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"Benchmarking study for the internationalization of MSMEs in the footwear and leather industries of Cuenca and of the cantons of Gualaceo, Chordeleg and Sigsig."

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DEDICATION

“Define success on your own terms,
Reach it on your own terms, and
live a life that makes you feel
proud.” (Sweeney)

From Paula to:

To Mami and Sero for being
incandescent light for being support and
unconditional love, for having made me
who I am. This is by and for you
To Pikpik and Chale for being listeners
of my fights, stories and complaints; for
more "Hours of fun".
To Tayito, so that when you get lost,
look at this and see that everything with
effort is possible.

From Valeria to:

My five favorites for letting me be me
and for loving me even with my bad
temper. To my foreign family, “the girls
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refuge in my life. Also for you Mom
and Dad for all the effort you have
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to fight for my dreams. And by last, but
not least, goes for my Mimi, for being
an angel and guide. Because even
though you are not here anymore, you
never fail

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To those friends who became family. Thanks for brightening the darkest moments and to lighten the heaviest loads. Thanks for choose to stay despite everything and for help us understand that always it will be better quality to quantity.

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ABSTRACT

The following research work addresses the importance of MSMEs for the economy of a country and how they can be promoted through tools such as Benchmarking. Initially, the selection of the most compatible local and foreign companies for the analysis was made, taking into account that the local MSMEs had to present potential for internationalization and the foreign companies had to be internationalized. This selection was based on the scores obtained from the Export Audit survey and the application of macroeconomic and microeconomic indicators. A directed interview for foreign companies was also applied as a research tool in order to determine the keys to its success.

In addition, the construction of the Critical Success Factors of the companies in question was carried out and then it was considered to recognize the existing gaps in the areas: administrative, production and finances. This keeping as a focus the finding of best practices in international companies and being able to adapt and implement them according to local reality. The objective of this descriptive-qualitative research carried out at the Azuay level is to contribute to the growth and strengthening of MSMEs basins specialized in leather and footwear, as well as the MSMEs of the Chordeleg, Gualaceo and Sigsig cantons by means of a plan so that they can close the existing gaps and reach internationalization.

Key Words: internationalization, MSMEs, benchmarking, success critical factors, gaps.

RESUMEN

El siguiente trabajo de investigación aborda la importancia que tienen las MIPYMES para la economía de un país y en cómo se puede fomentar su desarrollo a través de herramientas como el Benchmarking. Inicialmente se realizó la selección de las empresas tanto locales como extranjeras más compatibles para el análisis, teniendo en cuenta que las MIPYMES locales debían presentar potencial para la internacionalización y las empresas foráneas debían estar internacionalizadas. Para esta selección se partió de los puntajes obtenidos de la encuesta del Export Audit y de la aplicación de indicadores macro y micro económicos. También se aplicó como herramienta de investigación una entrevista direccionada para las empresas extranjeras con el fin de determinar las claves de su éxito.

Además, se realizó la edificación de los Factores Críticos de Éxito de las empresas en cuestión y luego se planteó reconocer las brechas existentes en las áreas: de administración, producción, y financieras. Esto manteniendo como enfoque el encontrar las mejores prácticas en las empresas internacionales y poder adaptarlas e implementarlas según la realidad local. El objetivo de esta investigación descriptiva-cualitativa realizada a nivel Azuay es aportar al crecimiento y fortalecimiento de las MIPYMES cuencanas especializadas en cuero y calzado, así como de las MIPYMES de los cantones Chordeleg, Gualaceo y Sigsig por medio de un plan para que puedan cerrar las brechas existentes y alcancen la internacionalización.

Palabras Clave: internacionalización, MIPYMES, benchmarking, factores críticos de éxito, brechas.

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CHAPTER 1

1. THEORETICAL AND CONCEPTUAL FRAMEWORK

Introduction

This chapter introduces the theoretical basis of international trade starting from its beginnings in order to establish the link between internationalization of Micro Small and Medium Enterprises (MSMEs) and the Benchmarking. To start, it is going to be mentioned the way in which international trade has evolved along with the history of humanity. The commercial exchange in the antiquity was born with the barter, looking to exchange wealth and products. From the fifteenth century this exchange of goods was focus on the accumulation of precious metals and wealth that had each state.

Over time and as the media, the transportation system and industrialization have improved, the states realize that international trade can work as an engine of economic growth and therefore increase the power of each one the countries. To delve into these facts, the theories of Adam Smith, David Ricardo, Charles Hill and Michael Porter, among other authors, will be presented. Once each of the theoretical principles has been explained, internationalization related to the global environment is going to be introduced. This with the objective of addressing the concept in a general way in order to present its definition and the most relevant characteristics to facilitate its understanding.

Taking into account the aforementioned and with regard to the demands of the market, to the strong local and international competition and among other factors, benchmarking is as a way to refresh ideas, innovate and improve productivity which aims to achieve excellence. In this research, the use of this tool is distinguished in the improvement of the competitive capacities of Micro, Small and Medium enterprises or MSMEs so that they can achieve internationalization. Benchmarking will be defined and its historical background will be presented. Afterwards, is going to be briefly explored the role that it has as a component for the strategic planning of a company and its importance to improve the competitive strategy, including the benefits it can bring. Also, its classification, models and fundamental phases are going to be specified always taking into account that benchmarking is not a tool for corporate espionage or plagiarism.

1.1. International Trade

1.1.1. Definition

International trade is a broad concept that encompasses the reasons, theories and laws that seek to govern the exchange of economic goods, services, capital and technologies across borders between states in such a way to create outputs of goods (exports) and inputs of merchandise (imports) (de la Hoz Correa, 2014). In this way, a mobility of productive factors is carried out with the objective of satisfying the unlimited needs of the world population. The different theoretical positions on international trade have agreed in raising three basic questions with the aim of being able to theorize the trade itself:

- to. What are the reasons or causes that States market with each other?
- b. How are trade patterns established? Who markets with each one?
- c. What are the benefits from this exchange between States?

In other words, international trade is the set of commercial and financial movements, as well as all those operations that need to be carried out between nations, companies, organizations, communities, regions, etc., as long as these imply transcending international borders, considering it as a universal phenomenon.

1.1.2. Importance

The role played by international trade for the states is fundamental since it is one of the factors that contributes to the economic growth. This allows a country to obtain all the goods and services that it cannot produce or in which it has a deficit in relation to its consumption. In the same way, thanks to international trade, a country can sell the production that it has as surplus or not required for local consumption. Thus, a State can obtain all those products or services that cost too much to produce internally from abroad (Lugones, 2014).

In addition, due to the import flows, greater internal competition is generated since there are more products and the market is diversified, which can be considered a stimulus to improve the productive efficiency within each nation. Similarly, exports contribute to local products being internationalized, known and marketed in foreign markets,

benefiting local companies. A point that is also relevant is that foreign trade, whether through imports or exports, allows obtaining foreign exchange that represents a source of income for every nation. (Lugones, 2014)

It is then that through International Trade countries have been able to reach different levels of development and growth as a result of economic, commercial, financial, political, cultural and technological exchange. In addition, diversification has become a necessity in each nation and not only regarding the exchange of goods and services but also aspects such as: the movement of capital, investment displacement, business, insertion in the international economy, articulation with the multiple business strategies, presence in geopolitics, access to obtain multiple certifications that guarantee negotiations and, in general, an active participation in the mission and commercial vision of each country, thus promoting an economic and social stability for its inhabitants. (de la Hoz Correa, 2014)

1.1.3. Theories of Foreign Trade

With the aim of being able to understand in a clearer way what international trade is, it is necessary to begin by analyzing how it arises and under what theoretical foundations it is sustained; that is, the different theories that have been taken as starting points to be able to develop the questions previously mentioned. Table 7 shows each theory with its respective period and postulates.

Table 1: Foreign Trade Theories

Theories	Period	Postulates
Mercantilism	XVI	This is the first bias that is known about foreign trade. This principle argues that gold and silver are the fundamental pillars of national wealth. It assumes that a country must maintain a surplus in its exports with respect to its imports in order to increase its gold and silver. Therefore, the view is that while one country wins, another must lose. And it defines government intervention as plenipotentiary necessary to achieve surpluses in the balance of trade (Porrás, 2017).
Theory of Absolute Advantage	1776	Adam Smith established that each country should specialize in goods that generate lower domestic production costs. Countries would therefore benefit from international trade by the mutual possibility of having a greater consumption of goods and by saving labor units. In other words, specialization in production and exports of those goods that are produced with greater efficiency. This theory then deals with the division of labor and better use of the resources available in each state (Adam Smith cited in Rodríguez Braum, 2015).
Theory of the Relative Advantage	1817	David Ricardo postulated that even if there were an absolute disadvantage in the production of goods from one country in relation to the goods of another country, it would also be possible for foreign trade to take place. For Ricardo, the specialization and exportation should be in the product in which a country was more efficient so the other goods had to be imported. This theory is considered as the next step after the theory of Adam Smith (Porrás, 2017).

Theory of Heckscher and Ohlin	1919	This theory is also known as the pure theory of international trade or factor proportions. For both authors, the differences that occur in the productivity of the countries are due to the factors of production. In this model, countries export those goods that need more production factors that are abundant and they import goods where production factors are scarce. Two production factors are considered, which are labor and capital. Then, the country with the most labor should produce and export the good or product that is intensive in labor (Heckscher and Ohlin cited in ECLAC, 1990).
Paradox of Leontief	1950	This theory was formulated by investigating the Heckscher-Ohlin theory, realizing that the theory was not as accurate as it was. Leontief determined that the United States carried out more exports intensive on skilled labor and less capital intensive. Assuming that exports from industrialized countries imply a higher proportion of professionals while exports from less developed countries are labor-intensive and can sometimes be capital intensive (Cuevas, 2016).
The New Market Theory	1989	Paul Krugman states that in markets that are not perfectly competitive or that have production of specific items with economies of scale, it is possible to alter trade. There are two types of economies, the first where the cost of the unit tends to decrease according to the size of the company is known as Economy of internal scales. And the second, where the cost of the unit depends on the industrial size and is known as Economy of external scales (Krugman, Obstfeld, & Melitz, 2012).
The competitive advantage of the nations	1990	Here it is said that the prosperity of a nation is created and it is not given automatically. Based on this postulate, the capacity to innovate and update the industry of a nation defines its competitiveness. According to Michael Porter, innovation is the pillar of competitiveness. In addition, he created the 4 components of this in the Porter Diamond which detailed the conditions of the factors, the related and support industries, the conditions of the demand and the strategies, structure and rivalry between companies (Porter, 2007).

Produced by: Cordero, Ortega.

Once the concepts of international trade and the reasons that make it a very important part of the local and global economic dynamics are understood, it is necessary to highlight the competitive aspect that links international trade with other terms. As mentioned previously, trade not only generates economic benefits, but also generates social revenues to a country. Companies seek to be part of the foreign market in order to satisfy more needs, have more production and generate more profits. However, many companies that are considered small in relation to highly developed companies do not have the competitive characteristics or enough support to join international markets. The following point offers a clearer vision of what MSMEs companies are and an explanation of the environment in which they operate.

1.2. MSMEs

1.2.1. Definition

There is a diversity of criteria to define and classify Micro, Small and Medium companies. These criteria vary depending on the country and the public or private entity that classifies them. Dealing with the classification criteria will depend on many factors, which stand out: the number of workers, the type of product to market, the size of the

market where they participate, the volume of production and sales, the level of technology, the location and the value of the capital invested, among others (Saavedra & Hernández, 2008).

1.2.2. Importance

The importance of MSMEs for each country lies in the role they play in creating jobs. By 2017, six out of ten jobs in Latin America were generated by MSMEs (Superintendency of Companies, Insurance and Securities, 2018). Within Ecuador the situation is quite similar and according to the statistics from the INEC, National Institute of the Ecuadorian statistics, until 2017, MSMEs generated more than 67% of formal jobs within the country and represent a total of approximately 25% of Ecuador's annual GDP.

Although analyzing the economic relevance of MSMEs it is also necessary to examine their social importance as an instrument of cohesion and stability that provides employment opportunities for individuals. Since the production of MSMEs is associated with the domestic market, a large part of the population depends on this type of activity and these companies can be an important support for different industries. Their contribution goes from helping to solve bottlenecks in production to serving as base companies to develop more industrialized products. Something to consider is that MSMEs diversify risk; that is, the more of these there are, the economy of a country will be less dependent on bigger companies and therefore there will be a back support in the case of economic crises.

1.2.3. Classification of MSMEs

In each country the classification of companies usually varies depending on the size of the market, the population, the activity of the companies, etc. Within Ecuador, the Superintendence of Companies, Securities and Insurance (SUPERCIAS) is the entity in charge of establishing this official classification. According to the SUPERCIAS, the micro, small and medium enterprises (MSMEs) are economic units comprised between 1 and 199 workers with annual revenues of up to \$ 5,000,000. In Ecuador for 2017 MSMEs reported revenues of about USD 21,28 million and a 21% share of the total number of companies nationwide (Superintendency of Companies, Insurance and Securities, 2018)

Table 2: Classification of MSMEs

Classification of MSMEs		
Company	Workers	Income
Micro-enterprise	1 to 9 workers	> a \$100 000
Small company	10 to 49 workers	between \$ 100 001 to \$ 1000 000
Medium company	50 to 199 workers	between \$ \$1000 001 a \$5 000 000

Produced by: Cordero, Ortega.

Source: Superintendence of Companies, Securities and Insurance.

The classification for MSMEs will depend on the number of workers and the revenues that the company maintains. The microenterprise includes those businesses that range from one to nine workers with revenues of less than \$ 100, 000 per year. For a company to be classified as a small business, it must have 10 to 49 workers and maintain revenues between \$ 100, 001 and 1, 000, 000 dollars per year. Finally, to be within the medium-sized company classification, you must have between 50 and 199 workers and an approximate income of \$ 1, 000, 000 to 5, 000, 000 dollars per year.

Currently MSMEs constitute a transcendental element for economies. As mentioned, thanks to globalization, the broad participation of transnationals, multinationals, among others, the need to set goals and strategies beyond the local market has become fundamental to grow within each industry. Expanding borders, generating new and better sources of employment, diversification of risk, as well as improvement or innovation in design and processes are only a small part of what internationalization represents. For this reason, the respective analysis of this phenomenon is included as a characteristic in accordance with the demands of consumers of a globalized market that requires that companies, regardless of their size, adapt or disappear.

1.3. Internalization of enterprises

To begin with, using the definition of Welch and Loustارين (1988), which has transcended theoretical changes and adaptations, internationalization is explained as "a set of operations that facilitate the establishment of more or less stable links between companies and international markets, along a process of growing involvement and international projection" (Lucanera & González, 2011, Page 135). Current international environment requires innovation in business strategies and, in particular, the expansion of the vision focused on national markets towards a more cosmopolitan vision in which internationalization is the key to achieve its maximum potential.

Regarding the forms of internationalization, it is understood that the characteristics of each company have a significant weight when opting to open to foreign markets, but thanks to tools such as the Internet and advances in communications, there are several alternatives for the micro, small and medium companies take a leap towards international markets. Moreover, the direct influence that globalization has had on the opening dynamics of economies must be taken into account.

1.3.1. Importance

The importance of internationalization lies in the demands established by the current consumer. When referring to a global society and with the adaptation of new cultures and the incorporation of trends, it becomes more difficult for companies to respond to the demands of the world market. From this point of view, the need for industries to venture beyond their local borders is increasingly evident. Therefore, it is a strategy to respond to globalization by projecting this companies internationally through trade, knowledge and especially financial exchanges abroad (Araya, 2009).

It is important to emphasize that in an external market a company is not required to do the same as it does internally. Internationalization requires an adaptation in the way that the company works. This implies an adjustment of activities, conditions, processes, marketing, production, for the global market. Internationalization for a company is important because of the benefits that they can get when carrying out this process. Examples of these benefits may be the opening of new markets, diversifying the risks that can only be concentrated in the domestic trade of a country. Internationalization helps improve the quality of products because it promotes competitiveness. Likewise, the cheapest production costs can be considered in order to make the production and distribution structure of a company more efficient.

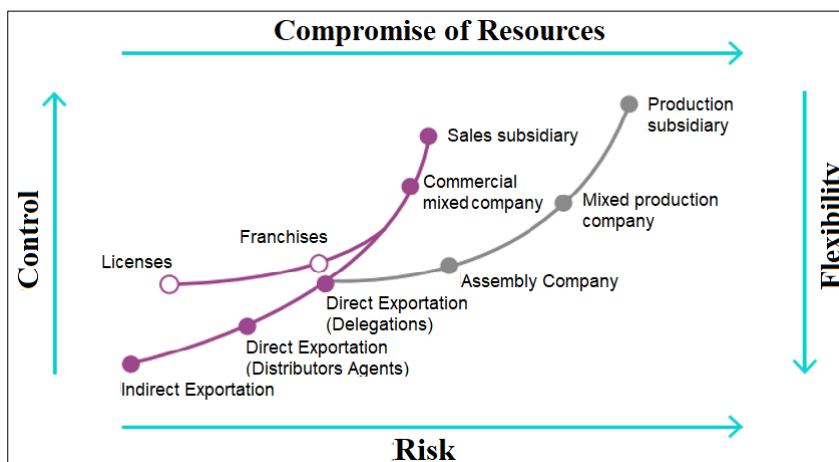
When a company seeks to internationalize it does so by responding to its aspiration to grow. The specific reasons that motivate this process can vary from the desire to increase productive capacity, reduce costs, diversify risks, renew the image, among others. However, in general, it is a process that involves time, preparation and commitment since it affects all areas that are functional within the company such as: administration area, human resources, Finance and accounting, commercial and production.

1.3.2. Internationalization strategies

The determination of the most convenient strategy for each company is based on an analysis of internal and external factors. While there is no standard for all companies to internationalize, Araya (2009) citing Galán, Galende and Gonzales (2000) proposes as a starting point that the company seeks answers to questions as, what are the reasons for the company to internationalize? What process should be carried out? How is internationalization achieved? and Which location would be the most appropriate to start?

Before selecting the form of insertion into the international market, it is important to analyze whether the company has the conditions and resources to respond taking into account the level of risk that it is willing to assume and of course the control that it can maintain with its operations. Figure 1 show the types of internationalization to which a company can access based on four variables: control, commitment of resources, risk and flexibility.

Figure 1 Internationalization Strategies



Source: L.A. Alonso and V. Donso. Compete abroad.

1.3.2.1. Exportation

Export is the most common bet when it comes to expanding a business internationally. In conceptual terms it consists in the sale of a good or a service from the country of origin to another country in any part of the world (European Postgraduate Center, 2017). This commercial operation is carried out under specific conditions that depend on external factors and the client's requirements. This activity is presented as a way to diversify risks that gives the opportunity for growth to the company. There are

several export modalities that vary depending on factors such as the type of company, its size, resources and capabilities.

- a) **Indirect exportation.** It consists of exporting by using an intermediary. It is also known as "passive" export because the company does not perform international activities by itself but through a third company to do it. The intermediary company handles most of the logistic for international sales and assumes the risks of export (Pablo Cantero, 2017). The manufacturer fulfills the function of supplying its exporting client and thus takes its products to other markets. This type of export entails many risks because the control of the activities is lost, although it is very cheap because it is not invested in infrastructure or in logistics costs.
- b) **Direct exportation.** Direct exportation is the most common and involves the sale of goods or services directly to the international customer. This type of activity involves greater commitment and management by the selling company because all exportation procedures are carried out. It has more risk than indirect export because the company is responsible for assuming all the risks (Cantero & Méndez, 2017). Direct export has the advantage that all the knowledge of the activities carried out and on foreign markets remains within the company allowing them to grow according to the demands of their new consumers. In the same proportion, the company is enriched culturally in relation to the new environment to which it must adapt. Although, it involves higher costs and investment, the exporter maintains control of its processes.
- c) **Mixed exportation.** Concerted or mixed exportation is another way of exportation that involves aspects of direct and indirect exportation. It lies in reaching an agreement regarding certain operational processes while others can continue to be done normally. There are several types of mixed exports, such as partnerships or Piggy-back (Aral ITS, 2016; CEUPE, 2017). The former consists of an alliance of companies that aim to facilitate the export activities of its members through joint actions. The latter is basically a commercial distribution contract that works in such a way that one of the companies uses the commercial infrastructure of the other to put on the market its own product.

