management and investment in the most productive resources." (Bautista, 2011) In the same way its importance is that it seeks a balance between the liquidity of the organization and the profitability of the company. To in this way obtain an adequate value of the company. As well as being able to control all monetary flows and be able to locate them and invest those in the way that is considered correct.

The sales part, on the other hand, "are all those elements that intervene in one way or another in trading and negotiation activities (...) it acts as an intermediary between a company and its customer groups. (EAE Business School, 2014) This part of the company finds its justification or importance in two facts:

- It presents the company to customers
- It recognizes or shows market opportunities to customers.

Once, recognized the four axes of the company, you can know and at the same time understand more closely the true situation. Proving, that the questionnaire previously formulated will be of great support to see which company is more likely to export and which isn't.

Afterwards, after obtaining all the data, we proceeded with the next phase. With the qualitative data we proceeded to give a summary and show the main characteristics of the companies within the division of the four axes mentioned above. In this way, it will be possible to know characteristics that many times the numbers are not able to reflect.

After knowing the characteristics of each of the companies in the important sectors, the quantitative data was preceded by a rating system that was created in the following way.

- There is a total of 80 questions divided as follows:
  - o 20 in the administrative part
  - o 20 in the productive part
  - o 20 on the financial part
  - o 20 in the commercial or sales part
- Each question is designed so that their answer fits within 3 parameters: 0, 3 or 5 points. Which, mean the following:
  - o 0 points: does not fully comply with the minimum requirements
  - o 3 points: meets the parameters or requirements fairly
  - o 5 points: satisfactorily meets the parameters or requirements
- Once the sum of each of the questions has been obtained in the four areas giving a total of 400, we proceed to interpret the qualification obtained under the following parameter.

- If they get between 0 and 100: Does not meet the minimum parameters to export both now and in the near future.
- If they get between 101 and 200: Currently does not meet the minimum export parameters. But, it is on track to meet them fairly in the near future.
- If they get between 201 and 300: Currently, meets the minimum parameters to export fairly and in the near future you could fulfill them satisfactorily.
- If you get between 300 and 400: At the moment, meets the minimum requirements to export satisfactorily.

As additional information, it is necessary to mention the different activities that were carried out in the field research and the help that was received to be able to carry out the same. In order to obtain and make the interviews, the Decentralized Autonomous Government of the Canton of Santa Isabel was first consulted. There a meeting was held with Engineer Rene Pozo, General Director of the Planning Department and his assistant, Engineer Galo Cordero.

From that meeting and with the support of Cordero, the last Plan of Development and Land Management of the Canton of Santa Isabel was obtained, as well as a list of the most representative Associations of the Canton. Subsequently, this list of Associations could be corroborated with those listed in the Development and Land Management Plan.

Once the lists were obtained, those that would be the object of study (interviewed) were chosen, based on the number of partners or employees they have. According to this requirement, they can be considered as SMEs.

Now, as a reference and to make the decision about which entities to interview and which not, decision 702 of the Andean Community of Nations was taken. Which establishes several parameters to follow to be able to consider a company as SME, such as: number of employees, annual sales. (Comunidad Andina de Naciones, 2008).

Then, with the support of the Planning Department and its promoters (people in charge of carrying information from each of the canton's parishes), interviews were held - in most cases with the presidents of the associations and companies - with the representatives of the organizations and companies chosen to be interviewed.

Subsequently, once the appointments were done and with the support of the promoters who once again, are important to emphasize and thank them for such a great reception and provision of their time. With the permission and support of Engineer Rene Pozo, the promoters accompanied us to each of the interviews conducted, according to the location of the association or company. In the same way, they knew how to direct us to the main establishments, as well as how to put us in direct contact with the maximum representatives of the same ones.

In some cases, such as the visit made to the Dairy Association, if not for the support and direction of the promoter designated in that parish (Shaglli), certain problems - lack of confidence to agree to be interviewed by the representatives of the entities, complications to get in touch with them, etc. - would have occurred.

In the same way, each one of the representatives of the different entities did not only give their time, but also allowed us to enter, observe the different production phases, as well as take pictures of the infrastructure, machinery, product, etc. So it can be stated that there was no type of mishap at the time of looking for support in the GAD of the

Canton of Santa Isabel, nor was there any problem at the time of conducting the interviews with the selected entities.

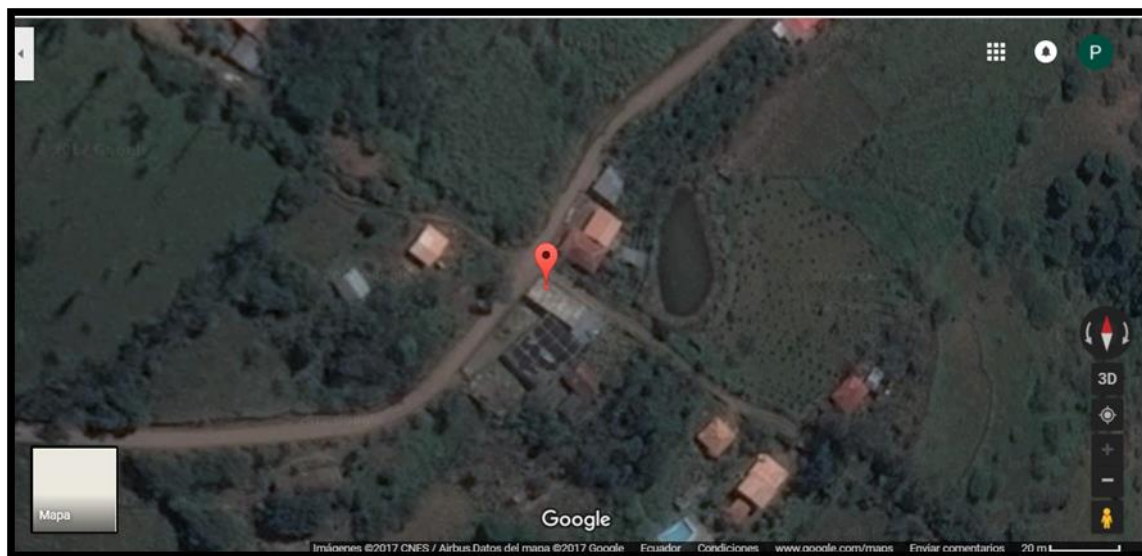
### 3. 3. General analysis of San Fernandito Dairy Artisan Association



Illustration 9: Asociation Fernandito

<b>PROFILE</b>	
<b>GENERAL INFORMATION</b>	
NAME OF THE COMPANY	DAIRY PRODUCTS FERNANDITO
PRODUCT ( or range of products)	Whole yogurt Shaglli (Berries. Peach) Milk delicacy Shaglli (350gr) Fresh cheese Shaglli (450 gr)
LOCATION	3° 10' 24.40" S 79° 22' 36.11" W
CONTACT PERSON	Rodrigo Rodríguez Patricio Ochoa (GAD promoter)
TELEPHONES AND REFERENCES	3015805 (Ricardo Rodríguez president of the association) 0979510827 (Patricio Ochoa GAD promoter)
DATE OF THE INTERVIEW	October 10th, 2017
<b>COMMERCIAL ACTIVITY</b>	
<b>Main Activity</b>	Sale and distribution of dairy products in the province of Azuay. Being manufacturers, distributors and participating in the production process
<b>Number of partners</b>	15 people all belonging to the parish of Shaglli
<b>Operating time</b>	16 years fully established
<b>Characteristics of the products</b>	Product fully registered and patented in the IEPI as well as in the MIPRO.

## Georeference



**Illustration 10: Georeference of Asociation Fernandito**

*Satellite view of the dairy factory "Fernandito"*

### **3.3.1 Analysis of the productive part.**

The Association obtains an average of around 600 liters of milk per day for the preparation of its products, among which the following stand out: yogurt, cheese, delicacy. As for yogurt, they produce it in 2 flavors. For the cheese, they produce 4 different ones; cutting table, kneading, smoked and mozzarella in less quantity and only one type of milk delicacy. Something to emphasize is the quality control that the Association has. They prefer that the milk obtained is clearly provided by the associates and in case they lack raw material, they obtain it from suppliers of the same Canton who they already have a vast experience with.





On the other hand; in terms of their facilities, as it can be seen in the lower graph, they are adequate for the production process. In the same way, cleaning the facilities is essential. In addition, they carry out a control and maintenance of all their machinery daily.

Regarding the respective procedure for quality control, they perform it in great detail. The control is born from the very beginning - grass management - that is provided to the cattle until the elaboration of the product as such. For this, they have a biochemist who carries out a detailed inspection once a week, sometimes every 2 weeks. For the company, the clean production of its products is essential.



The president mentioned that the quality and control of their products is so important that they have been limited to not produce in large quantities. That is to say, there have been opportunities to expand their productive capacity; however, quality is what stands out so they have opted for it, not the quantity of production. In addition, they have a cold room so that their products are always fresh and ready to be consumed.

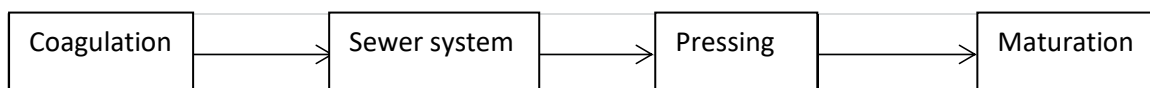
For the elaboration of the products, they maintain a purely artisanal way, accompanied by a series of machines that represented a considerable investment. Their products range from dairy products to cheese in general. As for the technological level of the company, it is scarce, since the association carries out an artisanal process.



The association is quite efficient at the time of production since they usually meet the demand. They carry with them a planning of production according to the orders, they usually prefer to produce more than what is established since they always choose to satisfy the needs of their clients and not fall short in the product.

#### **3.3.1.1 Productive process of cheese**

According to the interview with Rodrigo Rodríguez, president of the association, the production of cheese requires a series of meticulous steps both in quality and in the presentation of the product. The first thing that must be done, according to Rodríguez, is coagulation. This means that all milk milked and sent by the associates arrives and is stored until the solid components of the liquids are separated, depending on the cheese special enzymes or coagulants will be placed. Although, according to Rodríguez, what is avoided at all costs is the use of chemicals that are harmful to the image of clean product -organic-. The second step is the drainage, which consists of extracting the whey even more and letting the curd drain to obtain the moisture content that is needed. Then, the curd goes to molds to give the necessary or desired shape to the cheese. The last stage is the maturation of the product, obviously, the time varies depending on the type of cheese desired. Rodríguez, a specialist in cheese production, mentions that not much is needed from the last stage. Since what they sell the most are the fresh cheeses.



#### **3.3.1.2 Productive process of yogurt**

For the production of yogurt, the first step is the selection of the raw material. Rodríguez said that for that they have partners within the organization who are specifically responsible for seeing the quality of the milk from both their heads of cattle

and the one they receive from their distributors. Something to take into account is the fact that you need to "standardize" milk, that is, that all production is at a single temperature. Rodríguez, mentions that the ideal is 35 degrees.

The second stage is the mixture of the necessary ingredients for the final product. This process is fundamental, for a special reason: quality. Rodríguez mentioned the strict quality control since the duration, presentation, and scent of the yogurt depends on it.

From there, the next steps are the homogenization, cooling, and pasteurization of the product. It should be noted that in order to carry out all these steps it has been necessary to have enough good machinery to be able to have a good product. Which, needed a heavy investment.

It has put the most significant processes and that takes more time. All finished products have their respective labeling process. This label was made under critical specifications made by control entities and government agencies (sanitary registry). According to Ricardo Rodríguez, for the commercialization of any of their products, these must have nutritious information, the well-known "traffic light" that the public health ministry obliges.

As you can distinguish, the company has a proper labeling. As for the knowledge to export, the association has been delimited enough to simply concentrate on the local market, so they are very scarce. Also, the association does not have a program or plan to reuse and reduce waste. However, they follow basic policies which are aimed at protecting the environment.



### 3.3.2 Analysis of the administrative part

The Association was born in 2001, with around 4 members. Currently, they have a total of 15. Despite being located in a small parish, it has managed to maintain itself, endure and improve over time.

Its constitution is formed as follows: a president, Rodrigo Rodriguez, they have an administrator who is responsible for keeping the accounts of the company, as well as a person in charge of logistics and the search for new customers.

For decision-making, there is usually a meeting between all the partners so that in this way a conclusion can be reached. As for the permits, records among others. All its products and brand are patented. They have a sanitary registry, permits for the operation of the plant.

For the association, the local market is essential and they only focus on the needs of the same, but not of a foreigner. On the other hand, they do not have a strategic plan in which the mission, vision, values, etc. are established.

Regarding the organizational objectives, whether short, medium or long term, they are quite limited, since only short-term objectives are established, which are only clearly based on production. Similarly, they do not have an organizational chart, but simply have knowledge of the president, vice-president, and people in charge of different areas such as logistics, trade, quality control, etc.

The association, although it is true that it has improved over time, has been somewhat limited. Since it has simply been invested in certain machines, but not in expanding as a company as such or in a variety of products. So it can be established that they do not have continuous improvement strategies as such.

The level of instruction required for the hiring of employees or heads of areas is the most basic. What really interests them is the experience they have in the dairy sector. Something to highlight is that they have prepared a manual of procedures as well as job descriptions, that is, the functions to be fulfilled by each one of the employees. As well as, there is a good communication between all the members of the association, this is something fundamental according to Rodríguez since at the time of making decisions there are no major drawbacks.

### **3.3.3 Analysis of the financial part**

The organization has a RUC (National Tax Payers) and is registered in entities such as MIPRO and MAGAP with which it also has several financial training agreements. The accounting is managed with internal inventories of both the raw material as well as the finished product. This part of the company is managed by a partner of the organization. To start, they had to resort to several NGOs in search of help, being the most representative or offering the most help "Ayuda en acción", which is collaborating for the elaboration of a water filtration tank. At the moment it does not have any notable

banking relationship since most of the investments have been made with savings of the partners or through NGOs.

As time goes by, the association has obtained different agreements, as well as investments from different organizations. In fact, a few years ago they came to obtain financial help from another NGO (America, Spain, Solidarity and Cooperation), they gave them a quantity of money to invest in their facilities.

It has also received support from public entities such as MIPRO and MAGAP. However, they have not sought financing from private financial and commercial entities, whether they are banks, cooperatives, etc. Something to highlight is that the association periodically makes an inventory and control not only of its products but also of its assets. In this way, they know more exactly what products they have available or how much they must elaborate to fulfill the orders made by the different customers or consumers.

On the other hand, the association with own capital along with capital from the aforementioned entities has made certain investments both in its facilities as well as in machinery. However, they have not invested with the purpose of innovating or expanding as a company. With regard to future expenses, the association, as mentioned above, does not have clear medium and long-term objectives, so it is not known exactly what future expenses may be incurred.

Similarly, as already mentioned previously, the association has had certain agreements with some entities, so this has been positive for it. This can be classified as a strategic alliance, since thanks to these agreements they have been able to obtain new machinery, water filter tank, and training, among others.

### **3.3.4 Analysis of the commercial part**

As for the logistics, they have a small truck with which they deliver their products to their respective customers. They do it directly because they do not hire a third party to distribute it. So the distribution chain is direct. What the association has always sought is to provide in addition to its products, employment and general welfare for the population of Shaglli, so that all their members belong to that parish.

They have a fairly defined market, which focuses mainly on the Canton of Santa Isabel. However, they also sell directly in Cuenca, thanks to the quality and path of their products, they came to an agreement with a chain of hotels located in Cuenca.

Likewise, the advertising part is managed according to the size of the association. According to the interview, they participate in fairs in Santa Isabel to promote their products. As well as every Wednesday, they travel to Cuenca to the Mercado 12 de Abril. Also, according to the president of the Association, the best publicity that the association has come to have are their own customers, since they are precisely the ones who pass recommendations to other consumers about their products.

Nevertheless, they do not have a web page, they are not found in any type of social network, nor have they hired any public or private entity to help them with advertising. However, they have a well-defined market and know that their product is very accepted within it since according to the president, their products being organic and especially the procedure to produce them gives them the exact added value to meet the needs of their clients. Moreover, they do not carry out any type of surveys or interviews about their products, in other words, they do not meet with their clients to determine their needs - since these can be changing - but simply trust their product as such.



As for their sales, they vary according to the orders. According to the president, their main product is cheese. This product is sold in different ways, some at wholesale, others for local sale, and others at fairs. On average, they produce around 6,000 pounds of cheese monthly, as well as 2,000 liters of yogurt and 1,000 units of delicacy. The prices in the same way vary, a pound of cheese is sold in around 1.20 \$, the liter of yogurt in 2.70 \$ and the delicacies in 1.60 \$ the unit. Which is equivalent to an average sales total of \$ 14,200 (it should be noted that this data are only averages provided by the president of the Association). However, they do not have a sales strategy, since they lack advertising first and secondly, they do not have medium and long-term objectives, in which one can distinguish strategies to increase sales, for example.

### 3.3.5 Quantity Diagnosis

<b>Administrative</b>	<b>Qualification</b>
How are the actions of their company shaped: is it one-person, shareholder?	5
Do they have a strategic plan within which the Mission, Vision and Values are established?	0
How would you rate their interest in exportation?	0
Does their strategic plan clearly describe the organizational objectives in the short, medium and long-term?	3
According to their management indicators, to what degree do you consider they're fulfilling their objectives?	5
Does their strategic plan detail every aspect of the company?	3
Does their strategic plan consider the needs of the local markets as well as those of exportation?	0
How is it different from the competition?	5
Do they have an Organization Chart?	0
Does their company have procedures manuals?	3
Does their company have job descriptions?	5
Do they have more than 10 years of experience?	5
Do they have a minimum level of instruction for the heads in the areas of the company?	0
Does it keep the company in a process of continuous improvement of administrative, financial, productive and commercial processes?	0
Have they done activities outside the province?	0
Do they have technical criteria based on the purchase of raw material?	5
Does the company have quality levels for its products?	5
Is there good communication between all the employees of the company?	5

Does the company have policies to follow for the entire organization?	5
Do you consider growth of the company consistent since its inception?	3
Total	57

<b>Productive</b>	<b>Qualification</b>
Have they patented their products and brand?	5
Do they have permits, records, etc.?	5
Do they have a procedure for quality control?	5
Are their facilities adequate?	5
Do they have knowledge of non-domestic markets?	0
Does the quality control cover all the productive steps?	5
Does the package or container have proper labeling?	5
Have they hired a specialist to design their packaging?	0
Do they keep a qualification record of the suppliers for the different supplies and services required by the Company?	0
Do the production processes cause any negative impact on the surrounding environment?	5
Do they meet the environmental management requirements for their industry?	5
Does the company have programs to reuse and reduce waste?	0
Is inventory tracking and control carried out?	5
Do you consider the company efficient?	3
What is the technological level of their machinery?	3
Do they have a maintenance program for their machinery?	5
Do they make and supply their own raw material?	3
Does the company have production planning according to their orders?	5
What is the technological level of the company?	0
How important is the cleaning inside the factory?	5
Total	68

<b>Financial</b>	<b>Qualification</b>
Do they periodically make an inventory of their products and assets?	5
Do they have trained personnel to perform the accounting of the organization?	5
Do they have external financing sources?	3
Do they have agreements with financial, commercial entities?	0
With regard to public obligations, do they qualify for a loan?	5
Have they received training to manage their accounts by public or private entities?	0
How do they consider their investment for the purchase of machinery and supplies for continuous improvement?	3
Is there differentiation between production and marketing costs?	0
When making a loan, how much do they commit the company's vital heritage?	0
Do they have any software that helps them in the accounting aspect?	0
Is the company in a financial situation that allows it to continue growing?	5
Does the company invest in infrastructure?	3

Does the company invest in new machinery?	3
Have they invested in order to innovate?	3
Do they handle production costs?	0
Is there a control over the profit margin of the product?	0
Is part of the profit obtained used for investment within the organization?	3
Do they plan future expenses?	0
Do they have any kind of strategic alliance in the financial area?	5
Do they have a defined Budget for Marketing and Sales Activities?	0
Total	43

<b>Commercial</b>	<b>Qualification</b>
Do they have a person focused on the marketing and sales area?	3
Do they have advertising material for their star product?	0
Do they have a Web Page?	0
It has clearly defined which is its star product	5
Do they use media to advertise their products?	0
Do they have advertising material for the rest of their products?	3
Is their target market clearly defined?	5
Does their product have a clear added value?	5
Do their products have several presentations to get closer to the market?	5
They've obtained help from public or private entities to advertise their product	0
Have they been able to delimit or identify the competition within their target market?	0
Are they clear about the strategies of the competition?	0
Do they have their own vehicle to transport products?	5
Do they have a sales strategy?	0
Do they meet with their clients to know their needs?	0
Do they deliver their products directly or through a third party?	5
Do they have knowledge of any potential foreign market?	0
Do they explore market opportunities to increase sales?	0
Do they have clear procedures for the application of Guarantees and Product Returns?	0
How organized is the distribution chain?	5
Total	41

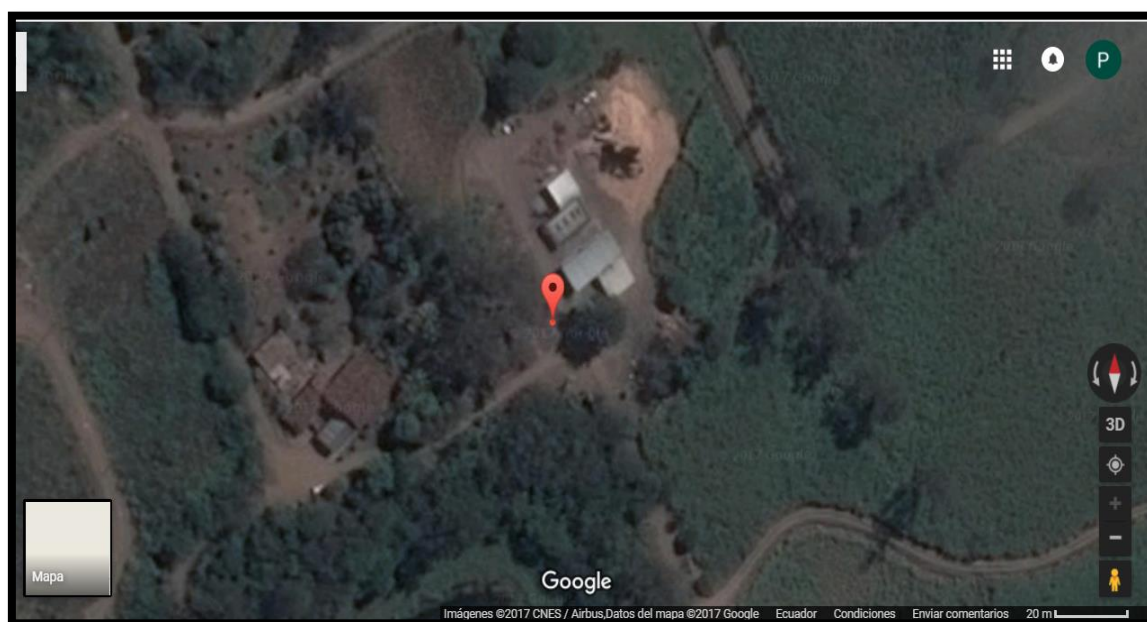
<b>Fernandito</b>	
Administrative	57
Productive	68
Financial	43
Commercial	41
<b>Total</b>	<b>200</b>

### 3.4 General analysis of the artisanal liquor company "Los Faiques"



<b>PROFILE</b>	
<b>GENERAL INFORMATION</b>	
NAME OF THE COMPANY	LOS FAIQUES
PRODUCT ( or range of products)	Spiked liquor, distilled from sugar cane "La Chabela"
LOCATION	3°17'15.24"S 79°18'36.29" W
CONTACT PERSON	Pedro Abad (owner manager) Andrea Herreres (GAD promoter)
TELEPHONES AND REFERENCES	0985436132
DATE OF THE INTERVIEW	October 10th, 2017
<b>COMMERCIAL ACTIVITY</b>	
Main Activity	Sale, production and distribution of alcohol in the province of Azuay
Number of partners	Family business with a single owner, it has 15 employees each with specific tasks.
Operating time	50 years of operation.
Characteristics of the products	Product fully registered and patented in the IEPI as well as in the MIPRO.

## Geo reference



### 3.4.1 Productive information

The main product is the liquor in several presentations. Its production consists of around 1 500 liters per week, the production of alcohol takes about two weeks as there is an acceptable technology within the factory, which is part of the initial investment of Pedro Abad. This can be mentioned accurately, since the company regularly performs inventories of both the raw material and the final product, allowing a clear idea of the scope of the organization.

The first step to making alcohol is to get the cane. The owner of the company, Mr. Pedro Abad, was able to mention during the interview that he cultivates cane on his farm, however, the raw material is not enough to supply his production, so he buys from other local suppliers, being Mr. Abad who has a truck who transports the raw material.

Something to emphasize is that the elaboration of this product requires a lot of work since the simple harvesting of the cane takes time and effort because the land where they are located does not allow them to use machinery so it is done manually.

Subsequently, the cane is passed through a mill. The liquids obtained from the cane are then poured into metal containers. In this section, the juices stay for a while so that they ferment and alcohol can be obtained. Once fermented, it passes to another tank in which it is heated.