1.3.2.2. Internationalization based on contractual agreements

It is a strategy of penetration in international markets that is based on the signing of cooperation agreements. These agreements are between foreign companies and have great implications for all areas and levels due to the degree of commitment, investment of resources and the risks produced. This form of internationalization reduces the flexibility for companies to operate and, as a return, they give them greater knowledge about activities, processes and greater control. There is also an increase in profitability given that this type of agreement seeks to exploit the competitive advantages so that each company specializes in what it does best (Aral ITS, 2016). Licenses and international franchises are two examples of this internationalization strategy.

1.3.2.3. Joint Venture

This strategy consists of a group or alliance of companies that, within the framework of a contract, seek to carry out commercial operations jointly. The national company and the foreign company contribute with capital and other assets in order to create their new corporation in the market where protectionist policies prohibit direct investment (Aral ITS, 2016, Murray 2018). An example of this is the case of ZARA, the Spanish textile company, and its entry into India in 2010 through the Tata group (El País Economía, 2009). In this type of strategy both companies maintain their legal independence, but they share risks and costs, as well as knowledge of the market in which they are marketing.

1.3.2.4. Direct Investment, creation of Subsidiaries

The last strategy of internationalization occurs when a company makes a direct investment in the foreign market (Aral ITS, 2016). This action does not require an intermediary or a partner, and its purpose is to establish marketing and production subsidiaries. This strategy involves the greatest risk and requires a wide knowledge of the target market before making the investment. However, direct investment has the advantage of the high degree of control that allows the company on its internationalization processes.

In short, there are several options that a company has to enter new markets, but for an internationalization process to be considered successful, other important aspects must be taken into account. The characteristics and requirements that the global market demands of a company vary depending on the culture, economy, policies and preferences

of each destination and therefore analyze the competition. With respect to this, the following point treats Benchmarking as the strategy to understand what has led other companies to achieve and to the improvement of the business.

1.4. Benchmarking

1.4.1. Base conceptual

Benchmarking is currently considered by many as a useful tool to improve the performance of a company. Essentially it is characterized as a continuous process, involving rigor, commitment, which must be systematic and sustained. Benchmarking results require a tough analysis to understand what the obtained information means. It is not only about replicating, but to evaluate the most appropriate according with the needs of the company (Lapide, 2005).

There are several definitions about Benchmarking and they vary depending on the author, their approach and perspective, as well as depending on the type of sector, location, size of the company, among other factors. Taking as a starting point the approach in MSMEs, the definition of the Directive Commission of the International Benchmarking Clearinghouse of the American Productivity & Quality Center (APQC) is used, which says that Benchmarking is a continuous and systematic process where an organization is compared and measured against another anywhere in the world in order to get information about practices, philosophies and measures that will help take actions to improve performance within the company (APQC, 2018).

Another definition that explains Benchmarking quite well is the one suggested by Spendolini (1994) where he describes it as "a continuous and systematic process to evaluate products, services and work processes of organizations that are recognized as representatives of best practices, with the purpose of making organizational improvements". On the other hand, Robert C. Camp (1993) simplifies the whole concept by saying that "it is the search for the best practices in the industry that lead to excellent performance". Finally, Fred Bowers gives it a different approach by saying that it is "the process through which organizations learn, based on the process of human learning" (1995, Page 20). All of these definitions have been established for some time but they represent the principles of what today constitutes Benchmarking and they continue to be

considered as the fundamental and primitive basis to understand what this tool is about, even today.

Regardless of the author and its definition, Benchmarking is a procedural tool that allows the organization to measure its activities based on what has been done by other companies in order to obtain information, experience and knowledge that will allow them to generate a positive change. It is not a single process but a constant and must have a methodology based on the needs and objectives of the company. The effectiveness of Benchmarking as a business strategy is to understand that there is no recipe for success and that it is useless to implement the best practices of others if they are not related with the reality of the organization.

1.4.2. Background

After the Second World War there were many cases where especially the American products began to enter foreign markets because those who visited the United States bought not just the product but the style and the relationship with the customer and tried to apply them in their own countries in a form of imitation. The Japanese were the pioneers of Benchmarking as it is known today (Watson, 1995). Exponents as Taiichi Ohno, Ishikawa, Taguchi among others developed processes that were superior to traditional ones and became pioneers in quality and innovation.

Historically, Benchmarking appeared at the beginning of the 1980s as one of the ways in which organizations could respond to the competitiveness challenges that arose due to technological innovation. Prior to this, the comparison of processes and methods had already begun to be used, but its application was limited because it was considered a form of espionage. It was in 1800 when Francis Lowell proposed to transform this company in America adopting techniques similar to the English in terms of manufacturing and textile design. The study conducted by Lowell concluded that although British textile mills were considered the best for their sophisticated equipment, they had failures in the distribution of their production plants (Ou & Kleiner, 2015).

Since Xerox successfully introduced Benchmarking as a business tool at the end of the 1980s (Finnigan, 1997, Stapenhurts, 2009), several companies followed in their footsteps conducting studies of their competitors and their own internal processes compared to other areas. Companies such as Toyota, IBM, AT&T achieved significant

improvements in their functions and became constant innovators that managed to improve their competitiveness thanks to the development of Benchmarking, which allowed them to have the reputation they now enjoy. Thus, in 1977 the American Center for Quality and Productivity was founded, or APQC for its acronym in English; and by 1992 this center created the International Benchmarking Clearinghouse (APQC, 2018).

In the conformation of both organizations, business leaders participated directly because they saw an opportunity to promote and favor the growth of their industries with the Benchmarking and with the use of best practices. It is currently recognized that the contribution of both the American Productivity and Quality Center and the International Benchmarking Clearinghouse has been significant. The focus of this international organization in the provision of experience in information on best practices and its important help to different organizations, facilitates adaptation to the changes that globalization implies.

1.4.3. Importance and advantages of Benchmarking

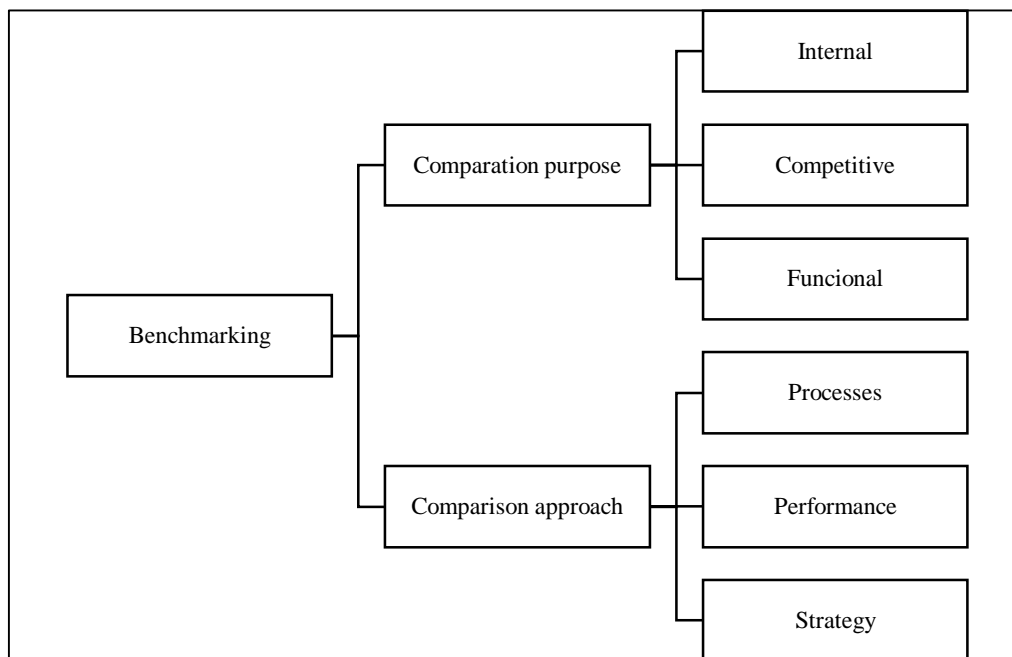
Currently, the importance of this tool lies in the need for organizations to innovate and continue with world market trends. The comparison by itself is just a small part of the process. Equating a company with another, either a direct competitor or another company that is recognized for its excellence provides an idea about how things are being done internally, detects errors, threats and everything that may be harmful to the development of the company. In the same way, the exhaustive analysis that this implies can clarify doubts, accelerate the learning process and identify opportunities that had not been taken into account through the recognition of the critical success factors of each company (Ochoa & Gurutze, 2005).

For micro, small and medium enterprises, Benchmarking works as an improvement strategy that allows them to project their growth and business strengthening. Comparing internal practices with those made by leading companies that have achieved their growth in similar environments establishes a precedent that motivates managers. In addition, through Benchmarking the existence of alternatives to those already used that can produce better results can be demonstrated in such a way that organizational paradigms are questioned (Valdez and Reyes, 1996, Al-Dhaafri, Alosani and Bin Yusoff, 2016). Finally, Benchmarking allows us to understand the organization, all aspects that were previously ignored become recognized as an integral part of the company.

1.4.4. Classification of Benchmarking

There are several classifications of Benchmarking and many ways in which it is categorized depending on the definitions that are adopted and the use that is given to the tool. For this work, the most recognized types of Benchmarking have been collected and presented according to the object of comparison and according to the different approaches that can be implemented. Figure 2 simplifies this division.

Figure 2 Classification of Benchmarking



Produced by: Cordero, Ortega

Source: Scott, 2011; Jurevicius, 2018.

1.4.4.1. For the purpose of comparison

- a) **Internal Benchmarking.** Internal Benchmarking is used specifically for situations in which within the organization an area or department performs similar functions with better results. This type of comparison is commonly used as an initiation into Benchmarking where is been taking as reference the best performing aspects within the company in order to identify which other internal areas can be improved (Jurevicius, 2018). The recognition of critical success factors is essential in this type of Benchmarking and its necessary to have the facilities to access information regarding operations, data and everything that is required.

- b) Competitive Benchmarking.** The most well-known strategy and probably the one that presents the greatest challenges is competitive Benchmarking which, as the name implies, takes direct competition as a reference to make the comparison (Ou & Kleiner, 2015). Initially, all possible information and data on products, services and processes of the other company is identified in order to later analyze the results of success that it has had, comparing them with those of the organization. This type of Benchmarking offers a specific idea of the position of the company and can give a competitive advantage. A disadvantage of this type of process is that there is reluctance of many companies to share their information.
- c) Functional Benchmarking.** This Benchmarking aims to establish which are the best practices used by companies that are not necessarily competitors or belong to the same industry (Razo, 2004). Functional Benchmarking focuses on companies preceded by a reputation for excellence in a certain area of interest. From this, it is considered a very productive process since it promotes research and the willingness to share information without the barriers and without distrust when it is needed to approach to the competition. An advantage is that it allows discovering practices that were not applied in an industry or sector and that can be perfectly compatible and effective (Jurevicius, 2018).

1.4.4.2. By type of Focus or Practice

- a) Benchmarking of Process.** This analysis tries to evaluate the best practices of a company internally in a specific area from the identification of its key processes. The premise is that there is no single way or solution to improve quality, it is necessary for each company to create its own quality management processes that are commensurate with the business reality (Watson, 1995, Jurevicius, 2018).
- b) Performance Benchmarking.** The analysis of performance seeks to compare the products or services offered by a particular company in order to determine which place it occupies in relation to the rest of companies in the same sector (Ou & Kleiner, 2015). Here the information regarding costs, extra services, quality and productivity is compared.
- c) Strategic Benchmarking.** It focuses on developing basic characteristics that allow a company to achieve competitive advantage (Jurevicius, 2018). In general, it seeks to evaluate the position of the company according to its business strategy

and for this is needed to establish alliances that allow to identify trends that can contribute to the implementation of new products, entering new markets, creating new lines of business, the objective is the potential improvement of the company. As Watson says, “with this information, the process of developing a new vision of the organization can be very rich (1995, pág. 51).

1.4.5. Fundamental phases

Regarding the Benchmarking process, it is important to clarify that there is no mandatory step model. The Benchmarking is flexible it can be in accordance with the policies of the company, the resources available and the objectives that have been raised. There are several methodologies proposed by different authors. However, most of them are only distinguished by the number of steps to be taken while maintaining the essence of deciding practices and applying them.

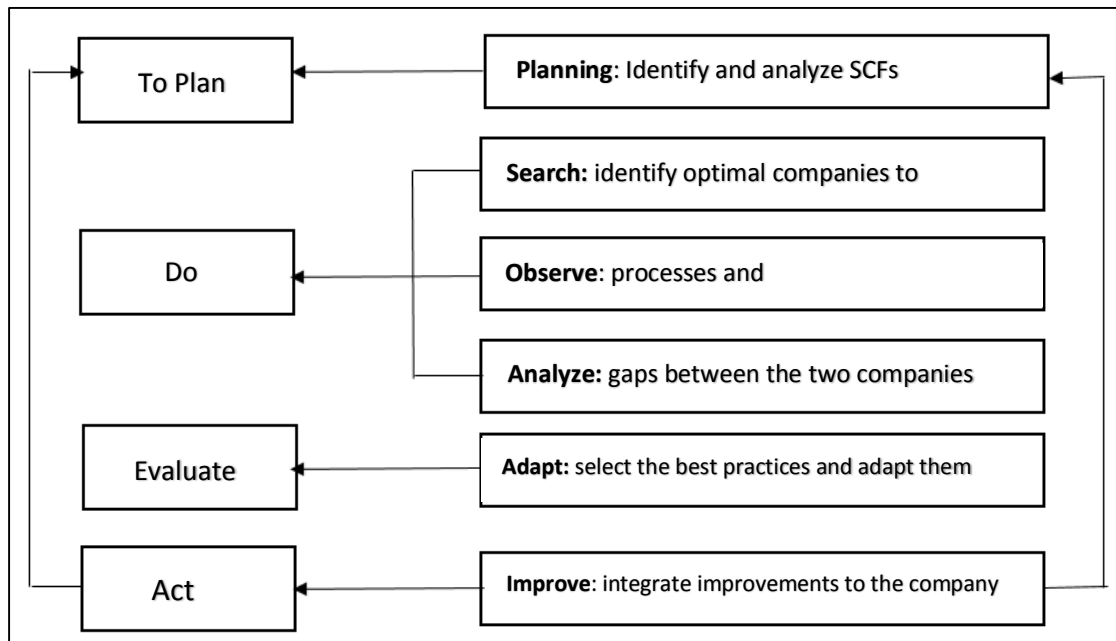
The first methodology is the one proposed by Camp in (1993) and consists of five phases: planning, analysis, integration, action and maturity. It appears after the five stages for a successful Benchmarking of Spendolini (1994) that start to determine how Benchmarking was performed, the creation of a team for this, identification of partners, the collection and the analysis of information and finally, acting.

Likewise, the Benchmarking as it is done in John Deere is divided into four parts that are: plan, collect, analyze and implement. On the other hand, the Data Envelopment Analysis or DEA method is presented as a fairly recognized option that consists of identifying the best in a certain process and comparing the others based on that, but does not consider other factors, which is why it is not applicable in all cases (Razo, 2004).

From an overview of the Benchmarking process, all the phases described above could be join following the Cycle of Deming, which consists of four stages: planning, doing, evaluating and acting (Watson, 1995, Ou & Kleiner, 2015, Jurevicius, 2018). In order to define where to make the comparison against and who should be compared, can be summarized in the first stage of planning.

The entire study, data collection and information constitute the execution in stage two. Regarding the third stage, it consists of analyzing the gaps that exist between the companies and the critical success factors of the leading companies. Therefore, the last stage is the adoption and implementation of the best practices taking into account the critical success factors to improve the performance of the company. Figure 3 synthesized through a diagram devised by Watson based on the Deming cycle for continuous improvement PDCA.

Figure 3 Watson Benchmarking process based on the Deming cycle.



Produced by: Cordero, Ortega.

Source: The Benchmarking Workbook: Adapting Best Practices for Performance, Watson 1992.

1.4.6. Critical Success Factors

For a company to develop an effective plan must begin with a clear recognition of the needs of the company. The information requirements for the planning of strategies cannot be carried out correctly if the objectives to be achieved are not known. Benchmarking needs to establish a first diagnosis of the specific needs of the organization. When referring to Critical Success Factors (SCFs), it is a question of identifying the factors that generate a more significant impact on the performance of the company (Hesham A.E., 2008). In general, they are key points that need to be adequately executed in order to positively influence the growth of the business. A disadvantage that companies have is that they tend to ignore the existence of specific factors that can contribute to the success or failure of the organization.

The Critical Success Factors (SCFs) are found through a deep study that includes the objectives of the company, its goals, vision and values. The identification can be easy or become complicated depending on the company, its type of activity and other characteristics, but can be better identified from three edges proposed by Tijera (1999, page 42) which are:

- a. The issues that are decisive for the organization
- b. The areas that include or where most of the processes are carried out.
- c. The things that must work accurately so that the organization can succeed.

Another way to identify these factors in order to properly address the Benchmarking process is the ten questions proposed by Xerox that are shown in the table below.

Figure 4 What things to submit to Benchmarking? Ten questions from Xerox

<p>FCE: What things to submit to Benchmarking?</p> <ol style="list-style-type: none"> 1. What is the most critical success factor for my function / organization? 2. What factors are causing the greatest problem (for example, not meeting expectations)? 3. What products are provided to customers and what services are provided to them? 4. What factors explain customer satisfaction? 5. What specific (operational) problems have been identified in the organization? 6. Where are the competitive pressures felt in the organization located? 7. What are the biggest costs of the organization? 8. What functions represent the highest percentage of costs? 9. What functions have the greatest opportunity to make improvements? 10. What functions have the most influence or potential to differentiate the organization from competitors in the market?

Source: Michael J. Spendolini, p.87, Ten questions from Xerox

Another aspect to be highlighted is that there are three levels of specificity of the CSF that are:

- Level 1: which defines a broad topic or research area and which may include departments or functions of the organization.
- Level 2: which covers a specific area and includes measures numbers, levels or volumes.
- Level 3: it is even more specific than the previous one and uses some kind of detailed measure or description (Aral ITS, 2016).

Chapter conclusions

The aforementioned information, being a compilation of several relevant aspects, has allowed to understand more precisely how each of the terms are related. In this sense,

recognizing the influence that globalization has on the changes that occur in companies is the principle to assume that a constant updating of knowledge is necessary focused on discovering new techniques and practices that allow companies to grow and adapt to the dynamic and competitive business world that exists today.

Theories of international trade serve as tools to understand the relevance of trade for all states and their companies worldwide. The mere fact of recognizing the importance of specialization within the processes of the company, the advantage of knowing what to market and what not, among other points, provide bases so that both companies and nations can perform better. In addition, through these theories it is possible to perceive the current problems and try to predict the fluctuations and changes in the markets. Regarding internationalization, although these theories act as a starting point, the process through which a company manages to enter an international market is much more complex for companies with little development.

For this reason, the clarification of the term MSMEs directs the focus of internationalization specifically in micro, small and medium-sized companies, allowing them to highlight the value they have for the economy of a country. The contribution that this type of companies generates for the developing countries, taking as a reference the data of the SUPERCIAS as well as the INEC, is representative. Consequently, recognizing the difficulties that exist such as lack of access to finance, lack of technology and barriers represents a fundamental aspect to devise new ways that allow the growth of MSMEs and to open up to foreign markets.

Similarly, the concepts developed regarding internationalization and its strategies provide an idea of the ways that currently exist for MSMEs to reach international markets. However, we could not simply enter a foreign market without any strategy, for this reason we can say that Benchmarking is one of the most important aspects for the development of this project. Is important to understand that how it works in order to identify the best Practices in order to adapt them for later use in local companies give the present work the theoretical basis to continue with the research.

CHAPTER 2

2. Local MSMEs

Introduction

This chapter seeks to analyze the situation of micro, small and medium-sized companies or SMEs of Cuenca dedicated to the footwear and leather sector. As well as the SMEs of the cantons Chordeleg, Gualaceo, and Sigüig. Initially, the general information about each one of the mentioned cantons is presented, with emphasis on the productive activities data and companies development. This information is required to show the types of businesses that these places do and to present the information collected in the first phase of the research called "Diagnosis of the exportable offer of SMEs of Azuay."