The heat causes the juice to evaporate and it passes through a still. Cold water is used to cool the still and thus another transparent liquid is obtained. This liquid is known as "aguardiente". Commonly the alcoholic degree is quite high, between 60-85 degrees of alcohol, the measurement is made through a hydrometer.

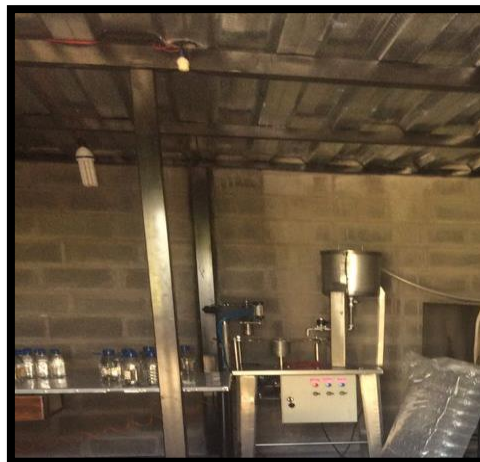


It should be noted that alcohol is purely natural since they do not use any type of chemicals or dyes. Once the alcohol level is measured, the next step is to bottle the product. For this, the company has a bottler purchased abroad, which is responsible for

sealing the product and putting a protective seal. As you can see it has a quite good machinery that is acceptable for production.



Making it clear, that it is not the level of technology of large industries but the investment that has been made in their organization is remarkable. The same that has a maintenance program that is not done frequently.



The final product has an expiration time of 2 years, with a view to expanding them to 5 years once a glass container is obtained and not only the current one, which is made of plastic. They have a sanitary registry, as well as their brand "Caña Chabela" is patented in the IEPI. The company is dedicated merely to the manufacture of alcohol as such, containers and seals are obtained in Cuenca and Santa Isabel respectively.



The final product has a good presentation and proves to be a quality product. Since according to the interview with Mr. Abad, they try to get the best plastic for the liquor container. In addition, the label has its own logo and calligraphy made especially by a designer. Which, gives some added value to the product.



On the other hand, they have several quality controls in most steps of the production process. For example, how is the raw material, if the container is hermetically sealed, etc. Likewise, they have the adequate facilities for the preparation of a good product and, also, they create a safe work environment, an appropriate cleaning and the necessary safety measures for their employees.

Unfortunately, the company Faiques does not have an appropriate record from its suppliers, in which the quality of the products they can offer is on record.

Something to emphasize is that they try as much as possible that their production does not generate a negative impact on the environment, but at the same time, unfortunately, they do not have a clear waste management policy.



For Pedro Abad, the company as it is is efficient. Obviously, he has to make some changes to obtain perhaps more production and an improvement in quality but Abad says he is happy with the current situation of the company. Making it clear, that as a proprietary manager, what he is looking for is to improve as much as possible.

#### **3.4.2 Administrative part**

"Los Faiques" as it is known has more than 50 years of presence in the market offering a product in several presentations and at various prices which has allowed a clear differentiation of the competition, especially in the local sector. Its owner, Pedro Abad, has acquired knowledge about the market and its product thanks to the teaching of his uncles and father since it is a purely family business.

It is considered a family company, due to the fact that the majority of important tasks of the company such as accounting and quality control are made by relatives of Mr. Abad. For example, in the accounting and production area, his nieces specialized in the aforementioned fields offer their knowledge. Also, it has 15 employees who have not necessarily been required to have a basic instruction. Since the majority is dedicated to the collection of cane and the production of it. Being Pedro Abad in charge of essential tasks such as, for example, the quality control of the raw material.

The company has an institutional mission and vision that gives greater value to the organization, as well as the values to follow. It should be noted that these were not written on the walls of the company; but according to his manager each employee knows what the objectives to reach and the situation of the organization are.

Another point to highlight within the organization is the fact that they have short, medium and long-term plans and objectives. Proving that they have a strategic planning that is not based on production, but in different plans or goals that they can have. These

objectives are based on the investments and resources that the company may have in a period of one year, three years in the short term or in the long term, which are five years. In addition, within its strategic plan, the company has considered the needs of a local market. Of course, it was intended to insert within its strategic plan a process of continuous improvement in all areas of the company, which unfortunately has not been achieved.

Within the roles of the company, you could say that they are well defined. Although they do not have an organizational chart, they do have a manual of functions where each employee knows which function to fulfill and at what specific time, allowing in this way a more tidy and productive process, thereby promoting good communication among employees since there is no confusion at the moment in which each person fulfills their functions.

At the moment, for the company Faiques, exportation is seen as something complicated to make, since they want to first improve within the company, strengthen in the local market and from there, then think about selling their products in another country. Its main objective is to improve each day both in the production part and also to obtain a more qualified workforce to achieve a product of better quality and that is recognized not only in Santa Isabel but throughout the Austro.

### **3.4.3 Analysis of the Financial Part**

The company has its own capital to expand and to pay the salary of its employees. Being a purely family company with a history of more than 50 years, they have managed to raise a stable capital to buy machinery and be able to invest in fundamental aspects.

Also, the company makes several inventories of its products and assets, to know the reality of the production or how is their machinery. This has been possible, for the help given by the company's accountant for the part of assets and production by an engineer in that sector. Which, as already mentioned, denotes in the company certain trained personnel. It should be noted that the investment has been good, but not constant; and, in turn, they do not have software or any type of program that helps or improves the tasks of carrying out production costs.

In addition, according to the interview with Pedro Abad, savings and sales revenue have been sufficient; so that the company avoids getting into overdrafts or several financial difficulties. Evading, in this way the need to resort to bank loans or help from government organizations. However, this "comfort" has meant that they do not have to worry about planning their future expenses and, in addition, they do not generate any kind of strategic alliance in the financial area.

Another point to consider, are the constant attempts to join with other producers, to achieve greater productivity, better income or even achieve a product with greater recognition since the knowledge of several producers could lead to an improvement in product quality. Unfortunately, this has not been possible, in the words of Pedro Abad, there have been several attempts to join, but due to problems such as selfishness, a union has not been possible.

Practically, the Faiques could be considered to be the largest alcohol distillery in the Canton. Which, allows the Faiques to expand to new markets and in turn to make large investments to have a better quality product.

#### **3.4.4 Analysis of the Commercial part**

Its main market is well defined, being the local (Santa Isabel), however with the passing of the years, it has expanded only to certain places of Azuay, as for foreign markets the company has chosen not to seek them.

As for the logistics part, there is an employee that the company provided with his own vehicle for distribution to other cantons such as: Gualaceo, Cuenca, etc. What allows us to have full knowledge of how the distribution chain is.

Mr. Abad mentioned that he thinks that the local market is too saturated because the company knows fully what their competence is. Another difficulty is that they do not know what the possible market strategies of the competition are, which means that they are always drifting away from the strategies of the big distillers.

As for the advertising part, it is quite scarce, since they consider that the local market is the main one, therefore, since they are already established within it, they do not carry out more publicity. Because of this, they do not have a staff dedicated exclusively to the marketing and sales part; nor have they approached for advice to private or governmental entities on this issue.

They trust in the quality of their product as well as in the extensive experience they have, so they have not seen the need to meet with their customers to know the needs of the market. It is interesting the fact that having mentioned this, their main medium to be known is: their customers. It is them who expand the product through positive comments about it. Well, in the words of Pedro Abad, there has been no complains whatsoever about the quality of the product, despite having a clear policy of complains or returns.

The little publicity they have; consists of attending fairs or local festivities with a themed tent of their star product. Which undoubtedly, Pedro Abad mentioned that is the 750ml liqueur.

This star product has an added value, its quality - especially the way they make it which is quite clean- and its importance in the market. The fact is that it is one of the few that has 50 years of knowledge in the Santa Isabel area.

The price established for their product varies according to the size of the container. They have for 750ml, 1000ml and 3785ml (1 gallon). Therefore, the price to the public of a container of 750ml is 4 \$, 1000ml is 6 \$, and 3785ml is 10 \$. They sell an average of 3500 liters wholesale per month, which equals about \$ 11,500.

### 3.4.5 Quantity Diagnosis

<b>Administrative</b>	<b>Qualification</b>
How are the actions of their company shaped: is it one-person, shareholder?	3
Do they have a strategic plan within which the Mission, Vision and Values are established?	5
How would you rate their interest in exportation?	0
Does their strategic plan clearly describe the organizational objectives in the short, medium and long-term?	5
According to their management indicators, to what degree do you consider they're fulfilling their objectives?	5
Does their strategic plan detail every aspect of the company?	0
Does their strategic plan consider the needs of the local markets as well as those of exportation?	3
How is it different from the competition?	5
Do they have an Organization Chart?	0
Does their company have procedures manuals?	5
Does their company have job descriptions?	5
Do they have more than 10 years of experience?	5
Do they have a minimum level of instruction for the heads in the areas of the company?	0
Does it keep the company in a process of continuous improvement of administrative, financial, productive and commercial processes?	0
Have they done activities outside the province?	0
Do they have technical criteria based on the purchase of raw material?	5
Does the company have quality levels for its products?	5

Is there good communication between all the employees of the company?	5
Does the company have policies to follow for the entire organization?	5
Do you consider growth of the company consistent since its inception?	3
Total	64

<b>Productive</b>	<b>Qualification</b>
Have they patented their products and brand?	5
Do they have permits, records, etc.?	5
Do they have a procedure for quality control?	3
Are their facilities adequate?	5
Do they have knowledge of non-domestic markets?	0
Does the quality control cover all the productive steps?	3
Does the package or container have proper labeling?	5
Have they hired a specialist to design their packaging?	5
Do they keep a qualification record of the suppliers for the different supplies and services required by the Company?	0
Do the production processes cause any negative impact on the surrounding environment?	5
Do they meet the environmental management requirements for their industry?	5
Does the company have programs to reuse and reduce waste?	0
Is inventory tracking and control carried out?	5
Do you consider the company efficient?	5
What is the technological level of their machinery?	3
Do they have a maintenance program for their machinery?	3
Do they make and supply their own raw material?	3
Does the company have production planning according to their orders?	5
What is the technological level of the company?	3
How important is the cleaning inside the factory?	5
Total	68

<b>Financial</b>	<b>Qualification</b>
Do they periodically make an inventory of their products and assets?	5
Do they have trained personnel to perform the accounting of the organization?	3
Do they have external financing sources?	0
Do they have agreements with financial, commercial entities?	0
With regard to public obligations, do they qualify for a loan?	5
Have they received training to manage their accounts by public or private entities?	0
How do they consider their investment for the purchase of machinery and supplies for continuous improvement?	5
Is there differentiation between production and marketing costs?	0
When making a loan, how much do they commit the company's vital heritage?	0
Do they have any software that helps them in the accounting aspect?	0
Is the company in a financial situation that allows it to continue growing?	5

Does the company invest in infrastructure?	3
Does the company invest in new machinery?	5
Have they invested in order to innovate?	3
Do they handle production costs?	5
Is there a control over the profit margin of the product?	3
Is part of the profit obtained used for investment within the organization?	3
Do they plan future expenses?	0
Do they have any kind of strategic alliance in the financial area?	0
Do they have a defined Budget for Marketing and Sales Activities?	0
Total	45

<b>Commercial</b>	<b>Qualification</b>
Do they have a person focused on the marketing and sales area?	0
Do they have advertising material for their star product?	3
Do they have a Web Page?	0
It has clearly defined which is its star product	5
Do they use media to advertise their products?	3
Do they have advertising material for the rest of their products?	3
Is their target market clearly defined?	5
Does their product have a clear added value?	5
Do their products have several presentations to get closer to the market?	5
They've obtained help from public or private entities to advertise their product	0
Have they been able to delimit or identify the competition within their target market?	5
Are they clear about the strategies of the competition?	0
Do they have their own vehicle to transport products?	5
Do they have a sales strategy?	0
Do they meet with their clients to know their needs?	0
Do they deliver their products directly or through a third party?	3
Do they have knowledge of any potential foreign market?	0
Do they explore market opportunities to increase sales?	0
Do they have clear procedures for the application of Guarantees and Product Returns?	5
How organized is the distribution chain?	5
Total	52

<b>“Los Faiques”</b>	
Administrative	64
Productive	68
Financial	45
Commercial	52
<b>Total</b>	<b>229</b>