It is worth emphasizing that this research work constitutes the second phase of the project "Internationalization of MSMEs of Azuay", which aims to determine the aspects that most impact and empower MSMEs in the province to be internationalized. The first stage allowed obtain all the information about the companies and their characteristics by cantons and sectors, facilitating the identification of the businesses with greater possibilities of expanding their activities in foreign markets. The following stage was based on the results of the interviews, the score obtained in the Export Audit, and the analysis of the first phase. All this information was utilized to delimit MSMEs with potential, describe their current situation and explain why they stand out from the rest.

Advancing this reasoning, it is important to specify the causes of why it was decided to discard the rest of the companies. Therefore, to maintain a sequence, the MSMEs that have been unselected were divided into groups according to the most determining limitations of these. Finally, as a third point, the critical success or CSF factors of the selected companies appeared. These were determined according to the selection and weighting of the most important business issues. Through a table, the relevance of the topics found in the Export Audit was evaluated. Then each subject was explained as well as the success factors derived from these topics indicating the reason that makes them influential aspects for the internationalization of the aforementioned businesses.

2.1.Situational analysis of MSMEs

2.1.1. Canton of Cuenca, footwear and leather sector

The Canton of Cuenca is located between coordinates 2 ° 39' to 3 ° 00' south latitude and 78 ° 54' to 79 ° 26' west longitude. It limits the north with the Province of the Cañar, to the south with the Cantons Camilo Ponce Enríquez, Santa Isabel, Giron, and San Fernando, to the west with the Provinces of the Guayas and towards the east with the Cantons Paute, Gualaceo, and Sigsig. The canton has a total of 22 rural and 15 urban parishes. This represents 38.3% of the territory of the province, covering approximately 3,086 km², which makes it the largest canton of Azuay. The total population is 505.6 thousand inhabitants (SENPLADES- National Secretariat of Planning and Development, 2014).

The activities that generate the highest income are the manufacturing industries with 49% of the participation in the economies, the wholesale and retail trade represents 32% of the economy along with the repair of motor vehicles, while financial activities and insurance represent 8% (SENPLADES- National Secretariat of Planning and Development, 2014). In general, Cuenca has different strategic areas where the main businesses have been distributed. One of these is the Historical Center, a tourist sector with many people and where the majority of leather and footwear companies are located. It is important to emphasize that there is no updated information on this sector in the canton. However, data with a significant relevance of an important study conducted in 2014 have been taken.

An example is the information on the total of 1,066 companies in Cuenca, dedicated to the sale of clothing, footwear and leather goods. These represent only 1% of the total income of companies engaged in trade and employ 2,036 people (Tobar Pesantez, 2014). This means that despite not being the sector that receives the most income, it is the fourth to employ more people. The type of products offered by companies in the leather and footwear sector is based on casual footwear, belts, wallets, handbags, backpacks, purses and leather goods production in general. In addition, soles of shoes and carpets for cars are manufactured and, furs are sold.

2.1.2. Canton of Chordeleg

Chordeleg, according to the last census, has a population of approximately 12,577 inhabitants. This figure, in relation to the rest of the province of Azuay, is equal to 1.61%

of the population (INEC, 2010). Chordeleg has located 42 km from Cuenca and occupies an area of 104.9 km². The parishes that make up this canton are Chordeleg, Delegsol, Principal, La Unión and Martín de Puzhio. In terms of history, it dates from the birth of the Cañarís and for its geographical location was considered for many years the cemetery of this culture. Recognized as "the jet of gold", by a translation of the cañarí (GAD Municipal de Chordeleg, 2015).

Based on the information obtained from the previous study, the production of jewelry, ceramics, footwear, and articles made of toquilla straw are recognized as productive activities. Up to the year 2017 in Chordeleg, there were 652 commercial establishments and 14 associations (GAD Municipal de Chordeleg, 2015), which mostly focus on handicraft production and fall within the classification of MSMES. According to the Prefecture of Azuay, about 47 businesses in this canton are dedicated specifically to jewelry. In addition, footwear manufacturing has gradually come to be one of the main activities within this territory (Provincial Government of Azuay, 2015).

For this phase of the investigation, the nine MSMEs that were interviewed were taken into account. In view of the fact that the research on "Diagnosis of the exportable supply of PYMES of Azuay" delimited the number of companies to be considered. These companies were considered for meeting characteristics like an adequate amount of employees, and stability for the years they have in the market. And the fulfillment of constant productive activity. On the other hand, because the artisan production continues decreasing. The companies have in common the growing fear for the future of the activity they carry out. MSMEs in this canton are limited by factors such as lack of access to financing. As well as economic policies that allow free entry of foreign products with much lower prices making it difficult for them to compete.

2.1.1. Canton of Gualaceo

Gualaceo is a valley formed by numerous water sources. It has an area of 345.48 km² and is divided into nine parishes. It has a total population, according to the census carried out in 2010, is 42,709 inhabitants. Of this population, 32.7% reside in the urban area of the canton compared to the remaining 67.3% living in the rural area (Autonomous Decentralized Government of Canton of Gualaceo, 2015). A large percentage of people in Gualaceo are engaged in agriculture, livestock, forestry, and fishing, and a minimum

percentage is dedicated to the exploitation of mines and quarries. As for the secondary sector, it employs 3,273 people from all over the canton. The types of trade that have grown the most are focused on the production of footwear, furniture, and textiles (Autonomous Decentralized Government of Canton of Gualaceo, 2015).

Regarding the specific situation of MSMEs, there are a total of 2,865 formally established companies, which add up to a total of 3,333 commercial premises since several of these businesses have branches. An activity that cannot be omitted is that of footwear that today is one of the most representative. In 2010, there was approximate 1,770 companies and since 2017, Gualaceo entered the list of the five cities in the country with the most significant participation in the leather and footwear sector with of 0.57 million USD (Bravo Roquillo, Vera Reyes, Herrera Arboleda, & Camino Mogro, 2017). It is worth mentioning that most shoe manufacturers in the canton possess the RUA, which is the Unique Artisan Registry, belonging to a program promoted by the Ministry of Industries and Productivity. Whose objective is to encourage artisans to create their own establishments (ministry of Industries and Productivity, 2014).

Other types of businesses that are very popular are crafts. In Gualaceo it is possible to find more than 20 types of crafts, such as straw hats that are woven mostly by women craftsmen, or the Macanas, which are made from ancestral techniques passed down from generation to generation. It is estimated that there are forty macaneros distributed throughout the canton. However, most of them do not have an establishment for the sale of their products. This means that the money that should be generated is not generated and the costs of the product, which is already expensive, increase. (Autonomous Decentralized Government of Gualaceo Canton, 2015).

2.1.2. Canton of Sigsig

Sigsig is located east in the province of Azuay 51 km from Cuenca. It is formed by seven parishes: Guel, Jima, Ludo, San Jose de Raranga, Cuchill, San Bartolomé, and Sigsig. Its extension is 674,53 km² and is recognized as San Sebastián de Sigsig due to the abundance of sigsig plants that exist in this territory. Currently, it is about 26,910 inhabitants according to INEC data, which at the Azuay level is equivalent to 3,44% of the total population (GAD Municipal de Sigsig, 2018).

Agriculture is one of the economic activities that higher income followed by the development of handicrafts. Sigsig is famous for its production of articles made of straw shawls, garments, ceramic objects and different musical instruments. Regarding the companies in Sigsig, with respect to the data of the previous investigation, there are about 21 businesses, of which seven stand out that possess the general characteristics to be considered as companies with export potential (Benítez Serrano & Mosquera López, 2018). These characteristics include consolidated companies with years of experience and constant production. In addition, companies that have an associative group model are considered. In addition, companies that have an associative group model are allowed.

In Sigsig there are currently two associations that carry out export activities. These are the Association of Toquilleras de María Auxiliadora and the Association of Tejedoras de Sombreros y Artesanías de Paja (TESYA). Both concentrate their production in processed toquilla straw. The other companies have varied activities that range from the production of dairy goods, the breeding sale of guinea pigs, hats, handicrafts, the sale of agricultural products to the manufacture of guitars.

In essence, both Chordeleg, Gualaceo, and Sigsig are cantons that maintain an important PEA within the province of Azuay. For the most part, the companies in these places keep up the same pattern in relation to business types similar to a model of productive districts. In most cases, these cantons of Azuay focus their activities on the creation of handicrafts, toquilla straw, product manufacturing and especially leather footwear, jewelry in gold and silver, as well as derivatives of agricultural and livestock labors.

Innovation in products and business is not a characteristic of small cantons like Gualaceo, Sigsig or Chordeleg. However, the companies located in these places have been able to grow economically, generating characteristics that are attractive to diverse markets. On the other hand, the footwear and leather sector in Cuenca is a traditional one that has been unexploited to its maximum capacity. Based on this, companies are selected, mostly MSMEs with the potential to expand their business beyond national borders.

2.2.MSMEs with the greatest potential to internationalize

2.2.1. Selected companies

As mentioned before, the information of the companies has been taken from the previous study called "Diagnosis of the Exportable Offer of SMM from Azuay." The objective of this initial phase of research was to identify all the businesses in the province of Azuay divided by cantons, as well as by productive sectors with the purpose of understanding and analyzing which exhibit better characteristics to internationalize. This study showed that out of a total of 51 companies and associations in the cantons Chordeleg, Gualaceo, and Sigsig only 19 had potential. While the leather and footwear sector of Cuenca, 19 companies were analyzed of which five companies stood out from the others.

The results obtained in the Export Audit were taken into account to make the final selection applying the 80/20 principle or better known as the Pareto Principle. For this work, the questions of the Export Audit are important to define if the business can be projected towards international markets. Although there are features that can be improved or implemented depending on the business and its limitations. It is worth mentioning the data was taken from several studies carried out in companies in the canton of Cuenca and the sub-basin of Santa Bárbara, for this there are different qualifications, and the values are compared in relation to the percentage. MSMEs were chosen based on having at least 80% of the proposed score in each questionnaire, and 20% remaining were assumed as the characteristics to be improved so that companies can achieve their greatest potential. It should be noted that not all the companies pre-selected in the first phase were taken for this one since the interviews and the results of the Export Audit were analyzed more deeply.

2.2.1.1.D'cuero

D'Cuero is a Cuenca company dedicated to the commercialization of leather footwear for men made by artisans. The artisan workshop already existed previously, but they did not have their own brand and only sold wholesale as suppliers to other companies. With the D 'Cuero project, produced by María Elisa Muñoz, they now have a store for the sale of their products and a website that facilitates their promotion. This company is located at Calle Miguel Cordero 5-03 and Daniel Palacios.

An important point that served for the selection of this MSME, was fact that it maintains a strategic alliance between the workshop and the physical store appears first. Despite having been set up as two different businesses, both seek mutual benefit while maintaining clear communication within the supply chain. D'cuero also performs regular training for its artisans provided by private companies with technical specialists from Brazil and Colombia, as well as training offered by Pro-Ecuador and MIPRO regarding administrative issues such as digital marketing, exports in detail, etc. Another notable aspect is the constant search for certifications to add value to their products and that serves as a guarantee of the quality of the work that is carried out. Currently, they have the INEN quality certification and are in the process of obtaining the certifications granted by Pro-Ecuador and MIPRO for exports.

The innovation of the raw material has been an important factor at the time of the selection since they use organic and ecological materials such as green glues that do not pollute. In addition, D'cuero has looked for eco-friendly alternatives for its products, which speak about the ability to innovate that the company has. Among these alternatives offer the replacement of animal leather with pineapple or mushroom leather, being an interesting feature to enter foreign markets. The maximum monthly production capacity is 2,000 pairs, which represents a good number for the supply of the local and international market. Within the Export Audit, this category received a rating of 5 points/5 points as it is one of the companies with the highest amount of footwear manufactured in the canton of Cuenca.

In addition, it is a socially conscious business that gives mothers who work as artisans the ease of working in their homes to do things like sewing or cutting of leather. The target market of this footwear focuses on young people of 20 and 35 years who prefer a brand with a cause. That is to say that it promotes not only fashionable designs but also footwear with social and environmental responsibility. One way in which it has captured the attention of this market is through digital marketing using platforms like Facebook and Instagram. Also, through the aforementioned virtual store called Etsy and has given them great results.

Therefore, the management of this MSME is highlighted in every aspect from the selection of the raw material and manufacture of the product to its commercialization to the results of the Export Audit got in the previous phase of the project, this company

achieved a score of 146 points out of 160. This represents over 80% to be selected as a company with a high potential to expand to foreign markets.

2.2.1.2.Pimienta Shoes

Pimienta Shoes company is dedicated to the production of shoes for women and girls, and specializes in sandals for coastal environments. With the aim of innovating for 2019, the company was proposed to create new lines for the mountains, like booties and moccasins for women. This company is placed on Calle Cornelio Veintimilla in the Industrial Park. The company's concept of the product is among the aspects that most characterize it. In the interview, the manager said people stand up 14 hours a day, so shoes are the most important part to support the weight of people. For this reason, giving value to the comfort and safety that footwear generates is necessary. This is how Pepper Shoes' mission is not only to sell a nice shoe but also an ergonomic one.

Another interesting trait in production is quality control throughout the supply chain. Their margin of error is low, which shows the commitment and attention given to each process. As far as production capacity is concerned, with 600-800 pairs per day, the number of shoes that are made suffices to supply the local and international market. In addition, the owner says even though they could increase the figure to 1,200 pairs a day, they do not because the domestic market is not so great. As for its raw material, it is brought from Brazil with fixed suppliers. For its supply, calculations are made in which the fluctuation dates are determined. One example is the seasonal changes where the quantity of order varies, so they never run out of material to work.

Definitely, Pimienta Shoes differs in its ability to innovate in production processes and for its interest in providing its customers the best experience in footwear without neglecting the aesthetic aspect. In addition, the training offered to its employees contributes to the growth of the company in a significant way, reducing errors and improving the internal management of the business. Within the Export Audit, it had 130 points out of 160 equivalent to over 80%. Therefore, it is considered as an ideal company for the export of its products.

2.2.1.3.Castro Jewelry

Castro Jewelry is a stable and consolidated company with nearly 25 years of experience in the manufacture of jewelry in metals like gold, silver, and goldfield. It is located in street 5 of February 2-83 and Guayaquil, in the Canton of Chordeleg. Raúl

Marcelo Castro is the owner and manager of this company recognized nationwide thanks to the excellent quality of its products and the guarantee it offers. One of the most important features of the business is that it has the best machinery and technology in the canton to give the necessary finishes to the product.

Among the specific aspects that differentiate the jewelry factory from the rest of the jewelry shops is that it has a logo that is impregnated in each Jewel and its models are in 80% original designs of the company. Each piece is worked on request. They offer the possibility to make repairs and replace products if these are defective by applying warranty policies. In addition, its national reputations have been achieved thanks to the purity of its pieces and its work with high-quality metals and stones imported from the United States. As for their clientele, they serve as suppliers of several jewelry stores in the city of Cuenca, but they make their main sales online, through their Facebook page. In this manner, Castro jewelry has differentiated itself from its competition and has obtained a much more diverse clientele.

It is worth mentioning the relationship that the company has with its suppliers is pleasant and safe, which gives stability to meet the delivery dates of their products. Weekly maximum production is 10 kilos of jewels, but they have the capacity and the machinery to increase this value. Since the jewelry they manufacture conforms to the requirements of the clients, the processing time varies, but a minimum of 5 days is needed to fulfill an order. The owner claims Castro Jewelry has a wide demand and that it can supply a foreign market without the need to spare its domestic costumers. Currently, 10 employees work there, and all have their activities defined in the factory or in the sale to the public. Likewise, the objectives and goals of the company are well defined and are clear according to what each year has been established.

Although the business currently does not have all the required certifications, it is in the process of obtaining them. Regarding training, the staff is willing and excited to continue preparing and improving their techniques. The score got by this company in the Export Audit was 308 out of 380 equivalents to 81% of the score. This, together with the characteristics it has, the interest in implementing improvements, and getting involved in activities that allow it to continue growing, made it considered a company with potential.

2.2.1.4.Cooperativa Teje Mujeres

Cooperativa Teje Mujeres is an organization created to support women engaged in knitting and operates as a collection center. This organization has been in business for 20 years. Its main product is wool sweaters with different designs and colors as well as making accessories such as caps, gloves, and socks. It comprises 28 members and 37 artisans. This company is settled in the Gualaceo Canton on Nov. 3, 2-11, and Eugenio Espejo. The cooperative unlike other companies in Gualaceo are already exports internationally to markets such as the United States and several countries on the European continent.

One important aspect that provided an advantage to this MSME over others is the international Fair Trade certification. This guarantees the buyers the innovation in the processes, the added value of the product, and the correct remuneration of the work. Due to the certification, they are supported by companies that work with Fair Trade to enter other countries. They always look for their products to be marketed in the correct way and for a value related to the work involved in their preparation.

The raw material for manufacturing the fabrics is wool yarn, and this company uses Salinas de Guaranda suppliers aligned with its philosophy and who work under the same certification. The company not only makes sweaters also Christmas stockings, decorations, clothing for children and adults, accessories, cushions, blankets, etc. Cooperativa Teje Mujeres has a website developed in Spanish and English, as well as social networks like Facebook, Twitter and Instagram where it promotes its products. As an additional value, they frequently distribute business cards, brochures, and leaflets in both English and Spanish.

Teje Mujeres constantly seeks to innovate and remains clear about the work it does, giving weavers the opportunity to be recognized for the work they do and receive fair remuneration. The Fair Trade certification makes it a suitable product for foreign trade. Besides, the company stands out for its processes and social awareness. It is worth mentioning it is the MIPYEM with the best score with 209 points over 250 obtained in the Export Audit of the previous phase of this research project.

2.2.1.5.Litargmode

Litargmode is a company dedicated to the production of all types of shoes but, its main product is footwear for women. The business is in the Gualaceo Canton and; it is

located in the sector San Pedro de Los Olivos, km 11,2. It has 94 full-time employees and is the only company within this investigation that has so much personnel. Moreover, it has a functional organizational chart with medium and long-term objectives and strategies. It is a positioned brand that works among wholesalers, and it does not directly relate to customers. This is assumed as a situation to be modified so that the company can make itself known among those who buy its final product.

Regarding the important features of the product, it is necessary to add the raw material is imported from Brazil and Colombia frequently. This company manufactures around 700 pairs of shoes daily. It has a capacity to react to extraordinary orders of 30% with an extra production of up to 1,000 pairs a day. Furthermore, according to studies, the company could produce up to 1,500 pairs per day if the number of staff increased and up to 9,000 if the machinery increased,

Another important fact is that Litargmode is not interested in venturing into foreign trade. The reason is the belief that the important thing is to create a product with quality and position in the national market before considering going out in search of other markets. For managers, it is difficult to meet the requirements and compete on prices with foreign manufacturers. However, they know that they have to modify their products to adapt to lasts, sizes, and models according to foreign demand. In case the opportunity was given this would not be a major problem for the company.

Despite the reticence they have to venture into international trade, it was considered that it is an MSME that has everything necessary to internationalize. This is due to its productive capacity, machinery and a large amount of labor it uses. In line with this, it was one of the best companies in the canton for its results in the Export Audit with 190/250 points, which represent over 80% required to be selected for the following phase of the project.

2.2.1.6.La Sigseñita Sombrerería

This small company located in Sigsig is dedicated to the manufacture of toquilla straw hats that are woven by their employees. Also, it works as a collection center for the work of other weavers who sell their hats to the company thanks to its open door policy. The owner and manager is Ilda Sánchez and despite not having proper organizational chart, each of the functions is assigned to the staff members and divided according to those in charge of weaving and finishing.

In fact, no training had been conducted until the date of the interview, but some were being organized to improve knowledge about trade, marketing and sales for the staff. Among its strengths is that it is an independent company that provides all the benefits of the law to each of its employees and pays fair prices to the weavers maintaining a commitment to give women the opportunity to have a fair income to the effort of their work. Another important feature of the business is the flexibility to adapt to the requirements of its customers as well as the variety of models it has.

Another significant characteristic is to be an MSME with clear objectives it has managed to consolidate. It provides important support to the weavers of the canton and pays them the same value throughout the year regardless of external factors. Currently, it is able to respond to foreign demand without neglecting its local customers. The company has set itself the goal of attracting new customers using social networks and different advertising. La Sigseñita has among its main concerns always being up to date on the latest market trends.

A requirement that must be improved is the contracting experience, which is an important aspect for the business to develop. The distribution channels are adaptable depending on the quantity required and the models. The company is only 4 years old and despite this it has been established by the quality of its hats and the time of production it handles where the most complicated and fine hats take a maximum of one week. As a result, Sigseñita has clients around the country.

The company is financed through loans from banks but it currently has profitability to operate with its own capital. The owner and the employees perceive internationalization as an opportunity and they are not afraid to venture despite the risks. Although they must still get certifications, there is a provision to give an added value to the product that makes it more attractive. Finally, the short time that the company operates compared to other companies is an advantage that facilitates its adaptation to the current reality of the markets. This allows all staff to be open to learning new techniques and ways to make their products different. The score of this MSME in the Export Audit is 321/380 equivalent to 84% of the rating which confirms its selection.

2.2.2. Companies that do not apply

To better understand why these companies were not chosen, tables were made for each one of the cantons that classifies the companies according to the score. Table 3

divides companies into five groups from A to E. The objective was to group all the businesses that do not apply from each canton, according to the limitations that companies have in common. For this classification, the scores of the Export Audit for each company in the previous phase were used. The names of the companies selected were also included in the table to show their place in relation to the score obtained.

2.2.2.1. Footwear and Leather of Cuenca

Table 3 Division of companies of Canton of Cuenca

Companies of the Canton of Cuenca
GROUP A: from 0pts to 30pts in Export Audit
Calzado Alfonso (not applicable)
Ital Cuero (not applicable)
GROUP B: of 31pts-60pts in the Export Audit
Calzado Tebra (not applicable)
GROUP C: from 61pts to 90pts in the Export Audit
Cockers Baby Shoes not applicable)
Cazanova (not applicable)
Palace Shoes (not applicable)
Sol Cuero (not applicable)
GROUP D: from 91pts to 120pts in the Export Audit
Casa del Pantanero (not applicable)
Curtesa Quiwa (not applicable)
Guzcalza (not applicable)
La Piel (not applicable)
Tiznado (not applicable)
GROUP E: more or equal than 121pts in the Export Audit
D'cuero (applicable)
Pimienta Shoes (applicable)

Produced by: Cordero y Ortega

Source: Diagnostic of the exportable supply of small and medium-sized enterprises in the leather and footwear productive sector of Cuenca, Barnuevo & Roman, 2018

GROUP A: Regarding this group, there are two companies with the least favorable score in the Export Audit: the company Calzado Alfonso focused on men's shoes and Ital Cuero that manufactures leather garments that despite having more than 40 years in the market shares with Calzado Alfonso limitations as the lack of mission, vision, and clear objectives. These MSMEs work in a more simplified way without short-term or long-term planning. In the same way, since they are companies that do not exceed three employees, they do not have an organizational chart. Another limitation is that they do not handle any advertising since their manufacture is sporadic. An example of this is that Ital Cuero manufactures a leather jacket per week and Calzado Alfonso produces only 180 pairs per month; this in comparison to the other companies studied is a scarce production.

GROUP B: In the second group, are three companies that produce leather footwear, especially for men. These work without the establishment of objectives, a mission and a specific vision. These MSMEs have between one and five people working, and most of them are family members. Another drawback with these companies is that they have put aside all kinds of forms of promotion and marketing. Likewise, they do not use digital media, which makes it difficult for them to acquire new buyers. The average production is 160 pairs per month. Additionally, the interviewees consider that it is necessary to have a good quality of the product which is difficult to achieve since according to these the Ecuadorian leather is not so well worked. Mainly the reasons for not selecting them are that they are not interested in entering the foreign market because they do not have machinery, workers, or sufficient resources to produce according to international demand.

GROUP C: In this group companies already apply aspects such as having a mission, a vision, and an organizational chart. In this case, four MSMES manufacture leather footwear and among them Cockers Baby Shoes, which specializes in leather footwear for babies. All have a short and long term planning in addition to functional flow charts. The drawback is that the number of employees of these companies reaches a maximum of 10, and the production is 250 pairs of shoes per month. Additionally, there is no training for employees and accounting is not a priority. The advertising or marketing tools are not present. Only one of them, Cockers Baby Shoes uses EDEC as a way to advertise their products. Besides, they do not have people in charge of making sales, causing an accumulation of tasks, and that is why these MSMEs not taken into account.

GROUP D: The last group of companies that do not apply includes precise factors that should be considered part of a company so it can develop and distinguish itself from the rest. Despite exhibiting several good characteristics, they have limitations that prevent them from being selected. An example is the Casa del Pantanero, which focuses on selling to institutions and with a production that does not cover the local market. Another limitation is the lack of application and knowledge of marketing and advertising. Even with all the technicalities that it has, it does not have a website, ads or participation in social networks. As for Curtesa-Quiwa, it was not possible to obtain the information so that this company could continue with the next stage of the investigation since it is necessary to know the raw material with which it works and the production amounts.

In the case of La Piel despite being a company that has innovation, eye-catching designs and good quality lacks business organization, does not have enough personnel,

or adequate production capacity to enter the international market. Finally, Tiznado was not chosen due to problems with its raw material. Tiznado acquires the raw material of Ecuador and states that the colors of the leathers are not the same. Indeed, this affects the production because it has problems in standardizing processes and therefore mass production for foreign markets.

2.2.2.2. MSMEs of Chordeleg

The scores in this canton vary from those shown in Cuenca because the parameters of the interviews and the Export Audit were carried out independently for each canton. In the case of Chordeleg, 380 points were assigned to each of the companies. Additionally, all the MSMEs were considered in the cantons regardless of the sector or type of activity they carried out.

Table 4 Division of companies of Chordeleg

Companies of Chordeleg
GROUP A: from 0pts to 76pts in Export Audit
GROUP B: from 76pts-153pts in the Export Audit
GROUP C: from 154pts to 230pts in the Export Audit
GROUP D: de 231pts a 307pts in the Export Audit
Antho Lexis (not applicable)
Calzado Elite (not applicable)
Joses & Favitos (not applicable)
Calzado Viguz (not applicable)
Creaciones Luishi (not applicable)
Joyería La Vasija (not applicable)
Joyería Celita (not applicable)
GROUP E: 308pts o más en el Export Audit
Joyería Castro (applicable)

Produced by: Cordero y Ortega

Source: Diagnostic of the exportable supply of the cantons Chordeleg and Sigsig, Benítez & Mosquera, 2018.

GROUP D: In particular, the majority of companies in this canton are in this category due to the qualification of the Export Audit in the previous investigation. Companies dedicated to the manufacture of footwear appear like Antho Lexis, Elite, Footwear Joses & Favitos, Loren's, Viguz and Luishi Creations. These, defined as MSMEs, have common limitations. They coincide in the lack of trade training, marketing and sales, handling machinery and market knowledge. Usually, they have to resort to subcontracting because they do not have the necessary personnel. In addition, none of

these companies is associated with a union or has received support from public institutions for financing or training.

Antho Lexis, as well as Elite, are purely family businesses, which becomes a limitation when having to adapt to another type of administration and define functions and responsibilities. Another aspect that they share is not handle knowledge about foreign trade and the lack of other languages inside the company. Besides, these enterprises only work with basic models of shoes. The footwear they produce is not innovative and is not different from other products based on universal models. The story is similar in Viguz and Loren's case.

Regarding technology, only Viguz footwear has made considerable investments in machinery but does not have the appropriate personnel who know how to handle it. While these companies have significant production and a good demand at the national level, because of a large amount of competition that exists and their production costs, the prices of footwear are not competitive. In the particular case of Elite, this company acquires its raw material in Brazil and Colombia, the same applies to Viguz. It be must also added that these companies do not have a defined organizational chart or goals established according to the development of the business, something that with correct strategic planning can improve.

In the case of Calzado Joses & Favitos as well as Loren's, they do not have a registered trademark, or the capacity to serve a foreign market without neglecting the premises. They also have not obtained the necessary certifications or approvals, do not apply specialized activities, and manage a hierarchy where the boss controls, supervises and takes care of to market everything and its distribution channels are the same. All the mentioned issues act as determining factors at the time of select companies with abroad projection.

In the same way, companies such as Celita Jewelry or Vasija Jewelry were not considered for their limited production capacity. Regarding the manufacture of jewelry, they handle up to 300 grams per week and the designs are mostly replicas that are not modified to satisfy the requirements of their customers. These MSMEs also function as family businesses and do not have the right personnel to respond to a higher demand. The technology they handle is also not optimal, and they do not have the support of public entities or the option to borrow to finance themselves. Access to information on foreign

trade and different training is limited and cannot compete with the jewelry from China on prices, or Italy on quality.

2.2.2.3.MIPYMES of Gualaceo

Here, the classification of companies of the Gualaceo Canton are over 250 points and equally are divided into five groups. The differences lie in the fact that these companies had better preparation, technology, and processes than the companies located in the previous cantons.

Table 5 Division of companies of Gualaceo

Companies of Gualaceo
GROUP A: from 0pts to 30pts in Export Audit
GROUP B: of 31pts-60pts in the Export Audit
GROUP C: de 61pts a 90pts in the Export Audit
Burana y Scarpa (not applicable)
Bela (not applicable)
Belissa (not applicable)
Museo de la Makana (not applicable)
Tejidos Ikat (not applicable)
GROUP D: de 91pts a 120pts en el Export Audit
Calzado Chicas (not applicable)
Fassoni (not applicable)
LOFAC (not applicable)
Mi Lady (not applicable)
Gino Zanetti (not applicable)
Asociación Artesanal de Turismo (not applicable)
GROUP E: más o igual que 121pts en el Export Audit
Idearte Muebles (not applicable)
Litargmode (applicable)
Cooperativa Teje Mujeres (applicable)

Produced by: Cordero y Ortega

Source: Diagnosis of the exportable supply of SMEs in the canton of Gualaceo, García & Maurat, 2018

GROUP C: Five companies, are grouped here which function as family businesses, and none have employees affiliated with the Ecuadorian Social Security Institute or IEES. Of these Burana and Scarpa, Bela and Belissa are manufactured footwear for women, while Makana and Weaving Museum Ikat make ponchos, shawls, and macanas. However, all have their brand and logo registered in the Ecuadorian Institute of Intellectual Property (IEPI). In general, these MSMEs do not have the production needed to satisfy local markets or foreign ones. Mainly, the limitation lies in the organization. The companies have a lack of people to control quality or that are updated in trends markets. Likewise, they do not carry out training of any kind and, they have limited logistic management of their products. As a result, the processes are complicated and, sales are carried out informally in plastic bags without special wrapping.

GROUP D: In this respect, there are six companies that manufacture footwear for women and only one dedicated to the production of toquilla straw hats. Generally, in these companies, the number of employees ranges from 1 to 30 and, there are also partners, as is the case of the Asociación Artesanal Turismo. In terms of the objectives, mission and vision are aspects that are met in three of the companies while the other three have not defined their objectives. Although they have more advanced machinery, they do not have a production that satisfies the local demand. Likewise, it has good quality raw material and, nevertheless, the processes are not the best. Although, ultimately the reason these companies are unchosen is that of the lack of innovation. Are the same products, with the same designs and, even with the same suppliers, so it does not generate the added value sought to internationalize a product.

GRUPO E: Finally, we have the Idearte Muebles company that works with furniture for the home. This company has a clear vision, mission, an organization chart and strategies for the short and long term. In total it manufactures 56 clots monthly and also has INEN labeling. It was mentioned in the interview that they have a good relationship with their suppliers and has premises indifferent parts of the country. It also manages digital advertising tools and has an accurate after-sales service. The main problem with the company is its product because of the high cost which increases the sales price by almost \$ 100 more and to enter a foreign market they need competitive prices. Additionally, the logistic is not well organized and, that would generate inconveniences with the exporting process. For these reasons, despite being a promising company, it has not been chosen to continue with the titling project.

2.2.2.4.MSMES of Sigsig

These MSMEs have the same score over 380 points that were used in Chordeleg. As a canton with the more rural territory, its economic activities are more varied. In this place there exist two associations that already export to different parts. The Association of Toquillas de María Auxiliadora and the Association of Straw Hats and Handicraft Weavers “TESYA”. The activity carried out by both associations is significant within Sigsig, but the reason they were not taken into account is that research “Diagnosis of the exportable offer of SMEs of Azuay” refers to these businesses without presenting details regarding its production, organization, distribution and sales channels or any relevant data to be considered; this is precisely due to the reluctance to offer information for fear of competition.

Table 6 Division of companies of Sigsig

Companies of Sigsig
GROUP A: from 0pts to 76pts in Export Audit
GROUP B: from 76pts-153pts in Export Audit
GROUP C: from 154pts to 230pts in Export Audit
GROUP D: from 231pts to 307pts in Export Audit
Asociación de lácteos Serrag-Ludo (not applicable)
Chobcuy (not applicable)
Ensueño (not applicable)
Producto Mi Huerto (not applicable)
Rosari Hat (not applicable)
Uyaguari (not applicable)
GROUP E: 308pts or more in the Export Audit
La Sigseñita Sombrería (applicable)

Produced by: Cordero y Ortega

Source: Diagnostic of the exportable supply of the cantons Chordeleg and Sigsig, Benitez & Mosquera, 2018.

GROUP D: This group includes the association of dairy Serrag-Ludo, which does not apply because its activity is the production and storage of milk. Therefore, all its products require special conditions in each of its processes. This type of product must comply with specific parameters depending on the country. Moreover, members of the association are not trained in international trade regulations. As an example to enter to European Union, it is necessary to adapt phytosanitary aspects and get permits and certifications to ensure human, animal and environmental health is not putting in risk (European Commission, 2018). As a general fact, for several years Latin America has been categorized as a net importer of dairy products, either because local production does not supply or because of market preferences (Kouzmene, 2003).

Chobcuy and Mi Huerto are among family business that shares the lack of task delegation or better known as a specialization work. These companies do not have tecnified processes neither the necessary labor to supply foreign demand. Similarly, the companies Dream, Rosari Hat, and Uyaguari, are not chosen for lack of resources, financing, machinery, and certifications. In the case of Ensueño, this MSME is a supplier of SensiStudio, which does export and has an exclusive contract with this company. Consequently, it is difficult to separate from SensiStudio, which is the one that contributes to capital and performs all the marketing of the products. Also, these companies not

considered training as something important and they are not considered being able to expand their market abroad so not have access to funding sources.

Once the selected companies have been analyzed in depth and having explained the reasons for excluding the rest of MSMEs, the next point is related to the determination of all those factors that are important for the selected companies and their development. According to this, it is possible to advance to the comparative study or Benchmarking and compare local companies with other companies, regarding their best practices.

2.3. Successes Critical Factors of selected MSMEs

The next point is to determine as accurately as possible all those areas that are key for a company to successfully meet its objectives. For this, it is necessary to be clear about the definition of a Critical Success Factor as a means or way to achieve those objectives which, in turn, has a great impact on the operation of the company (Hesham A.E., 2008). As has been said, the correct identification of these depends to a great extent on achieving excellence. Even more in terms of the SCF, competitiveness, results and organizational performance can be measured (Plasencia, Marrero, Nicado, & Aguilera, 2017).

Given that the SCF vary depending on each company to be able to define them together, regardless of the sector or type of product, it has been decided to begin by specifying the issues that are most decisive for all the companies that were selected (Tijera, 1999; Aral ITS, 2016); in order that, when establishing these topics, the SCFs are derived from them. In addition, since the main objective of the research is to enhance the internationalization of the MSMEs that were chosen, all the SCF should be related to this approach. Accordingly, a scorecard has been designed based on the level of influence that the topics may have for the selected MSMEs. The methodology is based on the Likert scale (2015) and the internal and external evaluation matrix of David Fred (2003).

Table 7 Rating scale of Themes by level of influence

Score	Representation	Description
1	minimal influence	factors that affect to a minimum degree the activities of some department of the company
2	moderate influence	factors that affect the activities of a department or area in such a way that they can generate problems at a general level
3	medium influence	factors that influence the company and its activities in such a way that they affect good organizational performance
4	significant influence	factors whose influence affects the whole company and can represent the difference between good performance and failure
5	determining influence	factors that cannot be missing within a company so that it can work properly

Produced by: Cordero y Ortega

The grades presented range from one to five. These following an order of importance in which one is assigned to the topics with almost no influence in the company and 5 to the issues that influence all the activities of the company. It is necessary to add that all the topics are taken from the main points of the Export Audit questions. In total, 17 of importance were chosen, which were similar in all the companies. These were qualified by following the table above in order to outline the most relevant. Although it may seem a subjective process, the objective of qualifying is to determine where the SCFs are concentrated and then define them.

Regarding scoring, the subjects that achieved between 4 and 5 points were taken into account, which means these really influence in an organization indifferently of the type of activity that it carries out. The rating was assigned as a team and by consensus, based on information from experts who highlight the relevance of these issues for the functioning and survival of organizations in the global environment. Among the experts is Schumpeter with his studies on development and research as keys for companies; Castillo, Reinoso, or Suarez Hernandez, referring to resources and capabilities, as well as, Maldonado and Martinez who deal with production processes and their optimization, as a fundamental issue for the operation of a company, among others. In table 8 topics are divided or grouped into four areas: administrative, production, marketing and sales, and financial.

Table 8 Scoring of the subjects by levels of influence

N°	CRITICAL THEMES	Score
Administrative area		
1	Brand	2
2	Interest to export	3
3	Innovation and Trends	4
4	Organizational structure	3
6	Prices	2
7	Certifications and Requirements	1
Production area		
8	Production process	4
9	Necessary resources and capacities (labor and raw material)	5
10	Quality	3
11	Time optimization	3
12	Differentiation	3
Marketing and Sales Area		
13	Customer service	3
14	Marketing Policies	4
Financial Area		
15	Financing	5
16	Investment capital	3

Produced by: Cordero y Ortega

As can be seen in the ratings there are 5 points that are the most important, these are innovation and trends, necessary resources (labor and raw material), time optimization, marketing policies, and financing. The reasons for assigning the highest ratings to these topics are explained in detail and the Critical Success Factors that arise from these are defined.

2.3.1. Innovation and Trends

According to the Oslo Manual, which is an international benchmark for the measurement of innovation in Europe and is used by the Organization for Economic Cooperation and Development (OECD), innovation is the entry of a new product or a product with some type of improvements. This may include improvements in processes, marketing or even internal management of the company (World Bank & OECD, 2013). There are three type of innovation and depending on their impact can lead to significant changes in the market or in the economic activity of the company.

With the effects of globalization, companies are forced to strengthen their innovation capabilities if they wish to succeed in a more competitive environment. As several authors state, innovative companies are more flexible, adapt to the variability of the environment and respond faster and better to the changing needs of society, obtaining better results. Therefore, innovation is considered an important issue for the survival and success of companies. As mentioned by Schumpeter, a German researcher who pioneered the study of innovation as a transcendental element, companies are innovative or do not exist (The Schumpeter Center for Innovation and Development, 2017).

Currently, the concept of innovation has a direct relation to research and development to form the cycle known as R + D +I (Research, Development, and Innovation) (Membrives Quesada & Chacón Bobadilla, 2010). Within this process, innovation represents the culminating point where a result is obtained and, in the case of MSMEs, innovation becomes a fundamental issue when considering internationalization as its objective is related to its capacity to adapt to compete in an external market. The SCF related to this topic are innovation strategies in processes and product innovation strategies.

2.3.2. Necessary resources and capabilities

Resources or assets of a company are understood as all the factors it has at its disposal and that it can control to create a competitive strategy (Ibarra Mirón, & Suárez Hernández, 2002). When speaking of material resources, these are classified as productive factors: capital, land, and labor. In terms of skills or competencies, it can recognize these as the set of knowledge and skills that can be acquired from the individual or collective learning of the members of the organization. According to several authors, it can distinguish between the resources and capacities of a company; however, both terms are intimately (Fong Reinoso, Flores Valenzuela, & Cardoza Campos).