### 3.5 General analysis of ASOPROCSI (Association of small coffee producers of Santa Isabel)



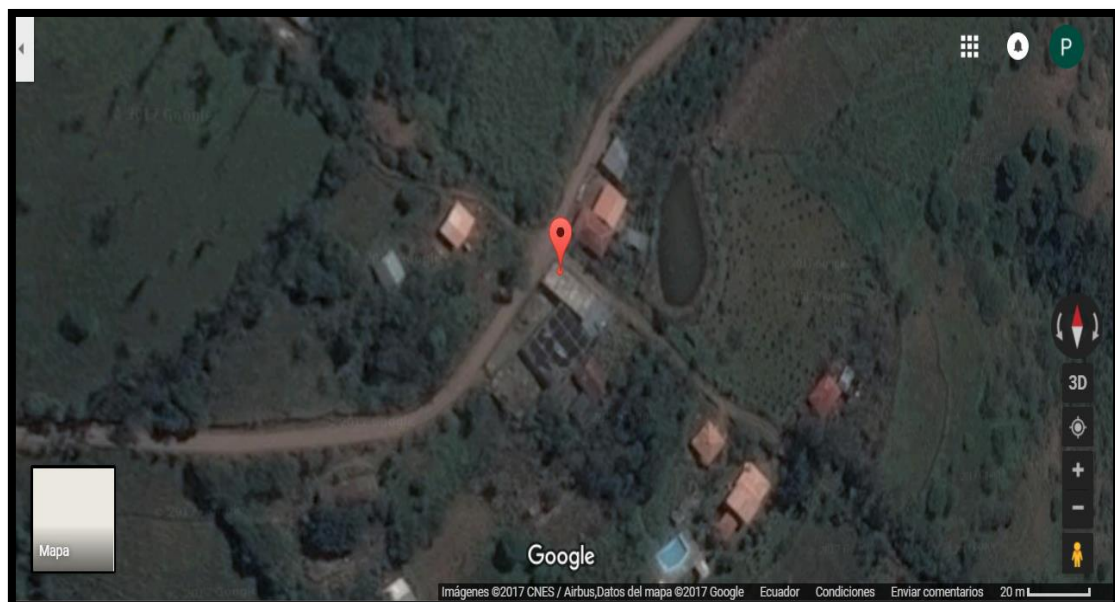
Source: Prefecture of Azuay Repository

<b>PROFILE</b>	
<b>GENERAL INFORMATION</b>	
NAME OF THE COMPANY	ASOPROCSI (Association of small coffee producers of Santa Isabel)
PRODUCT ( or range of products)	Ground coffee "Guayara", high-brown coffee
LOCATION	3 ° 15' 36.57" S 79 ° 18' 41.51" W
CONTACT PERSON	Modesto Ordoñez (vice president of



	ASOPROCSI Andrea Herreres (GAD promoter)
TELEPHONES AND REFERENCES	0985436132
DATE OF THE INTERVIEW	October 10th, 2017
<b>COMMERCIAL ACTIVITY</b>	
<b>Main Activity</b>	Sale, production and distribution of ground coffee "Guayara"
<b>Number of partners</b>	Association of small coffee producers of Santa Isabel. Company formed by 28 partners and has one employee
<b>Operating time</b>	Legally constituted since 2001
<b>Characteristics of the products</b>	Product fully registered and patented in the IEPI as well as in the MIPRO.

### Geo reference



#### 3.5.1 Analysis of the productive part

The Association has 28 members, of which, all take part at the time of coffee harvest. The average production of the Association is around 800 pounds per month, they have around 55 hectares. The production is merely controlled by the number of orders that the organization may have.

Mr. Ordoñez was able to mention that each of the partners is fully trained to harvest the best possible product, that is to say, they have a standard. They also have a qualification

to avoid that the producers do not give any grain, but, only and exclusively the best grains of the harvest. In spite of having a standard and a qualification system for the quality of the merchandise, the association does not have an inventory tracking and control system.

Unfortunately, this standard and qualification have not been boosted for the knowledge at the time of exporting since the knowledge on this subject is null. The steps for coffee production are the following:

The first step is to grow the plant, they do it naturally since they do not use any type of chemicals or pesticides (they use certain insecticides and even fertilizer produced by themselves with the waste or husks of coffee).



It should be noted that the sowing, care of the premises, among other activities are carried out by mingas made by the same partners. Once the fruit of the coffee, which resembles a cherry, has been picked, it is picked at the moment it already has a reddish color (or grape color), according to Mr. Ordoñez it is the best stage to be able to produce a good coffee.



Subsequently, it is passed to the pulping of the fruit. Practically the fruit as such is separated from the grain in which it is. While it is true that there are machines to perform this process, they do it manually. However, they do have a machine and use it when there is too much to produce. Once pulped, it is left overnight in its own crust or honey and the next day it is left to dry.



There is also another way, in which the aroma of coffee is stronger or more concentrated. In this process, they do not pulp it, they let it dry once harvested without having to separate the fruit from the grain.



They do it in both ways, however, they prefer the second drying option. Once dried, the coffee goes to a stage where it is milled with a precise machine, which is responsible for removing the finest part of it. So it can be ready for packaging.



The product obtained, finally, goes through a packaging and sealing process. It should be noted that this process is done by hand and there is only one employee who is responsible for this step, being something quite rudimentary. This does not mean that their machinery and facilities are not adequate. That is to say, they are not the best or the most advanced in terms of technology, but have made a breakthrough with

moderately good machinery. However, it is in constant danger because they do not have an adequate maintenance program.

According to Ordoñez, everything possible to try to reduce the negative impact that coffee production can have within the sector has been done. They try to reuse the waste -with the coffee husk that serves as fertilizer - and not use many chemicals. However, it has not been possible to control this completely with the associates. Which, unfortunately, results in them not meeting the minimum standards of environmental care within the organization.

However, the packaging of the product is quite modern. Since it contains all the necessary rules for its commercialization. Another point to note is that the packaging of the product is made by a designer with a totally original typography.



The product Café de Guayara is a fully registered product, which has all the necessary patents and registrations.

### **3.5.2 Analysis of the administrative part**

ASOPROCSI, as such has more than 10 years of experience, formally it was born in the year 2001. The organization, within its statutes, is formed as follows. It has 28 partners each with equal shares. They also have a board of directors that is made up of: a president, vice president, secretary, treasurer, 3 principal members and 3 alternate

members. There is a renewal of the directory every 2 years. The current president is Mr. Armando Aucay.

Despite being very well organized with its board, the company does not have an organization chart. Which, unfortunately, leads to the absence of procedural manuals or even worse job descriptions. Which, probably will lead to confusion in the role assigned to each partner. This is evident since there was no evidence of good communication between the partners that make up the organization.

On the other hand, the Association, through the vice president (Mr. Modesto Ordóñez) conducts training for all the partners of the company; which has allowed the company to have some growth in both quality and production, these training has made the company to not require hiring staff with a required level of instruction. The association ensures that each of the partners knows the best strategy or procedure to grow and harvest coffee. This is to be able to carry out a standard production with quite similar raw material, although this comes from different partners. Previously, said raw material came from anywhere. That is to say, there were partners who bought the coffee in other places outside the area and supplied the Association with it. This has changed since now only coffee produced within the area is allowed. This practice has made the quality of the coffee produced better since the area provides optimal conditions for the production of a good fruit.

In terms of vision and mission as well as objectives and goals, the association is managed in a very efficient way since it has been able to maintain itself through time, setting objectives and goals both in the short and long term.

Mr. Ordóñez said that in terms of short-term objectives, most of them generally comply with them. For example, a few years ago they considered increasing the number of partners and therefore production, which they achieved effectively.

In addition, he was able to mention that in the long term they have set a goal to be able to export. However, the lack of investment and consistency on the part of all partners has made this strategic plan difficult to achieve. In other words, there are partners who are satisfied with the current situation and do not want to invest in new methods, machinery, fertilizers, etc. In order to achieve a higher quality of coffee and to expand into new markets. So it can be said that the Association has been dedicated only to ensure and meet the needs of local markets. Another long-term objective is to complete and expand the infrastructure. What they are looking for is to build another floor to hold meetings and provide better services for all the members and even the general people who visit the plant.

Something to emphasize is that recently the Association has been applying the POA (Annual Operative Plan), which basically consists of meeting at the beginning of the year to consider what is going to be done throughout the year. For example, what workshops will be held and who will do it, how many plants will be cultivated, how many visits will be made to each of the plantations, the mingas that will be carried out, among other activities?

Subsequently, it is decided which entities can be appealed to provide the necessary support, for example to the MAG. In addition, the fairs to which they will attend in order to promote their product and reach new customers are presented. It should be noted that within this strategic plan the needs of the local market are considered at all times. Both in the quality requirement, as in the user's preferences.

### **3.5.3 Analysis of the financial part.**

ASOPROCSI has voluntary contributions from all partners, to maintain the philosophy of the company. This philosophy has allowed it to stay afloat, but it is precisely this way of acting in which an analysis has to be done. The financial part is, according to Ordoñez, thanks to the will and under the concept of mingas to avoid problems and so they can have support from everybody. Since the headquarters of the organization, was built with voluntary contributions and even material donated by partners, when help is needed for some task, the members help for free, which has allowed the organization to have only one employee on its payroll.

Something important to highlight is that when it comes to collecting coffee, each partner has the obligation to deliver all or most of their production to the organization. Obviously, there are partners that deliver much more productive than others which would suggest that some partners tend to have more "influence" than others. But, that is precisely what they have been wanted to avoid, according to Mr. Rodriguez.

Since they consider that if a person has more decision power than others because they have more land or more production; it would totally break the Minga philosophy that they have tried to maintain since the organization began.

Now, as there is an equal and even altruistic model in favor of maintaining the organization, it has also had its negative side. There are partners that despite having large land or a large accumulated capital have not seen the possibility of making a strong investment in the organization because in the future there could be a clear conflict of interest.

Even so, the partners have seen a way to help the organization and this is where an interesting source of funding for ASOPROCSI comes from. Several agreements have



been reached, mainly with the prefecture of Azuay and MAG. With the Prefecture of Azuay, ASOPROCSI has benefited in several ways.

First, they received 25,000 good quality plants for coffee production. In addition, they were given a water tank located inside the organization that is responsible for storing and distributing the water in the collection center. Furthermore, several products aimed at preventing a pest and for the respective maintenance of the plants. Another point to highlight is the delivery of fungicides, plastics for all the greenhouses of the partners.

In turn, ASOPROCSI, committed itself, to every time be in the capacity to provide more employment to the sector. In addition to all the help that was provided by the prefecture, they had to replenish with 30%. The interesting thing is that they did not have to replace with money, but gradually deliver their product to the Prefecture, which has said Mr. Rodriguez has been quite beneficial, also this agreement is important both for the prefecture and the sector.

On the other hand, through MAG they have received important help in the productive sector. Since they have received several talks, training, in order to improve the product. In addition, it has helped them by positioning their product in several fairs and how to improve the product presentation in order to gain access to larger markets and sell their product at a higher price. Being able to access different fairs with the training of MAGAP has allowed them to gain access to know in a better way, how the coffee market is managed, according to Rodríguez.

As mentioned, the presence of several partners has allowed them to look for several ways to keep the company afloat, so that agreements have been reached with a private company, being AGROTA with which they have an agreement worth highlighting.

Each of the associates is supported, with training on how to better use the different fertilizers and thus reduce the negative impact that could have on the final product. In addition, AGROTA is responsible for training them in how to prevent certain pests or diseases from falling on the plantation.

Something important is the fact that the organization does not neglect to make inventories or controls of its products and assets. This is a task that is carried out periodically even though they do not have trained personnel in the accounting area, they try to do what is according to their possibilities.

This lack of trained personnel has led to a lack of clear differentiation between the costs that can be generated both for production as well as marketing costs. Neither a planning of future expenses nor a clear margin of profit that the product can have. In addition, they do not handle clear budgets for key sectors, such as marketing, nor is there any accounting software that allows greater control.

In the part of the investment, as mentioned at the beginning, there was strong support, but it was only at the beginning of the organization. Now, over the years there has not been another strong injection by the partners. Since there have been no improvements in the machinery or infrastructure of the organization.

### **3.5.4 Analysis of the Commercial part**

In the commercial part, there is a person (daughter of one of the partners) in charge of determining the approximate quantities of product orders. In the same way, said person together with other partners are in charge of the distribution of the product. Its main markets are the local (Santa Isabel Canton) and the city of Cuenca.

Basically, the product is made known through the "word of mouth". The quality of the Guayara coffee is a determining factor when it comes to producing it and that has made

the product quite desirable and it is the buyers who visit the organization to buy it. Which, according to Mr. Ordoñez, has meant that they do not have to spend too much on advertising. At least, in its main market.

The advertising part, like the other interviews carried out with the rest of the companies and associations in the area, is very scarce. Since as time goes by they have been getting better reception thanks to the good quality and good feedback from their consumers. However, the Guayara coffee stands out since it has carried out several advertising campaigns with the help of the MAG. Because they have managed to place stands of their products in the fairs held by this government institute.

What is interesting here is that coffee has a clear competitive advantage over other producers in the sector. By having several agreements with strong public and private companies, and having a product with an excellent packaging and good presentation it has been easy to make itself known in the local market. Another advantage is the fact that they have all the necessary records, be it sanitary, registered and patented in the IEPI, correct sealing of the product, etc. Which, calmly, allows the product to have a correct commercialization. In turn, it ensures the product not to need any extra care when it is distributed to different points of sale. However, they do not know the strategies that their competition may have, nor do they have an own sales strategy.