Starting with the raw material, it is important both to elaborate the products and to be able to define their cost and therefore before starting any production process this must be clearly identified in proportions and measures (Zagarramundi, Gada, Lupín, & Parín, 2003). For a company to be competitive it is significant to consider the quality of the raw material used, which will have a direct influence on the final product and in turn on the value of this product. Hence, it is important for companies to get good suppliers that provide supplies according to the kind of products they produce, at a good price and when required.

In the same way, labor is a primordial resource since without employees there is no one who is in charge of production. Aside from the level of automation and the machinery of a company, the human factor is what allows the processes to occur so that the raw material becomes the final product (Castillo, 2014), but it is also the one that makes it possible for an organization to work. Selected MSMEs manufacture footwear, jewelry and straw handicrafts and must have availability of these inputs all the time. The SCFs related to resources are as follows:

- Sufficient labor
- Raw material supply
- Quality of the raw material
- While the SCF related to capabilities are:
- Level of training of the workforce
- Effective interdepartmental communication

2.3.3. Production process

The productive processes transform the raw material into the product that will finally be offered to the market. Strategically, the optimization of production processes is a key aspect for companies to grow and obtain greater benefits as it provides a competitive advantage (Maldonado G., Martinez S., Hernandez C., & Garcia, 2011). Especially for manufacturing MSMEs, the issue of production and process improvement functions as the vehicle through which these companies can gain the trustworthiness of their customers and meet their requirements. However, it must be borne in mind that in order for this production process to work, whether in a traditional or fully technified manner, it requires proper planning and administrative control.

Planning, within the productive area, is a dynamic and complex process that not only includes the manufacture of the product, but all aspects related to labor, raw materials and machinery depending on the objectives and capabilities of the company. In addition, although planning is usually associated only with senior management, it is important to highlight the importance of other hierarchical levels within the company in the integration, coordination, and execution of planned activities. In accordance with this, within this process are factors such as quality control, purchase and manufacturing decisions, logistics, equipment and timing (Maldonado G., Martínez S., Hernández C., & García, 2011).

These points mentioned affect the company and the clients, so they must be effectively organized and controlled. Hence, the production process represents a fundamental issue for companies and especially for MSMEs, because cost reductions, improvements in product quality and, greater development of the company depends on this point. Aspects that are important in the search for internationalization and that can make the difference between success and failure in the foreign market. The SCFs related to production are as follows:

- Production time
- Level of specialization of the plant
- Machinery used in production
- Production systems or processes

2.3.4. Marketing Policies

Any company can manufacture a product; even if it is of the best quality, is sold at a good price and has all the features that stand out from the rest, without adequate marketing policies it is unlikely to be recognized. Marketing policies play a very important role in the complex business world that exists today and the only way in which a company can position itself in international markets is through a correct marketing strategy that complements all processes and activities.

Marketing covers many aspects that include market research, product adaptations to customer needs, design, promotion, pricing policy, guarantees, as well as promotions and dissemination (Duboff, 2010). Marketing policies start with correct planning and are related to the rest of the activities. Market research is an appropriate starting point to start a marketing plan that addresses all business strategies (Cruz Montesinos, 2007). In terms of dissemination, it does not only mean presenting it in mass communication channels, but it also requires clearly defined objectives to be achieved in the short, medium and long term. Moreover, the company must specify the type of product it is going to sell, the market niche it is aimed at, the way it plans to sell it, and the budget it has to invest in its promotion.

Through marketing and advertising, companies can not only promote their products, but also build ties of affinity with customers to encourage them to prefer their products over the competition (Juárez Del Angel, 2017). The ultimate goal is that buyers perceive the need to acquire what is being offered to them, either because of its benefits or its characteristics. The importance of this topic translates into placing the product and the company “on the map”, making them visible to consumers and also to possible investors or partners. Thus, the following SCFs deal with the most relevant points contained in this topic:

- Public recognition
- Advertising penetration
- Use of means
- Knowledge of the market

2.3.5. Financing

Financing is the support that every company needs to maintain and grow. In the case of MSMEs, many of these stagnate precisely because they work based on what they generate from their sales and are limited by debts or lack of capital that results in discarding opportunities and remaining with the minimum resources to operate (IPA, 2015). Although, a company can take its first steps to establish itself with capital when it comes to a more accelerated and significant growth is always necessary to consider other ways to obtain capital. One way to achieve the objectives they want is through external sources such as bank loans that allow companies to materialize their projects and move forward.

Nowadays, there are also alternatives to bank loans such as collective financing and online alternative financing activities. Although they are not yet widely recognized or applied in developing countries, they are gaining more visibility and continue to increase their volume of activity in a number of countries (OECD, 2018). Within this context, the methods of selecting companies that look for sources of financing are an important aspect, this depends to a large extent on the information available to them. In Ecuador, this is an issue that must still be better managed by government entities with the private sector. The issue of financing MSMEs affects not only the development of these businesses, but it also represents an obstacle to the growth of the country's economy (Saavedra, Tapia, & Aguilar, 2014).

A common factor among companies is that in many cases the sources of external financing are usually seen as risky or a direct way to acquire greater debts. However, establishing a strategy for financial activities, finding out about sources of financing and having a perspective commensurate with global dynamism can be the difference between being a company in decline and one with a future (Ferraro, Goldstein, Zuleta, & Garrido, 2011). From a positive approach, access to financing can mean the possibility of acquiring more technology, hiring more qualified personnel, improving infrastructure and increasing productivity. This, in turn, makes it more feasible, for example, for MSMEs to enter and remain in competitive international markets. The sources of financing and indebtedness policies are the SCFs.

Chapter Conclusions

The analysis of the productive sector of each of the companies allowed to obtain a broad and general view of the market in which these companies have to compete; it has been possible to make the selection of those companies that have characteristics that differentiate them from the rest, and characteristics that correctly addressed can empower these companies to succeed in international markets. From these characteristics it can be said that the six selected companies show an adequate amount of production to be able to satisfy both local and international needs. They maintain continuity in their processes since they have clearly delimited their functions and their product has an adequate quality to result attractive and meets the requirements of other markets. Another element that was considered important is innovation. This does not necessarily have to be focused on the product, but it can also be about innovation in its processes, methods, and strategies, demonstrating that these companies have the potential to internationalize.

The determination of what Critical Success Factors are for these companies and their consistency with the objective of enhancing internationalization required a more thorough process. This determination depended on several variables and hovered in subjectivity. For this reason, the adaptation of the criticality scale allowed the creation of 5 qualifications with their respective correspondences applied to each one of the subjects. This subjects qualified by their influence within the companies, resulting in a practical way to identify Success Critical Factors. In total, 17 SCFs were determined, comprised of a total of five main topics within the organizations.

CHAPTER 3

3. Foreign MSMEs

Introduction

Initially this chapter will seek to define the country in which the research of the MSMEs will focus in order to carry out the Benchmarking study. For this, it will be based on the analysis of the macroeconomic characteristics of different countries in order to delimit those that most resemble the situation of Ecuador. This follows the postulates of Roig, Taylor and Valdés concerning that it can be more effective to raise as a source of information and means of comparison companies that are located outside the area of direct competition but that have similarities in relation to the environment in which they were developed. Once the first selection was made, the next step was to use accessibility and market risk indicators to dismiss the remaining countries and obtain a result.

An analysis of the situation of micro, small and medium-sized companies or MSMEs of Colombia was made oriented to the footwear and leather sector, manufacture of jewelry and handicrafts such as woven hats. This is made with the intention of following the format applied to local MSMEs and presenting in a more detailing manner the characteristics of the environment in which these types of companies are located in the neighboring country. It is worth to say that there is no analysis of each of the 32 departments that make up the political division of Colombia because it was considered redundant.

Regarding the selection of Benchmarking partner companies, collaborators or information facilitators, these companies were selected and contacted from a general list at the country level. From the list, the MSMEs that were responsible for manufacturing the aforementioned products were separated, maintaining the pattern of the type of industries to which the local companies with the greatest potential to internationalize belong. It is important to mention that the interviews were conducted via email and the possibility of answering them by call or video conference was left to the interviewee option.

3.1 Selection of a country with a reality similar to Ecuador

A very important point in the Benchmarking process focuses on the selection of "partners" or companies that will share their information so that the benchmarking can be applied. As mentioned before there are many alternatives to consider when establishing which business can be compared and what type of Benchmarking will be executed depend on this choice. In this direction and following the postulates of Antonio Valls Roig (1999), direct competition should not be assumed as the best or the only source of information regarding best practices in order to improve a business. Furthermore, to achieve a specific objective such as the internationalization of MSMEs, it is convenient to include other selection parameters that encompass a broader context.

This research addresses the detection of the best practices used by foreign companies that have successfully achieve internationalization. Thus, it is based on an external analysis that tries to locate the best examples within similar industries outside of Ecuador. The purpose of this is to leave behind the "tunnel vision" that generates conflicts when performing comparative evaluations with national companies that are competitors do not have the best development. As Taylor puts it, "it's not about aspiring to learn from the best in its class in your industry, especially when the best in its class are not so good" (2007). Having this in mind, the cultural factor is very influential within the territory. By expanding the selection margin to outside companies and including numerical attributes as selection parameters, the bias of critical information can be avoided. In this way, more insightful pairs are obtained to make the comparison; that is, more dynamic companies that provide more and more innovative information (Valdes Pérez, 2015).

This evaluation has been made in order to select foreign companies, starting by analyzing the environment in which they operate. One of the biggest mistakes when making a comparative evaluation is to overlook the external factors of the companies, such as the political situation, economic development, culture, location, among other characteristics. The influence that these factors have on companies is important when considering whether the practices can be applied to the national reality (Samans et al., 2015, Hayman et al., 2004). So, it becomes necessary to limit the countries where the companies are located in order to compare with partners of Benchmarking that are in similar environments and comparable to the environment of the MSMEs that were selected.

From this point of view, the study focuses on Latin American countries, discarding European, Asian and African countries because of the differences in the economy, the variations in markets, and the cultural aspects. Likewise, the United States and Canada are excluded from the study because they have a different economic, political and social reality, are more developed and they are even incompatible with the Ecuadorian situation.

As for the Latin American countries, a more specific distinction will be made since they have a similar cultural and social reality, and a geographical location beneficial for research. In the case of the Central American countries such as the Dominican Republic, Nicaragua, Belize, Honduras, Guatemala and El Salvador, they have a little more than half of the Ecuadorian population, and their GDP in purchasing power parity is considerably lower than the Ecuadorian GDP in purchasing power parity of 193 billion (World Bank, 2018). Since the economies of these countries compared to Ecuador are lower, they could not be considered as partners to seek best practices within the market.

Brazil, based on its population density, is the fifth biggest country in the world with the largest population with a total of 208,846,892 million inhabitants, being more than 20 times the size of Ecuador. In terms of GDP in PPP, Brazil has a total of 3248 billion, this amount represents much more than the Ecuadorian GDP (World Bank, 2018). Due to its high industrialization, in Brazil a micro company generates 0.36 million dollars, a small company from 0.361 to 3.6 million and a medium company generates from 3.6 million dollars to 300 million dollars. In the case of Ecuador, a medium-sized company hardly generates between \$ 1,000,000 and \$ 5,000,000 dollars. According to this, the medium Ecuadorian companies would have the size of a small or medium company in Brazil (SEBRAE, 2016). For these reasons, Brazil could not be considered as a partner to continue with this project.

Argentina was not included in the selection either, despite being considered one of the most developed nations in Latin America with a GDP in Purchasing Power Parity of 922.1 billion. It is currently a country with great economic problems. The presidential elections in 2015 have had very drastic results for the Argentine economy. After having an economic growth of 2.9% in 2017, the results in 2018 were not encouraging. In addition, the Argentine pesos, fell significantly against the dollar and as a result, inflation accelerated and projections indicate that it may continue to rise. For this reason, it would not be prudent to choose this country as a partner because of the bad economic policies that exist (World Bank, 2018).

As for Venezuela, it is important to analyze that it has twice the population of Ecuador, with a total of 31 689 176 million people. In terms of GDP in terms of PPP, it has a total of 381 billion dollars, being much higher than Ecuador (World Bank, 2018). Economically, this country would have been a possible partner to identify best practices. However, the political landscape has more weight in this analysis. The Organization for International Transparency is responsible for establishing the Corruption Index and in the year 2017 Venezuela ranked 169th out of 180 countries. In addition, the current migration problems have been equal to the population of cities such as Cartagena (Colombia), Rosario (Argentina), among others (UNHCR, 2018). Therefore, it was not appropriate to consider it as a partner for this project.

As for countries like Bolivia or Paraguay which have a similar culture to Ecuador and are geographically close, its GDP in PPP in relation to Ecuador is considerably low. In addition, which the population is much smaller than Ecuador; therefore, they do not have the characteristics to be considered as more developed economies from which an efficient Benchmarking can be applied (World Bank, 2018). On the other hand, Panama has a very high GDP in PPP and can not be considered either, since manufacturing activity is almost nonexistent. Most of the companies are multinationals or companies that import their products and sell them, but they do not have a manufacturing degree; therefore, it was not a good option either.

Now, having defined the countries that were not taken into account and based on the data obtained, it was established that Colombia, Costa Rica, Peru, Chile and Uruguay are closer to the reality of Ecuador. To confirm this and finally set the country from which the best companies will be obtained, a qualitative-quantitative matrix is applied in which these countries were measured according to criteria such as their GDP, unemployment rates, economic growth, purchasing power and the index of globalization and macroeconomic indicators.

Table 9 Macroeconomic indicators of countries

Criteria	Possible Partners					Ecuador
Market potential	Colombia	Perú	Uruguay	Costa Rica	Chile	
GDP in PPP (USD at current international prices)	714,003.25	432,115.17	77,992.79	83,614.85	444,777.64	193,138.11
GDP per capita, PPP (USD at current international prices)	14,552.00	13,434.10	22,562.50	17,044.20	24,635.00	11,617.40
Unemployment, total (% of the total active population)	8.90	3.60	7.90	8.10	7.00	3.80
Economic growth of the country (%)	1.80	2.50	2.70	3.20	1.50	3.00
Globalization index (score)	61.68	67.98	70.98	67.67	74.14	60.67

Produced by: Cordero y Ortega.

Source: based on data from the World Bank (2017) and data from KOF Swiss Economic Institute, 2018.

Table 9 sets out these criteria according to the data obtained from these five countries and, according to the comparison, it is evident that Chile has reached a level of economic development that is not comparable with Ecuador. Starting with its GDP in purchasing power parity, this is 444 777.64 USD, a value much higher than the 193 138.11 USD that Ecuador has and the same in terms of its GDP per capita (World Bank Group, 2017). In addition, its percentage of active population is 7% so its unemployment rate is much lower and although its percentage of economic growth until 2017 was only 1.5% due to a stagnation in its productivity, it remains one of the countries with greater advances and innovations obtaining a growth of 4.8% in their GDP in 2018 (World Bank Group). This characteristic makes Chile one of the most solid and developing economies in Latin America.

Similarly, Costa Rica, in comparison with Ecuador, presents discordant macroeconomic data that was left out of the study. Although its GDP in purchasing power parity is lower, its GDP per capita is high. Costa Rica, like Chile, has a percentage of the active population that is 7% higher than Ecuador, which is only 3.80, despite the fact that its economic growth is similar (World Bank Group, 2017). The economy of Costa Rica has achieved significant growth and continuous convergence where poverty and income inequality is low compared to the rest of Latin America. It is a country with a diversified economy that has a high demographic density with commercial opening policies and opportunities to attract foreign investment thanks to its attractiveness as an ecological tourism and green brand industry (OECD, 2018). Because of this, it deviates a lot from the parameters that were required to be able to effectively compare the companies in this territory with Ecuadorian MIPYMES.

Table 10 reaffirms what has already been explained with the macroeconomic data that Chile and Costa Rica were not the best countries to compare with the Ecuadorian reality. The general environment of these countries is more dynamic, convergent and stable than Ecuador and therefore their qualifications are closer to the national reality. As can be seen, a coefficient value of 1 to 3 has been given, which measures the importance of each indicator for the study, with 3 being the most relevant and 1 the least significant. Then a value of 1 to 5 has been assigned, measuring the degree of disparity existing between the other countries and Ecuador, to finally realize a multiplication of values and obtain a total score by Country.

Table 10 Country weighting

Coef.	Criteria	Similar countries									
		Colombia		Perú		Uruguay		Costa Rica		Chile	
3	GDP in PPA (USD)	5	15	4	12	3	9	2	6	4	12
3	GDP per capita (USD)	5	15	5	15	2	6	3	9	1	3
2	Unemployment, total (% of the total active population)	2	4	5	10	3	6	1	2	4	8
3	Economic growth of the country (%)	2	6	3	9	4	12	5	15	1	3
2	Demographic density (people per kilometer)	3	6	4	8	5	10	1	2	4	8
3	Globalization index (score)	3	9	3	9	4	12	2	6	5	15
TOTAL		55		63		55		40		49	

Produced by: Cordero y Ortega.

Source: based on data from the World Bank (2017) and data from KOF Swiss Economic Institute, 2018.

The final scores in Table 10 left three countries Colombia, Peru and Uruguay which are the most similar from a macroeconomic analysis. Costa Rica and Chile obtained the lowest scores confirming their elimination. Saying that, the objective was to determine the country with similar characteristics to those from Ecuador. The next step was to create another table to evaluate social and business-related aspects in order to study the environment from another perspective. For this analysis criteria, such as tariff barriers, the classification of commercial risks by country, ease of doing business, transparency and corruption, and especially data on MSMEs were considered. In relation to the policies that favor MSMEs, three response options are used, which designate whether countries have 0 (none), 2 (few) or 3 (several) policies.

Table 11 Indicators of Accessibility and Market Risk

Criteria	Possible Partners			Ecuador
	Colombia	Perú	Uruguay	
Accessibility and Risk				
Tariff barriers (% tariff)	0,00%	0,00%	35,00%	-
Commercial risks (classification)	A4	A4	A4	C
Ease of doing business (Ranking Doing Business, score)	59,00	58,00	94,00	118,00
Existing MSMEs	2 540 953.00	22 156.07	151 910.00	1 322 537.00
Policies that favor MSMEs	2	2	2	2
Transparency and corruption (score)	37	35	70	32

Produced by :Cordero, Ortega

Source: based on statistics from the World Bank, The Transparency and Corruption Organization, Ministry of Industries of Colombia, Peru and Uruguay.

As previously mentioned, there will be an analysis of social factors with which the research will be better provided and therefore the choice of the partner will be more precise. Within this analysis, it was considered prudent to analyze the tariff barriers with which they record textile, footwear and jewelry products, since these are the main products that the selected local companies carry out. Due to the agreements maintained by the Andean Community of Nations with the countries of Colombia and Peru, a total of 0% of tariffs is recorded, while for Paraguay an amount of the 35% is imposed.

In terms of commercial risk, according with the Coface the 3 countries are listed in A4, which means that they have an acceptable risk to conduct business. That reality differs from Ecuador as it has been graded in level C according to the risk assessment of seven ascending levels of Coface (2018). On the other hand, the country with the largest number of existing MSMEs was Colombia, followed by Peru and finally Uruguay. This is a significant condition since in relation to this study indicates the conditions for the emergence of MSMEs must be similar to those of Ecuador. Regarding the ranking of Transparency and Corruption, this uses a scale of 0 to 100 which means that the country closest to 100 has less corruption. In this case table 11 demonstrate that Uruguay is the best country in this aspect with a rating of 70 points while Peru and Colombia obtained 35 and 37 points respectively.

Table 12 Country weighting

Coef.	Criteria	Similar countries					
		Colombia		Perú		Uruguay	
1	Customs barriers	5	5	5	5	2	2
2	Commercial risks (classification)	5	10	5	10	5	10
2	Ease of doing business (Ranking Doing Business)	5	10	5	10	3	6
3	Existing MSMEs	5	15	4	12	2	6
2	Transparency and corruption (score)	4	8	3	6	5	10
TOTAL		48		43		34	

Produced by: Cordero, Ortega

Source: based on statistics from the World Bank, The Transparency and Corruption Organization, Ministry of Industries of Colombia, Peru and Uruguay.

Finally, in the table of coefficients, it is confirmed that both Uruguay and Peru were not favored at the time of qualification. It is important to emphasize that the evaluations were given in comparison with the data obtained in Ecuador. Within this table it is visible that the existing MSMEs category have the highest coefficient score since this research work deals with the internationalization of the same and ideally would access a market that has enough of these and that also, they are established within a similar context so that the comparative analysis is more efficient. In conclusion, the country chosen to continue with the Benchmarking process is Colombia, although it is the one that most resembles the reality of Ecuador as well, it is a model for development that fits more than Peru.

3.1. Situational analysis of Colombian MSMEs

In Colombia, the Micro, Small and Medium sized companies are classified according to Law 905, as indicates in table 13.

Table 13 Classification of Colombian MSMEs

Classification	Number of employees	Assets
Micro company	Up to 10 employees	Less than 501 minimum wages
Small company	11-50 employees	Less than 5,001 minimum wages
Medium company	51-200 employees	Less than 15,000 minimum wages

Produced by: Cordero, Ortega Fuente: Ley 905 de 2004, art. 2.

According to data from the National Department of Statistics of Colombia (DANE in spanish), there are about MSMEs that are the source of 80% of formal employment, contributing with 35% of GDP and representing 90% of the country's productive sector (Hernandez, 2018). Regarding the participation by size, the micro companies constitute the highest percentage with 93%, followed by the small companies that add 5.4% and the medium ones 1.3%. In relation to the development by economic sectors, a large part of the micro enterprises are focused in commerce, where they maintain a 95% share, while small and medium-sized companies focus more on construction, maintaining 11.5% and 3.3% respectively (Confécamaras, 2008).

It should also be mentioned that MSMEs generate a significant contribution to the position of Colombia at an international level since approximately 54% of industrial exports are made by this companies (Mincomercio, 2018). In addition, these enterprises help to diversify the economy through the supply of manufactured products with innovative features. That is for Colombia, as well as for Ecuador and other countries in

the region, MSMEs are essential for the development, stability and growth of their economy. However, one of the shortcomings that remains at the country level is the lack of support aimed at enhancing the success of these businesses.

One of the biggest problems that MSMEs have is a 60% probability of failure, especially in the first years of operation. As the national president of the Colombian Association of SMEs (Acopi), only half of these businesses survive the first year. The lack of financing resources as well as the lack of financial education are two of the causes that lead to this failure. There is a reluctance to request credits from employers that goes hand in hand with the lack of knowledge to develop their business plans. Another factor that influences is that most of the transactions are made in cash and 60% seasonal the opportunity to form a credit profile becomes difficult (Asobancaria, 2017).

In this context, more governmental efforts, more investment, planning and socialization of the assistance that can be provided to these businesses by public and private entities is required. Colombia currently has the initiative iNNpulsa Colombia of the Ministry of Commerce, Industry and Tourism, through which programs such as Aldea have been implemented to support growth, training and opening up business networks between MSMEs. There is also the PTP program or Productive Transformation Program led by the Ministry of ICT and the Banca de Oportunidades that promotes financial inclusion together with the Intersectoral Commission for Financial Inclusion (Bancolombia Group, 2018, Banca de Oportunidades, 2017).

As it has been said, MSMEs are an engine of the Colombian economy and have made great progress in the use and implementation of technology, production processes and innovation. Although that, the finance continues to present an obstacle for them to reach their full potential. Therefore, the incursion into new credit modalities such as leasing or factoring, and the offer of training programs and advice on sources of financing, taking advantage of opportunities and indebtedness are key to boost their development and decrease the high probabilities of failure.

3.2. Applied methodology

3.2.1. Selection of Benchmarking partners

The selection of companies was based on a database of the Business Directory "SAMPLE", where all of the Colombian companies registered at the national level was presented. It is from this list that the search was made of MSMEs that are dedicated to the specific production of leather and footwear, jewelry, as well as the making of hats and woven hand crafts. The first filter corresponded to the identification of MSMEs, which according to Law 905 must have from 11 to 200 workers or to have a total of assets from 500 minimum monthly salaries to less than 15,000 salaries monthly minimums (Congress of Colombia, 2004). In addition, these companies must export and excel in the local market.

As additional filters other aspects were considered such as the existence of a web page that provides information of the company and its products, the ease of contact with the managers to carry out the interview and finally the accessibility and availability to collaborate with the investigation. Initially, around 40 companies were contacted and, in the first instance, an electronic mail was sent, reporting everything related to the investigation and the type of information required. After this, telephone calls were made to directly share the information and send the official request (see Appendix 1) as backup, as well as the interview questions that could be answered via mail, call or videoconference, leaving that to the election of the interviewee.

Among the companies contacted, a total of 10 received the requests and were interested in the project indicating that they would analyze the information and send their response. Table 14 contains the contact details of these 10 detailed companies.

Table 14 List of interested companies

Exporting SMEs	Email	Phone	Web site
Calzado inca	calzado_inca@hotmail.com	57 (7) 645-6182	www.calzadoinca.com
Calzado Rómulo		57(2) 445 7740	https://calzadoromulo.com/contact
Vivaldi	sgc@calzadovivaldi.com	57 (2) 5569002	http://www.calzadovivaldi.com/contactenos/
Alpaca		57 (6) 323 7777	http://calzadualpaca.com/
Industria de calzado Jovical	servicioalcliente@calzadojovical.com	57 (1) 7436411	http://calzadojovical.com/

Milenio joyería	info@joyeriamilenio.com	57 (5) 668 63 17	http://joyeriamilenio.com/contacto/
Trocha	info@trocha.com.co	57 300 600 0787	https://trocha.com.co/contactenos/
Calzado Aliatti	servicioalcliente@fnebuloni.co	57 (2) 3394773	www.fnebuloni.com
Fabrijoyas & maras	info@fabrijoyas.com	57 (2) 5542203	http://www.fabrijoyas.com/contact.html
Hats plaza	hatsplaza@hotmail.com	3976417	http://www.hatsplaza.com

Produced by: Cordero, Ortega

Source: SAMPLE Business Directory website: <https://drive.google.com/file/d/1z4VqGdbLBC2xkrE2Y47wuB4qmXAU6ydf/view>

3.2.2. Interview Construction

With regard to this point and taking into account the disadvantages and opportunities inherent in an interview conducted by electronic means, it was decided to choose open questions that would allow to gather more information. Therefore, a script composed of 24 questions concerning the topics of innovation and trends, resources, production, marketing and financing was developed in the first instance. These questions were applied in a pilot interview to an exporting MSMEs from Cuenca. After the interview some changes were made in order to reduce the number of questions and focus to obtain more precise information.

Taking this into account, it was decided that the final script would consist of 15 questions organized in the same topics that were used to define the SCFs since they add to the information that was determined to be relevant. These topics were innovation and trends, resources and capabilities, production, marketing and financing. In addition, two questions were included, one focused on what companies would consider their SCFs and another open question to issue their comments on the research, the company or the Benchmarking itself. Among the questions asked, two were placed so that the interviewees assigned qualifications regarding the communication and the specialization of the company. These ratings could be assigned from 1 to 5, where in the first case 1 was equivalent to ineffective communication, 2 a moderately effective communication, 3 an effective communication, 4 very effective communication and 5 highly effective communication. In the same way, the same qualification pattern was added to the measure of specialization.

3.2.2.1.Pilot interview

This interview was conducted with Homero Ortega company, which manufactures straw hats known worldwide as Panama Hats. Within the city of Cuenca Homero Ortega stands out for being a consolidated company and the one with the most seniority and experience in this activity. Its reputation and positioning has been achieved thanks to its ability to adapt and evolve with the world market and the excellent quality of its products. The essence of its brand lies in enhancing the idea that the toquilla straw hat is a "sublime form of popular expression" (Homero Ortega, 2018).

The company showed great openness and interest in conducting the interview. Designer Angelica Molina general manager and owner of the company, who agreed to answer the questions (see Appendix 2). The most relevant points that could be analyzed were three. First, the size of the questionnaire. Although it may be appropriate for a physical interview, when planning to send and receive responses by electronic means, it is necessary to reduce the number of questions to the minimum. Second, several of the questions proposed could be combined into a single question to condense the information. And, finally, it is necessary to prepare an introduction that explains the research to other companies as to facilitate their answers.

As for the background of the interview, the SCFs for Homero Ortega are the quality of their products, the innovation and processes that they have and the wide range of designs that differentiate them from the competition. They also emphasized the value that is given to quality since it is about selling luxury products that must meet standards. A remarkable problem for them is the unfair competition that lowers the price of this type of products in the international market offering toquilla straw hats of poor quality and for a much lower value. Regarding the issue of certifications, they recognize their importance. However, they highlight that often these do not fit with the local environment.

On the other hand, the selection of raw materials, suppliers and labor is essential to guarantee the quality of the products. They work with trust ship suppliers that give them raw material once a week. And referring to waste and products with faults she said that the goal is to minimize waste, so they are made visors, flowers, headbands, or other decorations. This is a way if trying to innovate and recycle at the same time. Training is

an important aspect to Homero Ortega, so they are constantly carried out in order to update the knowledge and the investment is rewarded in the work of its employees. Regarding advertising, everything is done through social networks and have a continuous presence in fairs or events which has given them international recognition.

3.3. Associated SMEs

3.3.1. Hat Company

The company Trocha – Sombreros y accesorios para caballistas has 18 years of experience in the manufacture of hats, muleteers, ponchos and some leather goods. Trocha is located in the city of Cali, Colombia. It was born in the year 2000, it became a legally constituted company when they registered at the DIAN, which is the entity incharge of taxes and customs control, the City Council of Cali and the Chamber of Commerce of Cali in 2004.

Figure 5 Trocha Company logo



Source: Website Trocha: <https://trocha.com.co/>

Its main product is straw hats. They have their own brands such as Rancher brand, Austin or El Paso which are internationally recognized brands in the marketing of imported hats. This company guarantees to offer to its customers the best products in the market taking into account characteristics of innovation, quality and a fair price.

Figure 6 Hats manufactures by Trocha



Source: Website Trocha: <https://trocha.com.co/categoria-producto/sombreros/>

Officially the company has been exporting for more than 6 years to several foreign countries including Ecuador, Peru, Brazil, as well as the United States, Canada, Germany, Italy and others. They send these hats to any destination, whether national or international. They have agreements with the best transportation in the country, as well as excellent export logistics operators.

3.3.1.1. Trocha Interview

The interview with Trocha was held on Tuesday, January 15th of 2019 at 14:30 p.m. The interview was conducted by telephone with an approximate duration of 15 minutes with the company manager. In total, 15 questions were addressed with additional comments information that the interviewee was open to share. The summary information is presented below and the transcribed interview is included in Appendix 3.

Regarding the content of the interview, it was divided into six aspects that were considered the most relevant. As a first point, researchers tried to learn more about the business, obtaining the following response

"We are dedicated to manufacturing hats and cavalry accessories. Among our most outstanding products are the toquilla straw hats, which are a symbol of our company".

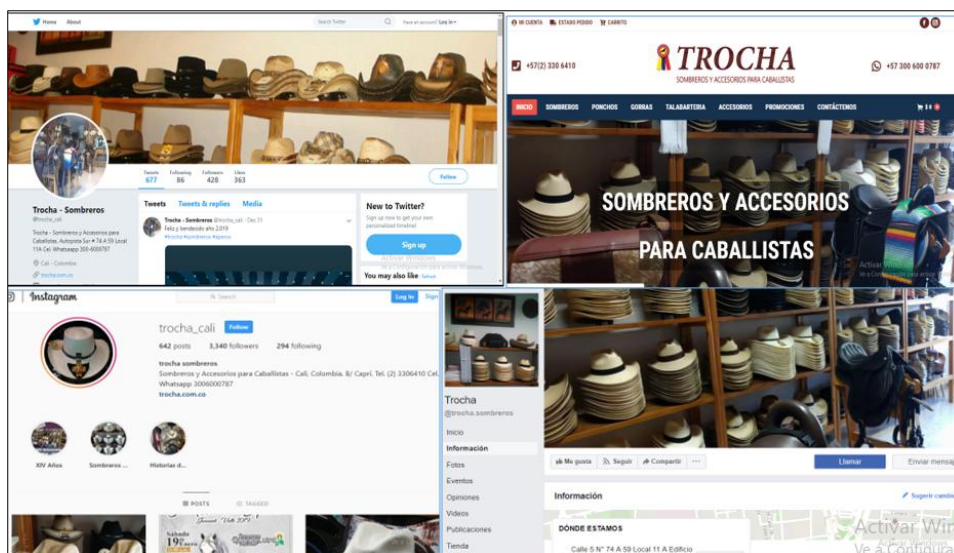
Regarding the issue of innovation, the interviewee stated that innovation in their products is not clearly the main thing; however, they make changes or new designs in them. Annually they try to introduce at least 3 new products, models or colors. The investment in innovation varies according to the products, so they do not have an approximate figure. It was also commented that a new model called Sombrero Derby had been recently introduced. It has a mixture of straw with an added of cow leather for the brim and the top of the hat. Regarding differentiation, it was recognized that the product tends to be very similar to that of the competition, however, its special feature is the quality of its raw material and the work of its weavers.

In terms of resources and capabilities, it was pointed out that the personnel they have is insufficient for the production they carry out. However, it has projections to expand and recognize that they will require more people and machinery. Currently, they have three press machines for hats, two for dyeing them and three machines for ironing. In addition, they have around 20 weavers who are exclusively dedicated to the preparation of their products and with 16 people who perform internal tasks of administration, accounting, foreign trade, design and manage the areas of dyeing and ironing hats.

Another important point that was mentioned was the training of the staff that so they can be updated in knowledge and continuously tries to follow courses to stay prepared before any requirement or eventuality. Some of the trainings are carried out at least two or three times a week. Regarding the quality of the product, the interviewee stressed that they focus on the duration of this compared to the competition. It was emphasized that with good care a hat can last up to 5 years and in the cases of people who use them to ride a little less. The communication within the organization was rated with 4 points, we were told that the communication is good, but that it can be improved.

In the case of the production one of its products has an estimated manufacturing time that goes from two to three days and its weekly production capacity is 300 hats. This amount is handled with or without orders. In this way they guarantee having enough stock if required. Currently, they do not have a software or a production system. Neither do they handle manuals; however, they have verified by trial and error how to carry out each of the processes and what is most effective for them. The interviewee also mentioned that there are usually about 5,000 hats in a single order and the 300 hats they keep in stock guarantee them to cover those orders.

Figure 7 Pages and networks of the Company



Fuente: https://twitter.com/trocha_cali?lang=en
<https://www.facebook.com/trocha.sombreros/>
https://www.instagram.com/trocha_cali/?hl=en
https://www.facebook.com/pg/trocha.sombreros/about/?ref=page_internal

Regarding the specialization of the company, the rating they gave was a 3 because from their perspective they are specialized, but they need to improve and implement new technifications. Regarding marketing, it was mentioned that they do not have

international recognition, however, their recognition in the national market is very good, and they are a reference for Toquilla Straw hats in the country. About the media they use advertisement and they point out that they use social networks, their website, Facebook, Instagram and specialized magazines of the sector.

Finally, regarding the financial issues, the company has indebtedness policies that are managed by the financial department that is in charge of making contracts, requests and everything that corresponds to the banks. Currently they work with two banks, one for national negotiations and the other for international negotiations. On the other hand, they have the support of entities such as the Directorate for Micro, Small and Medium Enterprises established by the Ministry of Industries, Trade and Tourism, which offers them loans with smaller rates to facilitate development, as well as they have received assistance from the Colombian Association of Medium, Micro and Small companies.

3.3.2. Jewelry Company

Figure 8 Joyería Milenio official logo

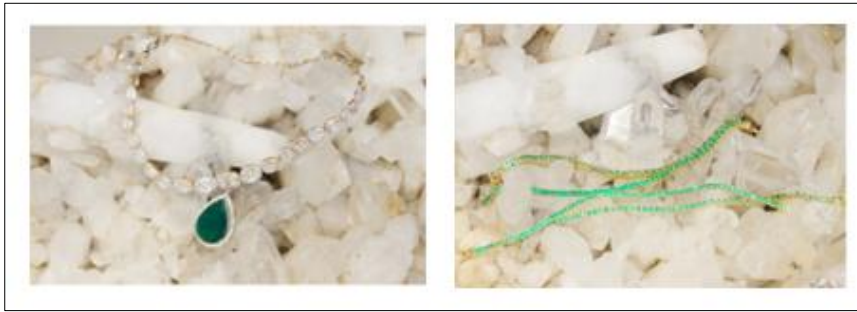


Source: Official Website of Milenio Joyería, <http://joyeriamilenio.com/>

Milenio Joyería is a traditional familiar company founded in the year of 1980 with more than 50 years of experience in the manufacture of jewelry with one of the most recognized stones in Colombia, the emerald stone. This company is located in the city of Cartagena de Indias, Colombia, and is proud to manufacture an exotic jewelry from an exotic destination. It is characterized by offering a completely manual work by the best jewelers and artisans of the walled city.

The emeralds with which they work are of a very high quality, coming from the mines of Muzo de Boyacá. These precious stones, as well as their metals, are backed by their certificates of origin, which guarantee that their raw materials are quality products and 100% local. Millennium Jewelry does not allow intermediaries so this company guarantees to grant an excellent price for its purchase either of stones or finished jewelry.

Figure 9 Millennium Jewelry Jewelry



Source: Millennium Jewelry Facebook page, https://www.facebook.com/pg/joyeriamileniocartagena/photos/?ref=page_internal

Figure 10 Millennium Jewelry Show room



Source: Official Website of Milenio Joyería, <http://joyeriamilenio.com/revista/>

This company has now started an export process, so far it has reached international markets such as Ecuador, Venezuela, Peru and Brazil. Waiting to take their products to all of America.

3.3.2.1. Milenio Jewelry Interview

The interview with Milenio Joyería was held on Tuesday, January 15th of 2019 at 10:30 a.m. This was done by telephone with the manager who is also the owner of the company, who said it was the best way he could help us with the interview. The summarized information is presented and the transcribed interview is included in Appendix 4 where each of the specific questions with their respective answers appear.

Initially, the manager was asked for a brief introduction about his company, where he mentioned that his activity is the manufacture and sale of jewelry of all kinds. Specially they work with 18 carat gold and 14 carat gold, it can be yellow, white, pink gold and also, they work with silver, depending on the client's choice. It was mentioned that their specialty is jewelry made with emerald stones.

The first part of the interview was about the innovation that exists in the company. For them this represents a fundamental issue above all because of the dynamic of the market in which they compete. Their commitment is to get a new collection every two

months. And the inspiration varies depending on the time, season or fashion that is at the forefront of the moment. As a result of not having an international reputation have made that collections are not usually requested, on the contrary, what costumers prefer is to go to the show room with a design already created for them to make a replication, but they are working on getting a name.

As a second point, the resources and capabilities of the company were discussed. It was mentioned that raw material suppliers vary a lot depending on the stones. For example, for gold and emeralds have a single trusted provider. They generally focus on both quality and prices. Regarding the parameters used to measure the quality of its products they depend on several factors. For example, in the case of emeralds or stones you can see the brightness, color, transparency and also the cost of these. While, in gold, it should be sent to a laboratory to make different studies in order to found that they meet characteristics that the company needs and with which they are used to work.

Regarding the communication that is kept inside the company, the interviewee assigned themselves a grade of 3 adding that it is effective, but they have several problems that can be improved. It was clarified that while the artisans are not trained but the administrative part does as they need to handle accounting programs and have to be updated in relation to exports.

Another point was discussed regarding the production where it was mentioned that the production cycle depends a lot on the jewel. This can last from 3 to 4 hours or up to a day. It was emphasized that they work with skilled craftsmen and that they manage to fulfill each of their orders. The company does not have a production manual, but each person knows that they have to do it correctly just that they do not have it written. And the level of specialization of the company was graded as 1 since they do not have all the machinery that would be ideal, such as cutting machines, and a smelter. The work they do is 100% handmade.

Another important detail is that the company does not have a designated person for each of the areas, for example, they do not have someone who is dedicated only to the area of marketing, the secretary is responsible for social networks. What brings more tourists to their show room in Cartagena are the agreements they have with different tourist agencies such as: The Royal Caribbean, Trip Advisor, Princes Cruise and Celebrity X Cruises. The company Milenio Jewelry has more national than international recognition and is venturing into foreign trade with the aim of bringing their emerald

jewelry to other countries. Regarding the financial part, it was stated that the company does not manage debt or credit policies since they are self-financing.