The marketing chain is managed by the same partners, as is the collection management. Which allows the association to not have a significant expense in the payroll of its employees. Because, if the partners did not take over the tasks, according to Ordoñez, they would lose the essence and the institutional values that the organization has.

### 3.5.5 Quantity Diagnosis

<b>Administrative</b>	<b>Qualification</b>
How are the actions of their company shaped: is it one-person, shareholder?	5
Do they have a strategic plan within which the Mission, Vision and Values are established?	5
How would you rate their interest in exportation?	5
Does their strategic plan clearly describe the organizational objectives in the short, medium and long-term?	3
According to their management indicators, to what degree do you consider they're fulfilling their objectives?	3
Does their strategic plan detail every aspect of the company?	3
Does their strategic plan consider the needs of the local markets as well as those of exportation?	3
How is it different from the competition?	5
Do they have an Organization Chart?	0
Does their company have procedures manuals?	0
Does their company have job descriptions?	0
Do they have more than 10 years of experience?	5
Do they have a minimum level of instruction for the heads in the areas of the company?	0
Does it keep the company in a process of continuous improvement of administrative, financial, productive and commercial processes?	3
Have they done activities outside the province?	0
Do they have technical criteria based on the purchase of raw material?	5
Does the company have quality levels for its products?	5
Is there good communication between all the employees of the company?	0
Does the company have policies to follow for the entire organization?	3
Do you consider growth of the company consistent since its inception?	5
Total	58

<b>Productive</b>	<b>Qualification</b>
Have they patented their products and brand?	5
Do they have permits, records, etc.?	5
Do they have a procedure for quality control?	5
Are their facilities adequate?	3
Do they have knowledge of non-domestic markets?	0
Does the quality control cover all the productive steps?	5
Does the package or container have proper labeling?	5
Have they hired a specialist to design their packaging?	5
Do they keep a qualification record of the suppliers for the different supplies and services required by the Company?	5
Do the production processes cause any negative impact on the surrounding environment?	3

Do they meet the environmental management requirements for their industry?	0
Does the company have programs to reuse and reduce waste?	5
Is inventory tracking and control carried out?	0
Do you consider the company efficient?	3
What is the technological level of their machinery?	3
Do they have a maintenance program for their machinery?	0
Do they make and supply their own raw material?	5
Does the company have production planning according to their orders?	5
What is the technological level of the company?	3
How important is the cleaning inside the factory?	5
Total	70

<b>Financial</b>	<b>Qualification</b>
Do they periodically make an inventory of their products and assets?	5
Do they have trained personnel to perform the accounting of the organization?	0
Do they have external financing sources?	5
Do they have agreements with financial, commercial entities?	5
With regard to public obligations, do they qualify for a loan?	5
Have they received training to manage their accounts by public or private entities?	5
How do they consider their investment for the purchase of machinery and supplies for continuous improvement?	3
Is there differentiation between production and marketing costs?	0
When making a loan, how much do they commit the company's vital heritage?	0
Do they have any software that helps them in the accounting aspect?	0
Is the company in a financial situation that allows it to continue growing?	3
Does the company invest in infrastructure?	3
Does the company invest in new machinery?	3
Have they invested in order to innovate?	3
Do they handle production costs?	0
Is there a control over the profit margin of the product?	0
Is part of the profit obtained used for investment within the organization?	5
Do they plan future expenses?	0
Do they have any kind of strategic alliance in the financial area?	5
Do they have a defined Budget for Marketing and Sales Activities?	0
Total	50

<b>Commercial</b>	<b>Qualification</b>
Do they have a person focused on the marketing and sales area?	0
Do they have advertising material for their star product?	3
Do they have a Web Page?	5
It has clearly defined which is its star product	3
Do they use media to advertise their products?	3
Do they have advertising material for the rest of their products?	3
Is their target market clearly defined?	3

Does their product have a clear added value?	5
Do their products have several presentations to get closer to the market?	5
They've obtained help from public or private entities to advertise their product	5
Have they been able to delimit or identify the competition within their target market?	5
Are they clear about the strategies of the competition?	0
Do they have their own vehicle to transport products?	0
Do they have a sales strategy?	0
Do they meet with their clients to know their needs?	0
Do they deliver their products directly or through a third party?	5
Do they have knowledge of any potential foreign market?	0
Do they explore market opportunities to increase sales?	0
Do they have clear procedures for the application of Guarantees and Product Returns?	0
How organized is the distribution chain?	3
Total	48

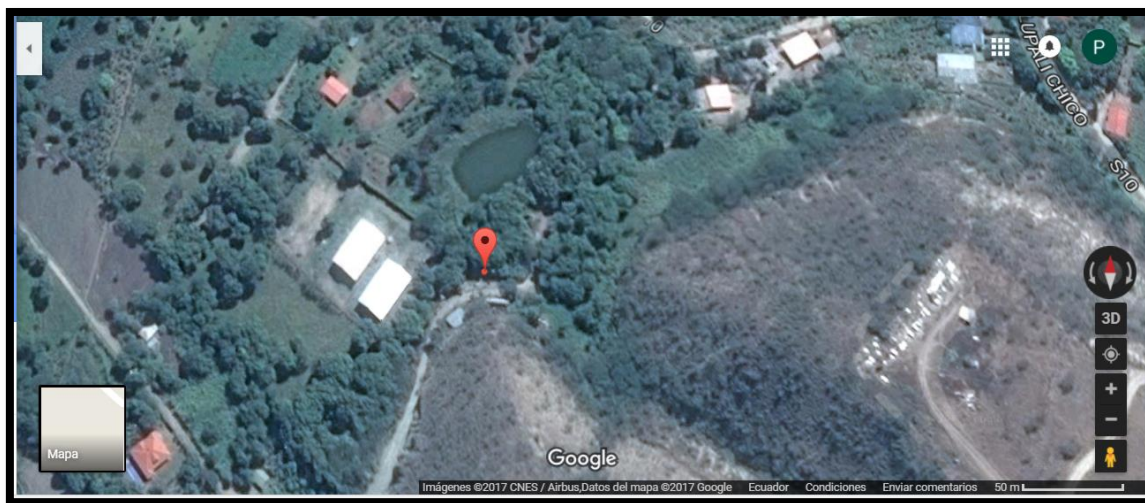
<b>ASOPROCSI</b>	
Administrative	58
Productive	70
Financial	50
Commercial	48
<b>Total</b>	<b>226</b>

### 3.6 General analysis of the association of sugarcane growers "La Sulupaleña"



<b>PROFILE</b>	
<b>GENERAL INFORMATION</b>	
NAME OF THE COMPANY	LA SULUPALEÑA
PRODUCT ( or range of products)	Granulated Panela
LOCATION	3° 18' 49.72" S 79° 17' 13.88" W
CONTACT PERSON	Alejandro Pindo (president of the association) Andrea Herreres (GAD promoter)
TELEPHONES AND REFERENCES	0985436132
DATE OF THE INTERVIEW	October 10th, 2017
<b>COMMERCIAL ACTIVITY</b>	
Main Activity	Sale, production and distribution of granulated panela in the province of Azuay
Number of partners	Association that has 30 associates and that foresees to have 9 employees.
Operating time	Approximately 4 years
Characteristics of the products	Granulated Panela properly sealed.

## Geo reference



### 3.6.1 Analysis of the productive part

The following association object of study of the present work is the Association of Sugarcane Growers and Artisans La Sulupaleña ". It is located in the Santa Isabel canton, Santa Isabel parish (cantonal headboard), Sulupali Chico sector. The location of it is extremely strategic since it is located next to an important road such as the S10 Cataviña - Susupali Chico that connects the entire territory of Santa Isabel. In addition, it is located a few kilometers from the Rircay River, which makes it easier to have a water plant and helps the panela production.

The organization is not yet producing as it is expected to start in the coming months. However, they have certain ideas of what to produce and in what quantities. According to Mr. Pindo, apart from its star product (granulated panela), there are also proposals for the elaboration of derivatives such as: snacks and panela as such.

The expected production is around 450 kilos a week. Likewise, it is planned to employ around 9 people. For that purpose, a total training was carried out for each one of them.



Something to emphasize is that it is expected to export immediately since they have been in contact with a European company. However, they are aware that it is something complex to achieve quickly so they expect to start with a high quality product and have all the certificates, records, permits, logistics, etc. necessary so that they do not have greater delays and even losses at the time of exporting, since they do not yet have any type of registration or permit, because they do not yet produce.

Once the infrastructure and all its machinery have been adequately established, they intend to patent the brand as well as its products. As well as obtaining the certificates, health records, respective and necessary permits.

On the other hand, in terms of quality control, it is intended to have a person specialized in the subject (panela) who knows how to carry out a clear and continuous quality control of essentially all the product elaboration procedure. As well as, in terms of their machinery, one of their employees will be trained to perform continuous maintenance on them.

As for the raw material, the association already has experience growing cane. Since all its partners are familiar with the subject and have already spent years in the business or production environment of cane. For what they intend to produce and supply the factory with a good quality and quantity of raw material for the production of panela. In case of lacking it, they intend to have suppliers from the same Canton of Santa Isabel, since they state that the cane obtained in the Canton is the optimum for the production of panela.

Similarly, we cannot know exactly other issues related to the productive part. As is the case of carrying out an inventory tracking and control, the environmental management of the industry, programs for the reuse of waste, the package or container for their

products, etc. It should be noted that the above are approximations provided by Mr. Pindo.

### **3.6.2 Analysis of the financial part**

The association, through its own capital coming from each one of the partners and with financial help from the State Bank, has managed to get a strong capital, enough to start the factory. With this money, a large field has been obtained and the factory has been built on it. In addition, special machinery has been obtained for the production of granulated panela. Once the company begins to produce and therefore to trade, a person will be responsible for keeping the accounts of the same.

Similarly, several financial issues cannot be known exactly as they are not yet fully operational. For example, an inventory of their products, assets, etc. is not yet carried out. As well as it does not carry out production costs, profit margin, utility to reinvest, future expenses, investment in marketing and sales, among others.

However, something to highlight the association is the great infrastructure that is being completed to start the company and production as such. This is due to the great management of its leaders that have invested a lot of their own money as well as those obtained by financial entities. This capital from sources outside the association is due to the fact that it has shown a viable project as well as being in a stable financial situation.

So you can indicate that because the association manages their budget correctly, it has gone ahead as it has invested in infrastructure, machinery and even innovation since the production that will be carried out will be the only one in the area.

### **3.6.3 Analysis of the administrative part**

It should be noted that this organization is still under construction (infrastructure). They were born in 2014 and their main objective is to produce granulated panela or panela

powder organically. They have 30 partners, from 2014 to date they have been dedicated to cane production but now with the help of the State Bank through a loan, they are building a production factory in which they will elaborate the previously mentioned. The interview was made to the vice-president of the association, Mr. Alejandro Pindo.

The association already has an established organizational chart, where the different departments and people in charge of them are. Obviously, as the company is not yet functioning as such, the organization chart still needs to be applied. Something to note is that the association, according to Mr. Pindo, plans to export as soon as possible. Since they have come to establish contact with a European company that is very interested in panela.

On the other hand, the association plans to establish short, medium and long-term objectives. Between the short and medium term, it is thought to increase production as well as to export to Europe. As for those that are intended to be reached in long-term, is to increase the number of partners and therefore the infrastructure and organization as such.

In addition, the association and its top representatives are already preparing a manual of procedures as well as specific job descriptions, which will detail the different functions that will correspond to each of the employees and departmental heads. It should be emphasized that the association will begin production with a total of 9 employees, who are under a training process.

Regarding continuous improvement, it is planned to happen. It can be established that the association as such has been growing since previously they were only engaged in sugarcane cultivation, now with the support of each one of the partners as well as

financial entities, a step forward has been made and it has gone to have a production plant.

#### **3.6.4 Analysis of the commercial part**

Within this aspect, it will be mentioned what the company has come to have in its operating time. The fact that it still does not produce, limits in all aspects the commercial part of this organization. "La Sulupaleña" as such has not managed to sell or produce any gram of its product yet. Despite being clear that granulated panela is its star product. However, something to highlight is that they have searched what could be their target markets. In brief features, they know the needs of the local and international market. Because, based on their experience as sugarcane growers they have heard rumors of these needs, showing that they have the basic knowledge; but obviously not the one required.

Now, for the international market, they know very little but have a knowledge at the end. The same has been achieved through connections with companies interested in their product. In addition, they hold meetings with potential buyers to see how they would like their product, based on the responses of customers to start producing.