Figure 11 Milenio Jewelry Page and Networks



Source: https://www.facebook.com/pg/joyeriamileniocartagena/photos/?ref=page_internal
<http://joyeriamilenio.com/>

3.3.3. Footwear sector

This section will show general information about the companies that are part of the footwear manufacturing sector in Colombia obtained through secondary data research. According to the Monthly Manufacturing Survey, and the National Administrative Department of Statistics, the footwear manufacturing sector is among the first 30 industries that contributed the most income to Colombia at the end of the period January-September of 2018.

It is important to mention that around 4,000 of companies that produce footwear in Colombia are micro, small and medium enterprises with a representation of 96%. According to studies carried out by ACICAM along with FEDECUERO, in Colombia 93% are micro companies, 5.4% small and 0.9% are medium companies. Of these approximately 96%, 38% are located in Bogotá, 22% in Antioquia and 21% in Valle del Cauca (ACICAM, 2018).

Figure 12 Annual variation and contribution of real production according to manufacturing activity Total national.

Class	Description	Variation %	Contribution PP
T. IND	Total Industries	4,7	
1900	Coking, oil refining and fuel mixture	11,6	2,1
1100	Preparation of beverages	8,8	1,0
1400	Clothing manufacture	11,8	0,5
1700	Manufacture of paper, cardboard and its products	15,5	0,5
2410	Basic iron industries	5,7	0,2
2800	Manufacture of machinery and equipment	12,9	0,2
2220	Manufacture of plastic products	3,8	0,1
2910	Manufacture of motor vehicles and their engines	12,6	0,1
2100	Manufacture of pharmaceutical products, medicinal chemicals	3,1	0,1
1800	Printing activities	7,5	0,1
2920	Manufacture of bodies for motor vehicles, trailers	45,1	0,1
2700	Manufacture of electrical equipment	4,5	0,1
1082	Processing of cocoa, chocolate and confectionery products	6,6	0,1
2500	Manufacture of metal products	2,9	0,1
1050	Processing of mill products, starches and their derivatives	3,6	0,1
2930	Manufacture of parts, parts (auto parts) and accessories (luxuries) for vehicles	14,5	0,1
3000	Manufacture of other types of transport equipment	9,1	0,1
1010	Processing and preservation of meat, fish, crustaceans and molluscs	1,5	0,1
2210	Rubber products manufacturing	12,6	0,0
1090	Preparation of prepared foods for animals	3,6	0,0
2390	Manufacture of non-metallic mineral products	0,5	0,0
1089	Manufacture of other food products	0,8	0,0
2020	Manufacture of other chemicals	0,8	0,0
1512	Manufacture of travel articles, handbags and similar articles in leather	13,2	0,0
1030	Preparation of oils and fats of vegetable and animal origin	0,2	0,0
1061	Coffee threshing	-0,3	0,0
3100	Manufacture of furniture, mattresses and bed bases	-0,7	0,0
1040	Production of dairy products	-0,4	0,0
1511	Tanning and retanning of hides: retanning and dyeing leathers	-23,3	0,0
1081	Manufacture of bakery	-1,0	0,0
1520	Footwear manufacturing	-3,4	0,0
2420	Basic industries of precious and non-ferrous metals	-16,5	0,0
1600	Transformation of wood and its products	-7,8	0,0
1300	Spinning, weaving and finishing of textile products	-3,0	0,0
2310	Manufacture of glass and glass products	-6,4	-0,1
2023	Manufacture of soaps and detergents, perfumes and toilet preparations	-1,7	-0,1
3200	Other manufacturing industries	-6,9	-0,1
1070	Preparation of sugar and panela	-14,0	-0,2

Source: DANE – Monthly Manufacturing Survey

The footwear industry is one of the industries that produce the most employment in Colombia, a category in which it occupies the third place, despite that is located in the 30th place by generating income to the country. In the year 2018, this sector suffered a strong economic crisis caused by the increase of the number of imports of footwear from the United States, the European Union, Costa Rica and all countries which Colombia signed a free trade agreement. Due to this crisis, the government's concern was focused on trying to support this sector and proceeded to grant lines of credit to encourage exports. These credits can be requested to improve the infrastructure of the companies and to perform the required improvements. The investment was close to 500 million Colombian pesos (Duque, 2018).

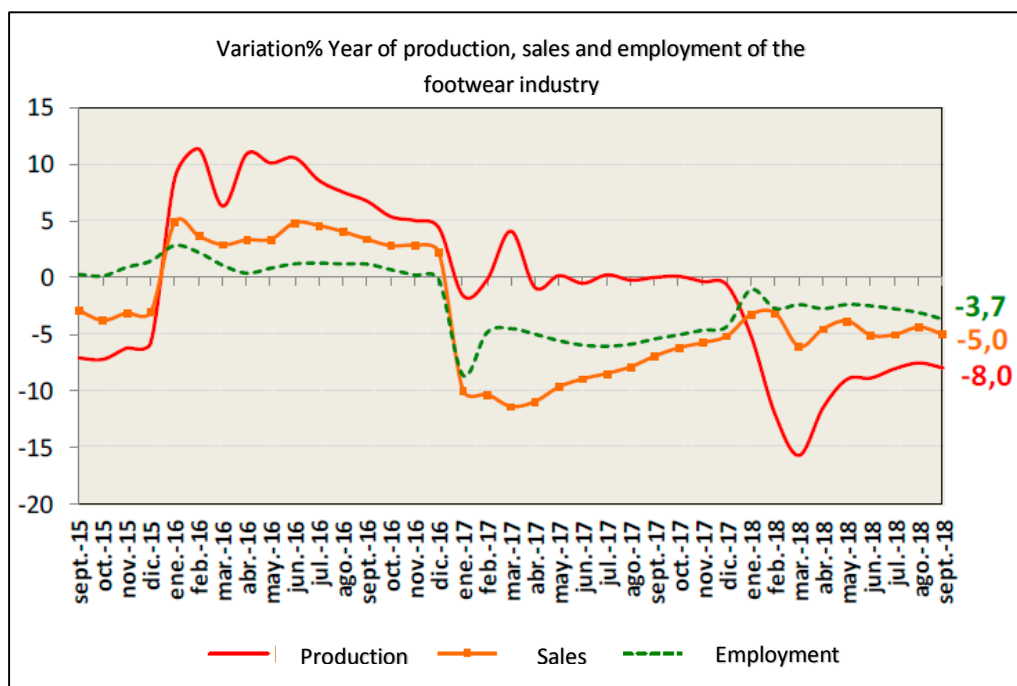
Figure 13 Annual change and contribution of the total number of personnel employed by the industry according to manufacturing activity.

	Description	Variation %	Contribution P.P.
Class	Total Occupied Personnel	-1,3	
2390	Manufacture of non-metallic mineral products	-9,0	-0,4
1400	Clothing making	-3,4	-0,3
1520	Footwear manufacturing	-8,5	-0,2
3200	Other manufacture industries	-5,3	-0,1
1300	Spinning, weaving and finishing of textile products	-2,6	-0,1
1600	Transformation of wood and its products	-19,0	-0,1
2023	Manufacture of soaps and detergents, perfumes and toilet preparations	-2,8	-0,1
1040	Elaboration of dairy products	-2,9	-0,1
1081	Production of dairy products	-2,0	-0,1
1800	Printing activities	-2,0	-0,1
1010	Processing and preservation of meat, fish, crustaceans and molluscs	-1,3	-0,1
1511	Tanning and retanning of hides; retanning and dyeing skins	-15,5	-0,1
2800	Manufacture of machinery and equipment	-1,4	0,0
2500	Manufacture of metal products	-0,7	0,0
2420	Basic industries of precious metals	-9,8	0,0
1100	Preparation of beverages	-1,3	0,0
1512	Manufacture of travel articles, handbags and similar articles in leather	-5,8	0,0
3000	Manufacture of other types of transport equipment	-2,7	0,0
2310	Manufacture of glass and glass products	-1,9	0,0
2700	Manufacture of electronic devices and equipment	-0,5	0,0
3100	Manufacture of furniture, mattresses and bed bases	-0,5	0,0
1070	Preparation of sugar and panels	-1,4	0,0
2410	Basic industries of iron and steel	-0,9	0,0
1030	Preparation of oils and fats of vegetable and animal origin	-0,9	0,0
1061	Coffee threshing	-0,8	0,0
1050	Production of mill products, starches and their derivatives	0,4	0,0
1090	Elaboration of prepared food for animals	1,1	0,0
1900	Coking, oil refining and fuel mix	2,6	0,0
2210	Manufacture of rubber products	3,1	0,0
2910	Manufacture of motor vehicles and their engines	4,8	0,0
2930	Manufacture of parts, parts (auto parts) and accessories (luxuries) for vehicles.	2,1	0,0
2220	Manufacture of plastic products	0,3	0,0
2010	Manufacture of basic chemical substances and their products	1,9	0,0
1700	Manufacture of paper, cardboard and its products	1,4	0,0
1082	Manufacture of cocoa, chocolate and confectionery products	2,7	0,0
2020	Manufacture of other chemicals	2,0	0,1
2100	Manufacture of pharmaceutical products, medical chemicals	2,7	0,1
2920	Manufacture of bodies for motor vehicles and trailers	27,3	0,1
1089	Manufacture of other food products	4,8	0,2

Source: DANE- Monthly Manufacturing Survey

In parallel to this project, the National Learning Service (SENA in spanish) together with the Colombian Association of Footwear Industries, the Leather and its Manufactures (ACICAM), made an agreement for 2 700 million pesos to improve the productivity and competitiveness of the sector. The objective of this project was focused on promoting technology in companies of the sector. Thus, in the International Footwear Week (SICAL), carried out every year, Brazilian footwear machinery trading companies were invited to exhibit their products with additional discounts granted by the aforementioned entities (Duque, 2018). According to the EMM the Monthly Manufacturing Survey, the production and sales of the footwear sector in the period of January to September of 2018 registered variations of -8% to -5% respectively (ACICAM, 2018).

Figure 14 Percentage variation of the year of production, sales and employment of the footwear industry



Produced by: ACICAM, Asociación Colombiana de Industriales del Calzado, el Cuero y sus Manufacturas.
Source: DANE, National Administrative Department of Statistics

Among the cities that had a greater production of footwear, it can be mention Bucaramanga, this city is known for being the axis of Colombian footwear, where the factories of 300 companies are located (ACICAM, 2018). Next, data and information of one of these companies are shown. This information has been obtained from different sources since the planned interview could not be carried out. The company in question is Calzado Meyver Ltda.

Figure 15 Company logo Calzado Meyver Ltda.

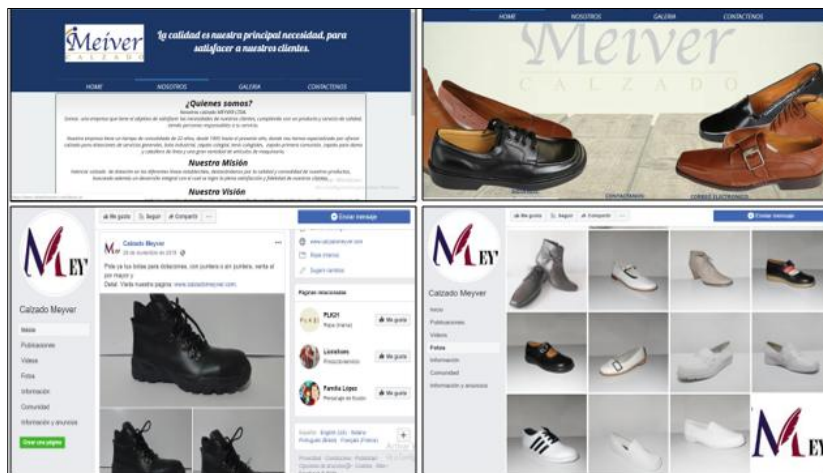


Source: Official website of the Calzado Meyver company, <https://www.calzadomeyver.com/>

This company was born in 1989 with the name of Giovanni footwear. Along with the leather boom in Colombian history, this became a company with great recognition within the country. Formally, it was founded in 1996 under the name Calzado Meyver Limitada and they make an important investment in infrastructure, machinery and hiring

new employees. For the year 2013 they achieved the implementation of more technology and add a website, as well as social networks that serve to increase the promotion of their brand. This is how it begins with an internationalization process that has generated significant benefits for them. Currently this company sells to several Latin American countries among which Ecuador, Peru and Panama stand out.

Figure 16 Pages and social networks of Meyver



Source: <https://www.facebook.com/Calzado-Meyver-101066736764925/>
<https://www.calzadomeyver.com/>

As for the manufacturing part of this company, since the interview was not done directly, it has been tried to identify through the collected information the determining factors that can contribute to the investigation. From an interview previously conducted by another group of researchers, it could be deduced that the company needs documents that support all the pertinent information of the processes, the required activities, the technical specifications of the products, among others. Although, it has a structured vision and mission, it lacks of manuals in which the processes are reflected and this translates into failures regarding the supply of raw materials, the non-fulfillment of deliveries, or the delays that often occur (Melo & Mora, 2018).

In this interview, one of the failures in which it is pointed out is the lack of production programming systems. As well as, the need to increase the use of machinery to find faults in the products. Unlike the other artisan sectors such as jewelry and toquilla straw hats, the footwear sector needs more machinery, so the company said yes, that it had sufficient machinery for its production. However, to be able to supply larger international orders, it would take a lot more machinery, as well as skilled labor (Melo & Mora, 2018).

Training is provided by taking advantage of the fairs offered by ACICAM in conjunction with FEDECUERO, which provide the opportunity for employees in this sector to update themselves on issues such as the safety that must be maintained in the workshop, the cuts of the leather, not to wasting leather and the reuse of leftover material.

It was also mentioned that the machines that the company has are Brazilian machineries that cut the leather easily, others to polish and brighten the finished shoe. As well as, machinery to stick the sole and the rest of processes that are mostly automated. Despite this, labor is important since it is the employees who operate the machines; therefore, they need to be trained (Melo & Mora, 2018). Finally, on the subject of innovation it is explained that the company creates new designs and collections per seasons. A total of four collections are produced each year with around eight to ten designs. This company ensures that innovation is a key aspect given that customers get tired of the same products and they like to have a variety to choose, therefore, the company always tries to stay up-to-date with the latest trends, models and colors required by its customers (Melo & Mora, 2018).

Chapter Conclusions

The information collected in this chapter represents one of the central axes of the entire investigation. From the very selection of the country with similar conditions to those from Ecuador, a different Benchmarking strategy was proposed where this tool can be applied without following comparison patterns that only evaluate direct competition. Although the reality of Colombia in the social, cultural and economic context is similar to Ecuador

there are also important differences in relation to the commercial and industrial perspectives of the neighboring country. A clear example of this is the greater number of programs that promote, strengthen and encourage the activity of MSMEs.

Colombia has also reached a level of superior industrialization that has allowed companies to take better advantage of the natural resources available within their territory, enhancing them as a way of protecting their identity. Thus, in sectors such as construction, textile and handicrafts, the country has achieved international recognition. On the other hand, considering the difficulties encountered in establishing contact with companies and explaining them about research, it is notable that there is a reluctance to share information

or get involved directly in projects that are beyond their control, this as a cultural aspect is something that Colombia and Ecuador share.

Regarding the interviews, the design process and the approach of the questions by themes of innovation, resources and capabilities, marketing, production and financing helped to clarify the information obtained. Although there was a refusal given by several companies to be part of the research, the interviews that were carried out reflect that there are entrepreneurs with a more globalized vision willing to contribute in the formation of knowledge. Each of the interviews provided essential information, allowing to identify the characteristics that have made these companies stand out to the point of reaching international markets.

With regard to the investigation of secondary sources of the leather and footwear sector, it had to appeal to more generalized information due to the lack of response from the companies. In any case, each data was relevant to analyze the trends in this sector. On the other hand, the two companies interviewed, Trocha with the manufacture of hats and Joyeria Milenio, presented new perspectives that well focused on the objective that is internationalization, they can be applied to the MSMEs of Azuay.

CHAPTER 4

4. Comparative Analysis

Introduction

In this chapter, the main objective is to use the information obtained from the Benchmarking partner companies, through the analysis of their best practices, to determine the existing limitations in local MSMEs that prevent their introduction to international markets. The first point was based on an analysis of the Critical Success Factors of external companies to specify the aspects that have allowed internationalization to take place.

The next step was to compare the SCFs of the foreign companies that have internationalized with the local MSMEs to analyze the flaws that hinder the opening to foreign markets. From this point, the determination of the existing gap was derived by comparing the practices carried out by local companies with respect to leading businesses to identify how far they are from each other. The objective was to generate strategies and actions to reduce and finally eliminate this gap, thus allowing MSMEs to develop successfully and expand their markets to other countries in the same way that companies that have been taken as a reference.

For the determination of the gap, a picture of similarities and differences was included as a clearly understood tool. Instead of an individual analysis, the general information of the limitations of the local MSMEs was taken. This is because the best practices that have allowed the internationalization of Colombian companies are analyzed jointly and not by sector. Subsequently, a quantitative analysis of the gaps was being carried out in order to make the research more objective.

4.1. Associated companies and their Critical Success Factors

4.1.1. Trocha Enterprise

When analyzing the interview conducted with Trocha-Hats and Accessories for Horsemen, it was possible to identify two Critical Success Factors that contributed significantly to the internationalization of this company. First, the importance given to the quality of their products, followed by the use of the Internet as a means to advertise

and reach more markets. In particular, the company recognizes that quality is an aspect that makes them prefer them over other products and other businesses. The parameters used to measure the quality are based on the durability of the product, the resistance and the quality of the raw material. During the interview it was emphasized that with a moderate and continuous use their hats can last from three to five years. That is an average product life much greater than your competition.

In turn, the need to adapt to the demands of increasingly globalized markets has served as an impetus for the company to integrate with success the use of social networks and advertising via the Internet to its operations. It was also mentioned that, according to an internal evaluation, thanks to Facebook, Instagram and the creation of its website <https://trocha.com.co/>, there was an increase of 20% in sales compared to the data of 2015. This increase was also associated with the fact that all new orders were made through these means and not by phone or visits to its warehouse.

4.1.2. Milenio Jewelry

From the analysis of the Millennium Jewelry interview, quality and innovation strategies were identified as Critical Success Factors. These have allowed this company to embark on a process of internationalization. Starting from the importance they give to the quality of the raw material and its products, this company stands out from its direct competition for the detailed processes used for the selection of each of its pieces. For example, for the selection of raw material, it must comply with parameters. Each gram of gold that enters the jewelry workshop has to be taken to a certified laboratory to be evaluated. They did not detail the parameters with which they must comply because these are considered private information and can be unshared. Regarding the selection of precious stones, the staff members and especially the workers who produce the jewelry are trained and are responsible for evaluating the quality of the stones by measuring characteristics like thickness, color, and transparency.

Within the company is constantly looking to innovate in designs and ways to make jewelry. Annually, they take out several collections and keep the emerald as an emblem of their business. They are already recognized locally for the designs they make with this precious stone. Another factor that has been considered determinant is the value given to its workers. As a craft company, they depend on the skills of their employees for all production. Despite not having machinery or technical processes, their products are manufactured in the briefest possible time. The making of rings and collars can last from

three to four hours and even up to a day. A time that according to the answers of the interviewee is short and streamlines all the work. In addition, the designs are managed and made by themselves, so it gives considerable importance to the workforce in this company.

4.1.3. Footwear and Leather Companies

From the analysis of the respective interview, innovation, resources, and capacities were identified as Critical Success Factors that have allowed the company to begin an internationalization process. Just as they had mentioned, the different manufactured models are one of the most important parts of the company. This is because people prefer innovative and above all comfortable footwear with good designs. Likewise, the realization of four annual collections, in addition to the seasonal collections such as Father's day, Mother's day, beginning of classes, among others, have given company recognition at a national and international level.

Regarding resources, they are specifically related to the machinery that the company has. Within the interview, it was mentioned that they have different machines that make the work easier and faster. For example, the leather cutters, shoe polishers and machines that stick the sole help lower production costs and save time. However, these resources could be unused without having the correct capabilities. That is why they considered the capabilities, referring to the workforce, as a very important part of the company. It was commented that having, so many machines require skilled workers who can handle and repair them. But in addition craftsmen are needed who can stick the leather to the shoe, and make the designs. Therefore, one of the factors that have allowed the company to internationalize is its investment in capabilities.