The association has not yet established in a concrete way how it will carry out its publicity, whether or not to create a web page and in general how to publicize its products as such. In the same way, in the logistics part, they still do not know with certainty how the distribution chain is going to be carried out, that is to say if they are going to do it directly or through third parties. To all this is added, the weakness of not having a sales strategy.

### 3.6.5 Quantity Diagnosis

<b>Administrative</b>	<b>Qualification</b>
How are the actions of their company shaped: is it one-person, shareholder?	5
Do they have a strategic plan within which the Mission, Vision and Values are established?	5
How would you rate their interest in exportation?	5
Does their strategic plan clearly describe the organizational objectives in the short, medium and long-term?	5
According to their management indicators, to what degree do you consider they're fulfilling their objectives?	3
Does their strategic plan detail every aspect of the company?	5
Does their strategic plan consider the needs of the local markets as well as those of exportation?	5
How is it different from the competition?	5
Do they have an Organization Chart?	3
Does their company have procedures manuals?	0
Does their company have job descriptions?	0
Do they have more than 10 years of experience?	0
Do they have a minimum level of instruction for the heads in the areas of the company?	0
Does it keep the company in a process of continuous improvement of administrative, financial, productive and commercial processes?	3
Have they done activities outside the province?	0
Do they have technical criteria based on the purchase of raw material?	5
Does the company have quality levels for its products?	0
Is there good communication between all the employees of the company?	0
Does the company have policies to follow for the entire organization?	3
Do you consider growth of the company consistent since its inception?	5
Total	57

<b>Productive</b>	<b>Qualification</b>
Have they patented their products and brand?	0
Do they have permits, records, etc.?	0
Do they have a procedure for quality control?	0
Are their facilities adequate?	5
Do they have knowledge of non-domestic markets?	0
Does the quality control cover all the productive steps?	0
Does the package or container have proper labeling?	0
Have they hired a specialist to design their packaging?	0
Do they keep a qualification record of the suppliers for the different supplies and services required by the Company?	0
Do the production processes cause any negative impact on the surrounding environment?	0
Do they meet the environmental management requirements for their industry?	0
Does the company have programs to reuse and reduce waste?	0

Is inventory tracking and control carried out?	0
Do you consider the company efficient?	5
What is the technological level of their machinery?	5
Do they have a maintenance program for their machinery?	5
Do they make and supply their own raw material?	0
Does the company have production planning according to their orders?	0
What is the technological level of the company?	5
How important is the cleaning inside the factory?	5
Total	30

<b>Financial</b>	<b>Qualification</b>
Do they periodically make an inventory of their products and assets?	0
Do they have trained personnel to perform the accounting of the organization?	0
Do they have external financing sources?	5
Do they have agreements with financial, commercial entities?	5
With regard to public obligations, do they qualify for a loan?	5
Have they received training to manage their accounts by public or private entities?	5
How do they consider their investment for the purchase of machinery and supplies for continuous improvement?	5
Is there differentiation between production and marketing costs?	0
When making a loan, how much do they commit the company's vital heritage?	3
Do they have any software that helps them in the accounting aspect?	0
Is the company in a financial situation that allows it to continue growing?	5
Does the company invest in infrastructure?	5
Does the company invest in new machinery?	5
Have they invested in order to innovate?	5
Do they handle production costs?	0
Is there a control over the profit margin of the product?	0
Is part of the profit obtained used for investment within the organization?	0
Do they plan future expenses?	0
Do they have any kind of strategic alliance in the financial area?	5
Do they have a defined Budget for Marketing and Sales Activities?	0
Total	53

<b>Commercial</b>	<b>Qualification</b>
Do they have a person focused on the marketing and sales area?	0
Do they have advertising material for their star product?	0
Do they have a Web Page?	0
It has clearly defined which is its star product	5
Do they use media to advertise their products?	0
Do they have advertising material for the rest of their products?	0
Is their target market clearly defined?	0
Does their product have a clear added value?	5
Do their products have several presentations to get closer to the market?	0

They've obtained help from public or private entities to advertise their product	0
Have they been able to delimit or identify the competition within their target market?	0
Are they clear about the strategies of the competition?	0
Do they have their own vehicle to transport products?	0
Do they have a sales strategy?	0
Do they meet with their clients to know their needs?	3
Do they deliver their products directly or through a third party?	0
Do they have knowledge of any potential foreign market?	3
Do they explore market opportunities to increase sales?	0
Do they have clear procedures for the application of Guarantees and Product Returns?	0
How organized is the distribution chain?	3
Total	19

<b>La Sulupaleña</b>	
Administrative	57
Productive	30
Financial	53
Commercial	19
<b>Total</b>	<b>159</b>

### 3.7 Conclusion

After a thorough analysis; the study has been extremely positive. For instance, we know what are their weak points, as well as their strengths; this allows us from any point of view, to know what the axes on which the company should strengthen to ever export, or just expand into other markets. It is interesting to note that all the information obtained will serve to perform analysis that serves for interpretation, such as: the SWOT (Strengths, Weaknesses, Opportunities, Threats), CAME (Correct the Weaknesses, Adapt to/Adjust to the Threats, Maintain the Strengths, Explore the Opportunities) analysis. All in order to determine the current situation in each of the organizations interviewed.

## **Chapter 4: Diagnosis of the parameters of Santa Isabel**

### **4.1 Introduction**

In this last chapter, each company and association interviewed will be diagnosed through the SWOT analysis. By using this study tool, we can determine the current situation of each of the companies. Since it establishes internal variables such as strengths and weaknesses, as well as external variables formed by the opportunities and threats from each of the entities.

Afterwards, the crossed SWOT will be used, which serves to establish the different strategies that each company could apply to improve. Once the information has been obtained and therefore the diagnosis of each of the companies through the SWOT, we will proceed to apply the CAME methodology (Correct, Adapt, Maintain, Exploit). This tool is used to implement actions that should be taken based on the results obtained through the SWOT.

### **4.2 Methodology**

In order to carry out the respective diagnosis of each of the companies and associations interviewed, we chose to use the SWOT analysis, since it allows us to determine the profile and therefore the current situation of the companies. Now, what really is the SWOT analysis? It is required to return to the decade of the 60-70s, it is then when this special tool took life.

The Research Institute of Stanford University (SRI), formed a group consisting of Marion Doshier, Dr. Otis Benepe, Albert Humphrey, Robert Stewart and Birger Lie, to fix the causes why corporate planning failed in certain companies and it is through this research carried out by this group that the SWOT is created as a tool to analyze the different factors of a company. (Otero & Gache, 2006).



Likewise, according to José Rojas, in his essay "Procedure for the elaboration of a SWOT analysis as a tool for strategic planning in companies", he states the following:

It enables the collection and use of data to determine the profile of operation of a company at a given time, and from this sets an objective diagnosis for the design and implementation of strategies to improve the competitiveness of an organization. (Rojas, 2012)

As for the variables, Rojas explains them in an accurate way. First, we have the strength of the company that according to Rojas, states the following:

It is something in which the organization is competent, it translates into those elements or factors that being under its control, maintains a high level of performance, generating advantages or benefits and of course, with attractive possibilities in the future. Strengths can take many forms such as: mature, capable and experienced human resources, important skills and abilities to do something, valuable physical assets, sound finances, efficient work systems, low costs, competitive products and services, recognized institutional image, agreements and strategic partnerships with other companies, etc. (Rojas, 2012)

Similarly, with regard to opportunities, he states:

They are those circumstances of the environment that are potentially favorable for the organization and can be changes or trends that are detected and that can be used advantageously to achieve or exceed the objectives. The opportunities can be presented in any field, such as political, economic, social, technological, etc., depending on the nature of the organization, but in general, they are mainly related to the market aspect of a company.

Regarding weakness, he expresses the following:

It means a deficiency or lack of something in which the organization has low levels of performance and therefore is vulnerable, denotes a disadvantage to the competition, with pessimistic or unattractive possibilities for the future. It constitutes an obstacle to the achievement of objectives, even when it is under the control of the organization. As well as the strengths, these can be manifested through their resources, skills, technology, organization, products, image, etc. (Rojas, 2012)

Finally, the threats, according to Rojas, he establishes the following:

They are environmental factors that result in adverse circumstances that threaten reaching the stated objectives, they may be changes or trends that suddenly or gradually occur, which create a condition of uncertainty and instability in which the company has little or no influence, threats can also appear in any sector such as technology, aggressive competition, cheaper new products, government restrictions, taxes, inflation, etc. The responsibility of the administrators in regard to threats is to recognize in a timely manner those situations that pose a risk to the profitability and the future position of the organization. (Rojas, 2012)

Therefore, the SWOT analysis turns out to be a very valuable tool at the moment of applying it, since it facilitates the taking of strategic decisions. In addition, it can be applied to any type of company regardless of its size, or constitution. Also, it can be established that it is a management tool since it allows the company to improve, once its problems have been identified. Subsequently, as a continuation and support in the strategic decision making of the SWOT analysis, we find the CAME analysis.

According to Torreblanca, CAME is the acronym to correct, face, maintain and exploit everything we have found in the 4 parts of which the SWOT is composed:

- Correct: the weaknesses that we have detected in our internal part
- Face: the threats that we have detected in our external part
- Maintain: the strengths that we have detected in our internal part
- Exploit: the opportunities that we have detected in our external part

(Torreblanca, 2014).

### **4.3 Analysis of SWOT and CAME of the organizations studied**

#### **4.3.1 Dairy company "Fernandito"**

##### **4.3.1.1 Strengths**

Within the strengths of the organization in the administrative area, we can find several. The first is how the company is made up. Being a company with shares evenly distributed among the partners, it gives rise to the fact that the association cannot be easily disintegrated since all the partners throughout the year have had to do specific tasks and receive the profits equally. In the same way, this stability has allowed them to have several years of experience in the market.

Also, another great strength is that within the company there is a safe and good environment. To begin with, they have a detailed manual on how to work. That is, the company has descriptions of each step to follow. Also, thanks to the work environment, there is a clear good communication between all those who make up the company, the policies to follow are clearly defined.

Other strengths of the company are that they have good criteria when it comes to preparing the raw material and perform several quality controls on it, avoiding that the

final product is one of poor quality, which gives way to mention the strengths of the organization in the productive area.

In the productive part, the strengths are several of which we can mention the following. To begin with, their product already meets all the requirements to be marketed: all health permits and a patented brand, the packaging has a proper seal and labeling, a clear and strict quality control that covers all the steps of the productive process and it is also regulated by the respective control entities such as the MAG; In addition, they have adequate facilities, clean and in good condition.

Furthermore, it is worth mentioning that its production process is eco-friendly. They have the minimum environmental management requirements given by the Ministry of Environment and, in addition, they ensure that their production processes impact the environment as little as possible.

On the other hand, in the words of its manager, the company is clearly efficient against the local competition of the sector, because they are the only ones that have an adequate maintenance program for their machinery. Also, their manager believes that they are among the few companies that plan their production in an appropriate manner.

In addition, thanks to their organization, they can produce their own raw material, which allows them to know more about the quality and the management of it. This, in the long run, has allowed the company to have some advantage in the financial area. Dairy San Fernandito, has several strengths in the sector.

In the financial area, there are several strengths among which there are some worth highlighting and that have allowed a progress within the organization. Firstly, the fact of constantly carrying out inventories and controls not only of the production but also of the raw material, in the same way, it clearly manages the production costs that can be

generated and the profit margins of the company are known and controlled; they certainly represent a strength of the organization. They also have a person specialized in the accounting area.

Knowing this has allowed them to comply with all the requirements to be able to access credits from public and private institutions, as well as to be able to reach several strategic alliances in the financial area. In turn, the company, thanks to the series of good actions in this area, can say that it enjoys a stable situation and that at the same time allows it to make investments.

On the other hand, in the commercial part, it has a strength with regards to the competition and is that it has clearly defined vital points to understand the market, such as: its star product, the target market of the company, what is their added value. Also, its star product - which is fresh cheese - has several presentations and has been able to reach more places, since they have their own vehicle for distribution and do so directly without the need for a third party, which leaves evidence that it has a fairly organized distribution chain.

#### **4.3.1.2 Opportunities**

Within the productive scope, the fact that they are the only company that is concerned that their process is eco-friendly makes the difference. In addition, in contrast to the competition, they have a serious concern to make it a totally natural product, that is, it does not use any chemicals, for example, to alter the durability of the product. Something that obviously the consumer seeks, according to a research of the newspaper El Universo.<sup>10</sup>

---

<sup>10</sup> <https://www.eluniverso.com/guayaquil/2017/03/09/nota/6079450/aumenta-consumo-alimentos-organicos>

On the other hand, in the administrative and financial field, it is clearly the only company in the Shaglli parish that has received help from different sources. First, they have agreements with several NGOs, most notably: AESCO, Ayuda en Acción, which provided appropriate training in several aspects.

For example, Ayuda en Acción has been one of the non-governmental organizations that helped the most even with the purchase of tanks for better product quality.

Within the opportunities that the market has given them, Mr. Rodríguez and the researchers have agreed that the fact that local competition is null at the beginning could be considered a great advantage. Since all of their competition is at a higher level and not at the local level. In fact, for Rodríguez this has allowed them to grow without major local threats. In addition, its clear differentiation from the competition allows it to enjoy a good reputation both from the inhabitants of Shaglli as well as from Santa Isabel.

An interesting point to highlight is the evident support of the community. The association was conceived with the idea of generating employment and wealth in a small and remote area. This has allowed a certain identification of the inhabitants of Shaglli with dairy products San Fernandito.

#### **4.3.1.3 Weaknesses**

The Dairy Products Association "San Fernandito" presents several weaknesses within the organizational environment of the same. To begin with, in the productive part, the association presents a very low degree of knowledge for exportation. Therefore, the association has not carried out any activity related to foreign trade.

Another weakness is that they do not carry a qualification record when buying raw materials from suppliers that are not owned by the association. While it is true that most

of the raw material is produced by themselves, there are circumstances in which they lack it and therefore end up buying from other suppliers. This can be decisive in the preparation of the product, since the raw material can be of lesser suitability.

On the other hand, the company lacks a program to reuse and reduce the waste of its production. This is a weakness since there are other companies that use the waste for their own benefit; to produce fertilizer, for example. Regarding the technological level, the association has efficient machinery but with very basic technological levels.

Now, in the administrative part, in the same way, certain weaknesses are found. The association does not have a strategic plan, which establishes the mission, vision and values of the same. This turns out to be a weakness because the association does not establish clear objectives to fulfill. Also, they do not have an organization chart, this shows some disorganization on the part of the company. Finally, continuous improvement is one of the key strategies for the growth of a company, however, the association does not have a plan to comply with it.

Below, weaknesses are presented within the financial part. The association has not had major agreements with financial or commercial entities, either to obtain loans or simply training to expand more on the financial issue. So this turns out to be a weakness since it has prevented the association from growing through financial aid from non-member entities.

In terms of production costs, marketing, among others. There is no greater financial control over them, that is, there is no clear follow-up on the respective expenses. Nor has clearly defined the possible expenses that can be achieved in the medium or long term. This shows weakness in the financial area since first, they do not agree with trying

to grow through loans or financial aid in general as well as there is no control over certain production or advertising expenses.

Finally, the weaknesses in the commercial part of the association. As already mentioned above -there is no follow-up on the expenses directed to the advertising part-, therefore the association does not focus on advertising its products or the company as such. They do not have a web page, they are not on any social network, they do not carry out local advertising, in other words, they simply do not carry out any advertising. The worrying thing is the fact that they do not even have an adequate sales strategy.

Another weakness is found in the needs of customers. As is common knowledge, the needs are often changing, but the association does not meet or perform any type of interview concerning their products and the connection they have with their customers.

#### **4.3.1.4. Threats**

One of the most complicated factors that a company has to face is the external environment of the company, in which threats are found. It is crucial for a company to know or identify its main threats. Therefore, in the dairy products association "San Fernandito", some threats have been found.

To start, one of the main ones is the competition that they have in their sector. The association is very aware of this because they know that there are large companies dedicated to produce dairy products that are not organic and therefore the expiration date of them is much more extensive. In addition, the productive capacity of those companies is much higher than the association which limits reaching other markets.

Another threat is technology, since the association, being a small company and purely dedicated to organic production, has maintained a fairly basic technological state.



Which is considered a threat, because other companies within the same sector have implemented new technology within their production processes.

Also, as is common knowledge, there is now a certain preference for products of plant origin. So another threat to the association, are the substitute products to milk. For example, milk obtained from soybeans or almonds, can be replacing it and therefore damaging the association.

#### **4.3.1.5 CAME Analysis**

After the respective analysis of the internal and external aspects of the company, it is necessary to conduct a CAME study on the results obtained. From it, proposals or recommendations that can surely help improve and grow the organization will come out. In this case dairy products "San Fernandito".

Within the SWOT it could be noted that the company's most notorious weaknesses are that it does not handle all the operating costs. That is, they do not know for sure what the costs that the association manages are. Obviously, this does not allow them to know the economic reality, which causes the company to lose money.

The solution to this is to hire a more experienced accountant so they can know and handle all the costs; both productive and administrative. In this way, **the weaknesses are corrected**. In addition, it gives openness to greater knowledge of economic reality to allow them to know if it is possible to invest or not which leads to the **opportunities that can obviously be exploited**.

By hiring a person who knows how to keep the accounting of the organization in a complete way, that is, not simply knowing income and expenses, but also includes those expenses directed towards other departments or sections of the organization such as: marketing or advertising, productive, financial, etc. In this way, the organization can

**correct the weakness** of not carrying a clear accounting and **exploit the opportunity** to grow within the market in which they are when investing in new machinery and having a better publicity.

The fact that they have a pretty good product without advertising can become a weakness. This is why it is necessary for the company to start investing in the advertising area.

By investing in more advertising, they can **face the threat** of competition, since they can get new customers to know the product more broadly and not stay adrift and let the competition cover any market to satisfy. In addition, **the weakness** of not having an efficient publicity **is corrected**, also we achieve a greater volume of sales. Which, leads to a clear **maintenance of the strengths** of having a product of good quality and that clearly meets the current market preferences. In addition, the clear **opportunities** that "San Fernandito" has **are exploited**. Demonstrating that the main series of actions that the company must take is: controlling costs, hiring personnel in the marketing area and a qualified accountant, in addition, and advertising must be improved in that order. So that the association can have levels of improvement.

#### **4.3.2 Company "The Faiques"**

##### **4.3.2.1 Strengths**

There are several strengths within the company "Los Faiques". As for the productive part, the company has a few strong points. To start, they have patented their brand, product, which shows initiative on the part of the administrators. In the same way, they have permits, registers, so that the company works without problems. All this leads to the association also having adequate and optimal facilities for the production of its product.

Another of its strengths lies in the product itself - apart from being organically produced - they have a container and its respective labeling. Likewise, they follow environmental friendly procedures when producing, as well as having production planning that goes according to the orders. In general, the company has had a fairly efficient performance throughout its history, which shows why they have endured so many years in the liquor market.

Now, in the administrative part, the company has the following strengths. They have proven to be a well-organized company because they have established the mission, vision and values of it. As well as, there are constantly objectives to be met, whether they are aimed at the short, medium or long term; and, not necessarily only are they established but they look for the way to fulfill them. In addition, they have job descriptions made specifically for each employee to fulfill the functions that are granted.

In the same way, the company makes very strict decisions at the time of elaboration as well as buying the raw material with which they make their product. Also, there is good communication among all employees and therefore they follow and comply with the policies to be followed by the company.

Similarly, there are certain strengths, within the financial part of the company "The Faiques". They periodically make inventories of their products as well as their assets. So they have a person who takes the accounting of the company. In addition, they have made certain investments for the acquisition of new machinery.

As for the commercial part, the company has clearly defined its star product - alcohol in presentation of 1 liter-. The same that has an added value (being produced naturally). Also, they have several presentations at the time of selling their product, for example,

they have containers that contain different amounts of alcohol, to better reach their target market. As for the logistics, the company has its own vehicle for the distribution of its products. So it can be established that they have a direct distribution chain.

#### **4.3.2.2 Opportunities**

One of the clearest opportunities for the company in terms of the productive sector is that the production of its product follows a pattern of natural production. This is advantageous since most liquors contain chemicals. Another opportunity that the company has is the environment in which it is located because thanks to the warm climate of the sector the raw material is easy to cultivate and this can make the company grow even more.

On the other hand, the company having a vast and extensive experience in the liquor sector may eventually expand to other markets. That is, the presence of the company as such can open new paths, directing it towards different horizons other than local.

#### **4.3.2.3 Weaknesses**

In the productive aspect, a weakness is that its quality control does not meet all the steps in the production process. Their suppliers are not qualified to keep a record of them. In addition, their processes do not have reuse and waste reduction programs.

On the other hand, although the level of the machinery is regular; it could be considered a weakness since it is becoming obsolete. Adding, to the fact that there is no program that is suitable for maintenance, leading the machinery to increasingly cause problems.

In the administrative part, not having an organizational chart weighs a lot as a negative aspect of the company, because the procedure manuals are not entirely clear. Likewise, it does not ask for any basic instruction for strategic sectors, unfortunately, this means

that there is no process of continuous improvement, being an imminent weakness that does not allow the growth of the company.

On the financial side, "Los Faiques" does not have any source of external financing, which makes it impossible to obtain loans with any type of public or private entity; even though it meets all the requirements to be able to access them, demonstrating the negligence on the part of the company's administrators.

Now, the company also does not handle -or knows- the costs that can be managed: productive, marketing, etc. Because it does not have any kind of software in the accounting area that provides the necessary help. Resulting in them not having planned any kind of expense for the future, nor strategic alliance.

A worrying aspect is that they do not even have the budgets defined for two vital areas of the company: production and marketing.

Finally, in the commercial aspect, it does not have a person specially designated for the marketing area, nor does it use social networks even worse a web page. Their advertising material is obsolete and the only means of advertising are the local fairs and parties of Santa Isabel.

This carelessness has resulted in not receiving any type of training or assistance, in this area by public or private entities. In addition, they do not know the strategies that their direct competition may have. All this means is that they do not even have a defined sales strategy nor do they know the customer's needs.

#### **4.3.2.4 Threats**

Within the environment of the company "The Faiques" competition is the main threat. By not knowing the strategies of the competition they will always find themselves drifting away according to the movements of large companies. But, there is a big problem for the company "Los Faiques", which is the perception that consumers have about the product.

Despite it being a good product, for various reasons, the consumer thinks that it is of poor quality, that it does not meet the requirements and that, in addition, its consumption can degenerate into damage to your body and even death.

Since according to an investigation of the newspaper La Hora, so far this year have killed 25 people for consumption of adulterated alcohol. The majority of consumers have associated this liquor of bad processing with artisanal, which derives in that fear.

The Los Faiques liquor has all the necessary health and quality permits for the sale of their product. People who know the company and its owners know the same thing and therefore trust in their product. But, consumers outside of Santa Isabel do not know, leading them to not consume it. Which, does not allow them to "normally" sell their product.

Adding to that the scarce publicity that they have to change this perception, it makes this threat to each time overshadow the effort made by the Faiques to have a good product.

#### **4.3.2.5 CAME analysis**

For the realization of the CAME for the company "The Faiques", it has been taken into account the most notorious weakness that it has, which lies in the management of costs. Because this problem that the company has made the growth of it to be not the best.

Therefore, the company should **correct this weakness** through trained personnel, hiring someone who has a vast experience managing costs.

Once this weakness has been corrected, the company **can face the threat** it has within its market, which lies in the lack of publicity about its product. That is, by managing costs more efficiently, they can know how much money they can invest to publicize their product. The threat is fierce since there are several consumers who consider that this type of liquor is too harmful to health, it has prevented the company from growing and expanding into other markets. Then, they can resort to investing certain economic resources towards advertising so that the product is more accepted within the market.

The only alternative that "Los Faiques" has to access a greater number of consumers is through increased advertising. It should be noted that the product has all the requirements to be marketed. Which shows that it is a quality product. We believe that advertising can **maintain the strength** of quality and prestige that has been gained, at least at the local level. Thus, **the opportunity** to open a market to consumers seeking a quality, artisanal product that meets all requirements and is organic **can be exploited**.

#### **4.3.3 Organization ASOPROCSI**

##### **4.3.3.1 Strengths**

The Association of Small Coffee Producers of Santa Isabel -ASOPROCSI- has several strengths. As for the productive sector, one of the most notorious is that the association has been able to patent its products as well as its brand. They have permits, registers, among others to function properly, as well as packaging with their respective labels. On the other hand, the quality control of the raw material, as well as the final product, is outstanding. It is a key point for the organization because the future of the organization depends on it.

Likewise, ASOPROCSI has a program to reuse and reduce the waste that they generate, which consists in producing fertilizer. Another key point is that they obtain their own raw material, making quality control over it more feasible and effective.

As for the administrative side of the organization, first, they have several years in the coffee market, which is worthy of note because it demonstrates the experience and persistence over time of the association. It is very well organized because they have a strategic plan in which the mission, vision and values to be followed stand out. They have the idea of differentiation, with its main competitors and that is that apart from making it organically, the quality control over the raw material is very rigorous, as already mentioned above, which makes its product of optimum quality.

The association, in its financial segment, has several strengths. To emphasize, they have had external sources of financing, which has made it grow and continue over time. Likewise, they periodically carry out an inventory and control of their products as well as the assets they have. Thanks to agreements, arrangements made with other entities, the association has learned and taken advantage of them to efficiently manage their economic resources. For example, they reinvest a certain amount of their profits to grow and improve the association.

On the other hand, ASOPROCSI, delivers its products directly, that is, its distribution chain is controlled by themselves, they do not have a third party. They have clearly defined their star product - ground coffee - they know the added value of the product that is produced naturally and also have several presentations for it.

#### **4.3.3.2 Opportunities**

One of the most achievable opportunities for the association is the history that Ecuador has with coffee and through it being able to export. The association already has the



necessary experience to develop a sufficiently competitive coffee to export it. Besides, the elaboration of the same follows an organic model which gives that added value that nowadays satisfies the need of several markets that choose to consume this type of products.

On the other hand, there is support from the Ecuadorian government to reactivate and grow the coffee sector in Ecuador. According to an article published by the Ministry of Agriculture and Livestock, through its website [agricultura.gob.ec](http://agricultura.gob.ec), it establishes the following:

The National Government recognizes the importance of coffee in the country's economy. Therefore, through the Ministry of Agriculture Livestock Aquaculture and Fisheries (MAG), promotes the "Reactivation Project of Ecuadorian Coffee", which seeks to promote productivity, profitability, research, improvement of quality and institutionalize the value chain. (MAG, 2017)

So the association can see this as an opportunity to reach other markets in a special way to those located outside the national territory. There is support from the government to provide the necessary assistance so that this goal can be achieved.

#### **4.3.3.3 Weaknesses**

In the administrative part, it has several weaknesses. To begin with, because it does not have an organization chart, nor procedural manuals, which leads to a lack of a correct description of what work is done. All this means that good communication is zero among all the employees of the organization, besides they do not ask for previous experience or basic instruction for key positions in the organization.

On the productive part, the company does not have the minimum environmental requirements within the industry. In addition, it does not have a clear monitoring and

inventory control program. A worrying fact is that they do not give maintenance to the machinery, which to suffer damage at any given time, in addition, that these are already beginning to be obsolete.

The financial part, unfortunately, is where more weaknesses can be found. Departing from the fact that they do not have trained personnel to carry out the accounting of the company, in addition, they do not have accounting software that allows better control. These cases lead to a lack of clarity and handling of production costs, preventing to know the true profit margin obtained from the product. Besides, they have no planned expenses in the future. The few expenses that are made for marketing are not fully identified. All this results in a lack of proper inventory and money management within ASOPROCSI.

On the other hand in the commercial part; it does not have a correct advertising of its star product, coffee, it also does not use social networks. The advertising material is scarce, they do not have their own vehicle to facilitate the distribution of coffee, they do not know the real needs or preferences of the client, nor do they handle a return policy or to cover the guarantee. Also, they do not have sales strategies, they do not know another market that is not the local one.

#### **4.3.3.4 Threats**

As it has been observed ASOPROCSI, has achieved several very important agreements with government entities. This, precisely, could represent a threat in the long run.

In our country, there is a political pendulum and a real instability in this area. ASOPROCSI depends mostly on public entities. In the hypothetical case that political air changes, it could mean a collapse of all economic, social and even advertising support by this body.

#### 4.3.3.5 CAME Analysis

The fundamental thing for ASOPROCSI to have a correct growth is to improve in the financial part, hiring a person specialized in the accounting area will help them to identify the costs, know the reality of the company and also correctly manage the money. In this way, **the weakness** in the financial part **is corrected**. Once, costs are identified, knowing how much can be spent and how it can be done we pass to the next point.

The organic coffee they produce is of very good quality, has a unique aroma and is also produced by hand. The growth potential is interesting to the point that public entities decided to invest money in this association, so it has to continue with its same form of production, thus **maintaining the strength** of its unique production in the region.

ASOPROCSI has a clear **opportunity that can be exploited**, which is its excellent production. Therefore, it is necessary to increase advertising, so that the product is known and reaches more places through social networks or by hiring a person who is dedicated only to the marketing part.

On the other hand, strategic alliances have to be created with the private sector, essentially in the financial area. This is how **the threat** of not depending a lot on public entities **is faced**. Since the private sector does not have as much instability as the public sector.

#### 4.3.4 Organization "La Sulupaleña"

##### 4.3.4.1 Strengths

The association "La Sulupaleña", while not yet fully functioning, lacks several strengths. However, the following can be highlighted. To begin with, the association has a fairly broad and adequate infrastructure to start production. In the same way, the

machinery and the program that they have for the maintenance of it is the appropriate one.

In addition, they have a mission, vision and values, objectives to achieve, among others, which demonstrates the organizational level they have even before starting production as such. On the other hand, the association has come to obtain financing from other entities, such as the State Bank, which has significantly helped the development of the organization, especially in terms of infrastructure.

#### **4.3.4.2 Opportunities**

One of the greatest opportunities that the association can have is the clear ambition and initiative that they have to export. In case of being able to define an agreement to export to the European Union, for example, it would be a great opportunity since it would enter duty-free thanks to the recent agreement between Ecuador and the European Union. (The Telegraph, 2017)

Another opportunity is the innovation that they have proposed to apply. In the Santa Isabel Canton, there is no company dedicated to the production of granulated panela, which would establish them as unique in that environment. In addition, it is organic which gives it an added value, recognizing that today there are several markets that choose to consume only this type of products.

#### **4.3.4.3 Weaknesses**

For the organization "La Sulupaleña" the fact of not having any experience in the market, nor asking for minimum experience for key functions in the company, obviously, represents weaknesses in the administrative sector. Also, within the employees there is no good communication, even some do not know for sure when the machinery starts working.

For the financial part, they are not clear about the costs that production will have, besides, within the organization of the company there is not a trained staff for the accounting area, that is why it does not have budgets or have an idea of the true utility that they can have for a product.

#### **4.3.4.4 Threats**

Like ASOPROCSI, the real threat to La Sulupaleña is the political climate. By having the majority of their initial investment made by a public entity and, furthermore, stressing that they have committed to return that investment through the production of the organization, it might be then when there is a change of political air that this negotiation could collapse.

#### **4.3.4.5 CAME Analysis**

One of the most obvious weaknesses is that the association does not handle any type of costs, so the first thing they must do is hire someone with enough experience to carry out these costs. In this way, they can **correct this weakness**, and through it, they can have an idea of how much is being obtained in utilities, how much is spent, how much can be invested, how much is owed, etc.

For the organization "La Sulupaleña" it is of vital importance to obtain external credits that are not only from governmental entities. This is how **the threat** of relying on Ecuadorian politics, which has always been characterized by instability, **is faced**.

On the other hand, the organization should **maintain the strength** of following the pattern with which they have initiated. Which is, to fulfill the mission, vision as well as objectives established. The association will be the only one to produce organic granulated panela, so they should continue with this value and objective to follow.

Also, their product has great potential and is the only one that is produced in the area which means that it has export potential. For this, it is necessary to receive training from Pro Ecuador or join trade unions of exporters to know which markets they can reach and how to obtain higher income. In this way, **the opportunity** to sell to foreign markets **is exploited**.

## **Chapter 5: Conclusions and recommendations**

The approach to the GAD (Autonomous Decentralized Government) of Santa Isabel and the public sector as well as its people, allowed us to be able to argue that our study may serve in various aspects for future studies and the subsequent improvement of the productive and even exportable environment of the area.

First, the presence and help of the government is noteworthy; but at the same time, it has created certain patronage and dependency on companies towards help. Second, the GAD does not have adequate knowledge of the true situation of the Santa Isabel organizations. Third, the lack of associativity does not allow for remarkable growth in the Canton. Since there are only 7 productive associations, it shows that there has not been a greater effort to achieve a union. Fourth, the training has to be permanent, SMEs have incredible potential but the lack of knowledge, investment and even risk to enter new markets, has kept them stuck for a long time.

This training should be focused on two fundamental axes: productive and administrative. The first, since the raw material is of excellent quality, but the correct and efficient way to take advantage of it is not known. The second, since as we mentioned in the CAME analysis, all companies do not have an adequate management of the administrative part. In addition, this training should be directed not only to the managers of the organizations but to the entire Economically Active Population.

Therefore, with the correct help, training and interest of both parties (GAD and the Associations), Santa Isabel can bond a stronger economy, through exploiting opportunities that have been found in the present work. It is expected that the same will serve as the foundation for the beginning of more detailed and complete investigations.

### **Bibliography**

Alvarado, M. E. (2007). *Plan de negocios de Exportación para el Cluster de Cuero de la provincia del Azuay "ASOPIEL"*. 2007: Universidad del Azuay.

Batra, G., & Mahmood, S. (2003). *Direct Support to Private Firms: Evidence on Effectiveness*. Washington: World Bank Policy Research Working Paper 3170.

Bernal, C. (2010). *Metodología de la Investigación*. Bogotá: Pearson Education.

Bonilla, E., & Rodriguez, P. (2000). *Más allá del dilema de los metodos: La investigación en ciencias sociales*. Bogotá: Norma.

Business School Barcelona. (3 de Marzo de 2013). *EADA*. Recuperado el 14 de Agosto de 2017, de EADA: <https://supartnerenpanama.files.wordpress.com/2013/03/eada-12pasosparainternacionalizarpymes.pdf>

C+C CONSULCENTRO . (2013). *PLAN DE DESARROLLO Y ORDENAMIENTO TERRITORIAL DEL CANTÓN SANTA ISABEL*. Cuenca: C+C CONSULCENTRO.

Davis, D. R., & Weinstein, D. E. (2001). *An Account of Global Factor Trade*. Michigan: The University of Michigan.

El Comercio. (18 de Marzo de 2017). Recuperado el 23 de Diciembre de 2017, de <http://www.elcomercio.com/actualidad/leninmoreno-guillermolasso-propuestas-tramites-pymes.html>

Faican, L., & Galán, C. (2011). *COSTO DE LA TIERRA EN LA PARROQUIA ABDÓN CALDERÓN VALLE DE YUNGUILLA DESDE EL AÑO 2001 AL 2011*. Cuenca: Universidad de Cuenca.

Fanjul, E. (12 de Agosto de 2016). *IberGlobal*. Recuperado el 14 de Agosto de 2017, de <http://www.iberglobal.com/index.php/escuela-de-comercio-exterior/1455-barreras-internacionalizacion>

Giacomozzi, M. (2006). *Causas de la internacionalización de la empresa*. Mexico DF: Red Analisis Economico.

Guaman, J. (2 de Febrero de 2014). *PUCE*. Recuperado el 29 de Septiembre de 2017, de PUCE: <http://pucae.puce.edu.ec/efi/index.php/economia-internacional/14-competitividad/167-el-modelo-ricardiano-en-el-comercio-exterior>

John D. Daniels, L. H. (2010). *Negocios Internacionales*. Toronto: Pearson Education.

Martinez, P. (2009). *PYME Estrategia para su internacionalización*. Barranquilla: Ediciones UniNorte.

Pardina Carranco, M. P. (2015). *Internacionalización de pymes*. Madrid: Ministerio de Educación de España.

Pardina Carranco, M. P. (2015). *Internacionalización de pymes*. Madrid: Ministerio de Educación de España.

Prefectura Azuay. (2017). *Prefectura Azuay*. Obtenido de Prefectura Azuay: <http://www.azuay.gob.ec/prv/index.php/2017/07/21/santa-isabel/>



Prefectura del Azuay. (2013). *Atlas de la Provincia del Azuay*. Cuenca: Prefectura del Azuay.

ProEcuador. (2017). *ProEcuador*. Obtenido de ProEcuador:  
<https://www.proecuador.gob.ec/institucional/quienes-somos/>

Quiroz, L. (15 de Mayo de 2012). *Pontificia Universidad Catolica del Ecuador*. Recuperado el 1 de Agosto de 2017, de  
<http://www.puce.edu.ec/economia/efi/index.php/economia-internacional/13-teoria-neoclasica/18-fundamentos-del-model-economico-h-0-modelo-heckscher-ohlin>

SENPLADES. (2017). Recuperado el 12 de Enero de 2018, de  
[https://www.google.com.ec/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0ahUKEwiesc-RsNrYAhVC2lMKHTbZAKwQFgglMAA&url=http%3A%2F%2Fapp.sni.gob.ec%2Fsni-link%2Fsni%2FPortal%2520SNI%25202014%2FFICHAS%2520F%2F0108\\_SANTA%2520ISABEL\\_AZUAY.pdf&usg=](https://www.google.com.ec/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0ahUKEwiesc-RsNrYAhVC2lMKHTbZAKwQFgglMAA&url=http%3A%2F%2Fapp.sni.gob.ec%2Fsni-link%2Fsni%2FPortal%2520SNI%25202014%2FFICHAS%2520F%2F0108_SANTA%2520ISABEL_AZUAY.pdf&usg=)

SRI. (2016). Recuperado el 23 de Diciembre de 2017, de [www.sri.gob.ec/de/32](http://www.sri.gob.ec/de/32)