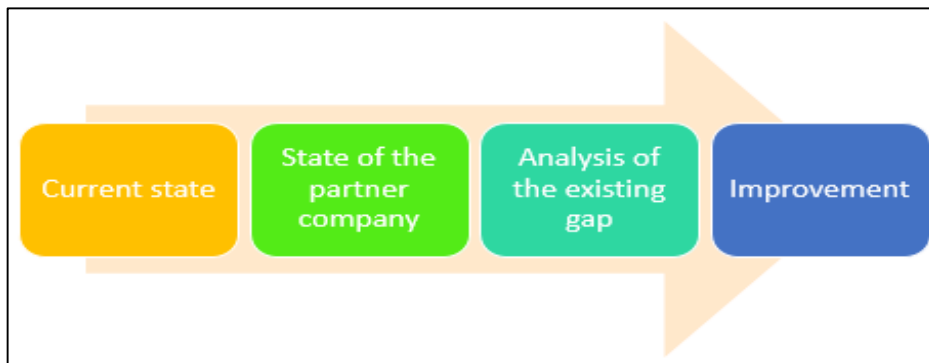
4.2. Determining the gap between international models and local MSMEs

4.2.1. Definition of Gap

According to the American Productivity and Quality Center, known by its acronym (APQC), companies must save money in developing new models of Benchmarking application since the models are already established. That said, the proposed process focuses on four steps, which are: Planning, the collection of information and necessary data, the analysis of information regarding gaps and improvement by adapting the results. Therefore, this model that turns out to be coincident with the four phases of the Deming cycle and the determination of gaps would make up step number three (Watson, 1995).

Conceptually, the gaps become ruptures or interruptions that show between the current operation of a company and the desired performance or the potential performance to be achieved (see figure 17). In this case, to establish the existence of the gaps it is necessary to start from the Critical Success Factors of the local MSMES of Azuay. The approach is to reach internationalized Colombian companies (Watson, 1995).

Figure 17 Process of Data Analysis with references to gaps



Produced by: Cordero, Ortega.

Source: Strategic Benchmarking, Gregory H. Watson, 1995.

There are three possible scenarios or results possible to get by performing the gap analysis:

1. Negative gap. This implies that the operations of the companies called "partners" or Benchmarking partners are better.
2. Operations in parity. Which means that the situation between the companies being compared does not show notable differences or that they stand out in their practices.
3. Positive gap. It refers to the fact that the internal functioning of the companies to which it will be compared is superior to the functioning of the "partner" companies or partners.

4.2.2. Comparison between partner company and local companies

To better illustrate how the companies interviewed have excelled over the Ecuadorian companies D'Cuero, Pimienta Shoes, Castro Jewelry, the Cooperativa Teje Mujeres, Litargmode and La Sigseñita, a comparison was made of the differences and similarities between these companies.

Table 15 Comparison of characteristics between internationalized companies and local MSMEs

DIFFERENCES	
Foreing SMEs	Local MSMES
They establish innovation strategies for their products	Adhere to the standard product type that achieves the most sales.
They seek to generate trends and vary designs constantly	Changes in colors and designs do not occur with such regularity
They have local and national recognition	They do not achieve public brand recognition
They have highly trained staff	Staff training is not a priority
They have effective interdepartmental communication	Communication channels are limited between bosses and employees
They have advertising penetration	They do not have advertising strategies
They use electronic media effectively	The use of electronic media for advertising and sales is limited
They have knowledge of the market	They lack initiative in recognizing the opportunities and limitations of the market.
They have indebtedness policies	They do not know about debt policies
They have quality policies	They have not set strategies for quality control
They have sources of financing and government support	They do not have facilities to access public or private funding sources.
SIMILARITIES	
They have strict parameters for the selection of raw material	
There is little specialization of work	
They require a greater number of machinery	
They have not established production systems or processes.	

Produced by: Cordero, Ortega.

This comparison has allowed us to appreciate that despite being companies that stand out because they have penetrated international markets, many of the similarities they share with the Ecuadorian MSMES are not entirely positive aspects or are issues that require improvement. Thus, to internationalize a craft company it is not essential to have large volumes of machinery and equipment. Not even having established production processes, which does not happen with shoe companies. However, all these companies, like the artisan ones, require a greater focus on the quality of the product. Also, in the use of electronic means to publicize and promote the product and establishment of innovation strategies.

The greatest limitations present in local companies, regardless of the sector, are focused on the fear they have of penetrating beyond their comfort zone. This means they get stuck in the models and designs they produce, leaving aside innovation and updating trends. The training of personnel goes hand in hand with the aforementioned since to be able to innovate they require having labor with updated knowledge. Regarding brand

recognition, local companies still do not give the required importance to digital media to publicize their product. Today, greater investment is not required to obtain a web page that allows potential customers to see what the company offers and even make purchases through these means.

Another important flaw is the lack of communication that exists in MSMEs. Because these, no matter how small, are still managed under the belief that the only way to work is a hierarchy where the boss plans, decides and executes all the actions related to the company. This makes it difficult to generate spaces for creativity and the birth of new ideas to help the company grow. In addition, MSMEs reduce the importance of studying their market. It is assumed that once the product is obtained there will be someone to buy it. Similarly, there is no real interest in being educated about financing issues. The credit is seen as a sign of misfortune and, therefore, it is not considered to establish indebtedness policies.

4.2.3. Existing gaps

According to the mentioned limitations and due to certain shortcomings and determinants that need to be worked on, it is notable the existence of several negative gaps between the current situation of MSMEs and internationalized companies. The established gaps are of strategy, planning, communication, innovation, technology, as well as control and monitoring. These six mentioned gaps are recognized as priorities considering that closing them can achieve significant improvements throughout the organization.

- **Strategy gap.** This gap exists because, from a business perspective, MSMEs are not being projected for the goals they wish to achieve. These companies are so deeply rooted in the belief that because of their size they do not have the capacities to export and, they cannot project or create strategies effectively. Among the determinants of this gap are the lack of initiative, the lack of leadership, the fear of venturing into unknown markets, lack of competitiveness and distrust.
- **Planning gap.** Thanks to the interviews conducted, it was possible to understand the importance of planning to reach other markets. The situation with MSMEs is that their activities do not start from strategic planning while internationalized companies develop and implement plans for each of the objectives they wish to

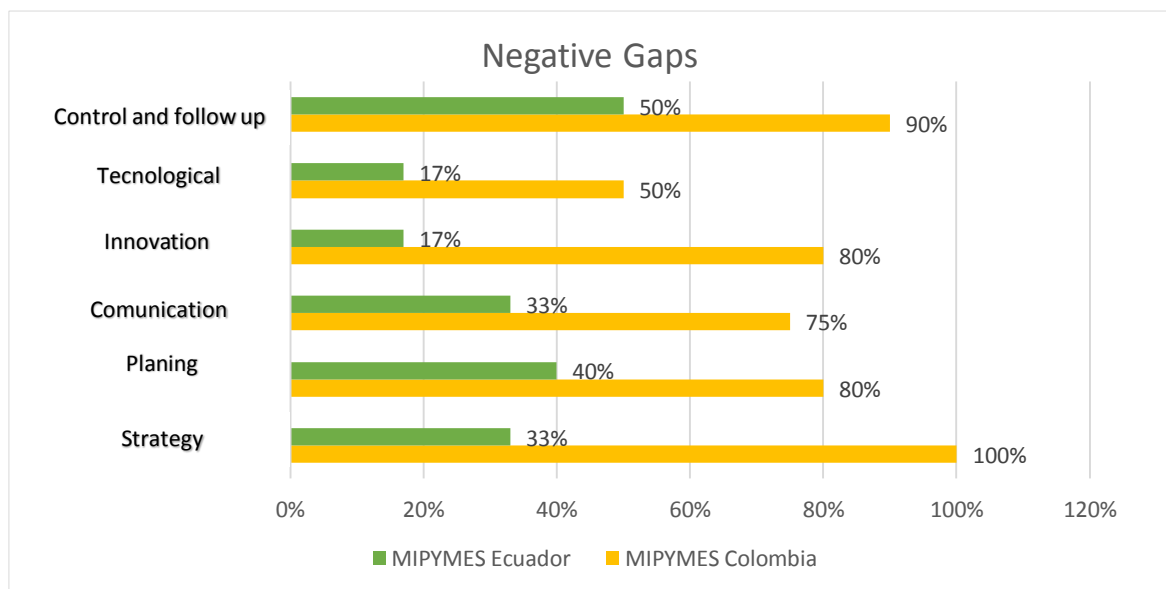
achieve. The determinants of this gap are the lack of alignment of the organization, ignorance of how to draw up a plan, the desire to continue doing everything traditionally.

- **Communication gap.** This gap is linked to the planning; it occurs as the MSMEs do not handle a defined organizational structure. Although times have changed, and it has been proven that it is more effective to encourage open communication spaces in companies, this does not apply in local MSMEs. Instead, the only communication that occurs is from top to bottom, from bosses to employees; unlike internationalized companies that continuously work on expanding communication channels to allow the flow of ideas and creativity. The determinants of this gap are the emphasis on the figure of authority, the lack of connection in the operations of the entire company, the lack of a defined organizational structure and the lack of specialization of the work.
- **Innovation gap.** Innovation to ensure the survival of companies today has a fundamental importance that is not yet appreciated by local MSMEs. It's not just about changing the product designs; it's about looking for new ways of doing things. Innovation in processes and investment in research to improve products is something that stands out in companies that venture to compete in globalized markets. The determinants of this gap are the lack of training, lack of resources to invest, compliance with the current product, fear of changes.
- **Technological gap.** The use of technological resources to improve work in companies is limited. A generality that is maintained is that MSMEs, for their trajectory and size, tend to do without updating knowledge. Hand in hand with innovation, trends and training the technological gap is created because these companies do not use or know how to implement new technologies to optimize their sales, get brand recognition, advertise, manage management systems and streamline administrative processes. The determinants of this gap are the lack of qualified training, the misuse of digital media, ignorance, and lack of technological infrastructure.
- **Gap Control and Follow-up.** It refers to how MSMEs in their current situation do not have the means, resources, systems or tools to measure and evaluate their processes and products under international requirements. Mostly, local companies do not have quality standards in products or processes. The determinants of this

gap are the absence of a results control system, the lack of established policies, the lack of fixed codes.

Figure 18 corroborates the analysis of negative gaps quantitatively showing the percentage variations that exist between Colombian companies and Ecuadorian MSMEs. These gaps have been qualified according to their existence. In the case of the strategy, Colombian companies have been projected maintaining a vision with a focus on internationalization, for which they have obtained 100%. While of the six MSMEs part of the study, only two D'Cuero shoes and Cooperativa Teje women are the only companies that have a vision towards internationalization representing 33% of the total.

Figure 18 Negative gaps between Colombian companies and Ecuadorian MSMEs



Produced by: Cordero y Ortega

In terms of planning, it has been considered that, despite being Colombian MSMEs already gone international, they can improve and have better control and planning for their production. The result of the Ecuadorian MSMEs, in this case, is equivalent to 40% because there is good planning by Cooperativa Teje Mujeres, Litargmode and D'Cuero. However, there is still much to improve. Regarding the communication gap, Colombian companies have been rated 75% by the recognition of these to the existence of problems and issues that must be improved to achieve effective communication. As for Ecuadorian companies, they have received 33% since Litargmode and D'Cuero have maintained an important communication between artisans and the administrative part.

Similarly, innovation by foreign companies highlights Ecuadorian MSMEs, although they obtain 80% given they need to make more investment and enhance the processes of innovation and product development. Despite this, they still outperform Ecuadorian companies, which earn 17%. Only D'cuero shoes is the company that tries to innovate by adding raw materials such as coconut leather, non-toxic adhesives and the reusing the leather surplus.

In the technological gap have been grouped all aspects of machinery, technology to advertise, etc. Something that has been evidenced is that there are important flaws regarding technology in companies. On the one hand, Colombian companies require more machinery to improve their processes, so they receive a 50% rating. While Ecuadorian companies get 17% because their investment in machinery and their use of technological resources are quite limited. The company Litargmode is the only one with a good number of machinery. However, the rest of the companies need to increase this factor to accelerate their production process.

Finally, a gap that has really been considered important is the control and monitoring gap. In this is grouped everything related to the control in the processes of quality raw material and process verification. In this sense, Colombian companies stand out for their implementation of different processes to ensure the quality of their products. These not only remain in the ambiguity of the knowledge of certain people but are confirmed with tests and laboratories. Regarding Ecuadorian companies, we have qualified control and monitoring with 50% since of the six companies three of them have certain processes and try to control the production, and the quality.

4.3. Plan for elimination of gaps

The problem with these gaps is that they prevent the company from advancing according to its internationalization goals. This reduces their competitiveness compared to other companies. Therefore, it is necessary to create a plan to close the gaps. In the first place, it is emphasized that for any strategy to work, the involvement and commitment of the managers in each of the implementation processes of the plan are necessary. Its effectiveness depends on the investment in time and resources assigned to it. In addition, the objectives that are expected to be achieved with the rest of the employees must be socialized. It is important to bear in mind that the gaps have been identified in a general

way. While planning requires adaptation according to the products that are made and the characteristics of each company. Therefore, it is pertinent to adjust the strategies to the needs that arise. The following plan consists of six steps that address each of the gaps and closure strategies specified by the area.

1) Define and back up with documents all the plans and structure of the company

This is the competence of the administrative area. In this case they can be the owners of the company or the designated manager. As previously mentioned, strategic planning is the basis of any project that is correctly addressed. Therefore, it is proposed to start with the determination of the mission, vision and general and specific objectives. These must be duly established in an official document of the company. It should also state that the organizational projection is focused on achieving internationalization. In addition, the following documents must be included:

- The organizational policy.
- The code of conduct.
- The rules of the organization.
- Policies in the area of finance: payments, per diem and cash flows.
- Logistics area policies: inventory rotation, deliveries.
- Policies of the sales area: incentives, commissions, prices.
- Manual of production processes.

Furthermore, an organization chart should be defined showing each of the areas of the company and its functions. It is important to align the entire organization to work for the same objective and each activity must match the fulfillment of it. This step allows identifying the most disorganized areas. It also helps to identify where more attention should be paid to shorten the planning gap. However, the effectiveness lies in the implementation and compliance of everything established in documents.

2) Communicate and involve all staff in the objectives set

This can be handled initially through the area of human resources or, failing that, by the manager until a culture of interdepartmental communication that works is implemented. In this step, efforts are concentrated on closing the communication gap through the application of strategies that promote effective internal communication. The first point is the socialization of the plans and objectives of the company with all the staff.

Achieving that employees are empowered and work for the fulfillment of the organizational goal should be seen as an important point for the administration. Employees must have clear roles and understanding of what the company expects from them. To achieve this, it is feasible to apply the following strategies:

- Keep information and relevant data in a visible place (boards, shared spaces, billboards, etc.).
- Perform a constant feedback or follow-up.
- Open an internal communication channel using email, WhatsApp, Messenger or other networks.
- Create a space for staff where they can pause.
- Create a channel to receive complaints, suggestions and ideas.
- Organize a calendar with scheduled meetings to make feedback.

In addition to these strategies, a conflict-free space must be maintained in the work environment, putting the dialogue before any situation or differences of opinion. Managers must understand that the human resource and its capabilities are what allow the operation of the company and therefore its most valuable resource.

3) Schedule trainings

This step must be taken by human resources in conjunction with the production, accounting, finance, marketing and all areas that require updating knowledge. At this point, the company has to start by identifying what the needs are in relation to the knowledge that must be prioritized. Based on this, different means can be found to get this knowledge, among which are government entities with their programs to help MSMEs, free Internet platforms, cross-training or training by a staff member who has the necessary knowledge, make alliances with educational institutions, among other ways. But before programming the training, the following aspects should be clear:

- The budget designated for training
- The employees that need to be trained
- The areas that will benefit from the training

This strategy can contribute to closing other gaps such as innovation and technology, but only if it is well focused. Therefore, it is important to measure the impact

that the training generate, comply with the schedule established and in this way connect the skills that are being developed in the employees with their work performance. As additional data, it is necessary that the managers and the administrative personnel also be included in the training according to the requirements of the organization.

4) Promote a culture of innovation

Ideally, it should be managed by an area of research and development, but when dealing with small companies this can be done from the administrative and production area. Venturing into innovation is a topic that many small companies fear, especially for the investment it requires and the possibilities of not getting results. Today its importance has become a topic of interest because innovation can be the difference between the success or failure of a company. In spite of this, innovation is not something that can be planned or established through a constant and static action plan. However, in order for a company to start innovating, it can start from fostering a culture of innovation where entrepreneurs are motivated and empowered so they can develop their activities. It is important to use strategies such as the following:

- Construction of creative spaces within the company.
- Engage managers with innovation.
- Add topics related to innovation in the programmed trainings.
- Develop incentives for innovative employees.
- Pose challenges to employees and motivate them to solve them.
- Create a process to manage new ideas.

Staff must be educated to have the initiative to create and not just replicate what has already been established. In addition, companies should try to put aside the belief that innovation is difficult to achieve. The stagnation is the product of conformism and the fear of failure. Therefore, companies that grow globally lack these two weaknesses.

5) Implement the use of ICTs

The importance of this step is that it is handled jointly by each of the areas of the company. From, the administrative area with the use of new programs that speed up planning. As well as marketing and advertising area, accounting, sales and production areas. ICTs or new technologies have revolutionized companies from different sectors

and MSMEs are not the exception. Although, the reality is that there is reluctance on the part of small companies with many years of experience to get involved with technologies that they do not know how to handle. The use of tools, programs, media, networks and technological equipment allow streamlining many processes within organizations and reduce costs. In addition, ICTs help transform processes by making them more productive, which can greatly benefit these companies. Next, the strategies that must be progressively implemented are presented as follows:

- Create a page of the company where it is presented: contact information, main products and prices, company information, etc.
 - Create a business email and a sales email and customer service.
 - Make use of social networks as advertising media.
 - Analyze the possibility of acquiring a system for the planning of business resources.
 - Perform occasional monitoring of current and potential competition through networks.
 - Prepare staff in the use of ICTs to improve productivity.
 - Consider the use of Mercado Libre or E-bay to promote the products and sell them.
 - Implement an online sales system using tools such as PayPal.
- 6) Design a process control and monitoring system

This step must be implemented by the administrative and production area, but fulfilled by each area of the organization with the aim to eliminate the existing gaps through a system of control and pursuit. Although a company may or may not apply the five points mentioned above, they would be useless if, together with these, the respective control was not carried out to verify its operation. The aim of the control system is to corroborate that all the activities are carried out under the plan. It also allows faults to be detected to correct them and is considered one of the most important tasks since compliance with this point can avoid deviations in costs, shorten times, or detect bottlenecks.

Something very important is that the control and monitoring system should not be done only to the personnel, it should be applied to programs and processes. As a complement to the system, companies can use other tools that allow them to measure and

evaluate the raw material, the times of each of the activities, etc. Next, the strategies that can be used for the application of this monitoring and control are presented:

- Designate a group of people who perform the manual controls to the different areas of the production process.
- Implement the use of machines that allow the control and qualification of the raw materials to be used.
- Establish parameters to test processes.
- Apply an approved-failing control, which implies reviewing the result of each of the processes, to guarantee the quality of the product before it is finished.
- Post-operational control.
- Control not only the productive areas but also the administrative areas, sales, marketing, etc.
- Encourage self-control, each employee must be responsible for the task they perform.

Chapter Conclusions

As a result of this chapter, it can be mentioned that the identifications of the Critical Success Factors of the Colombian companies have demonstrated a pattern that focuses on product quality, innovation and use of electronic media as key points that have helped their internationalization. By carrying out the comparative analysis with the local MSMEs, it was possible to show the existing limitations in relation to planning, product promotion, innovation culture, communication, among others. This determines that, although foreign companies have a considerable advantage, a small company can reach international markets even without having each and every one of the internal aspects working optimally.

From the FCE analysis, a total of six negative gaps could be established. These are strategy, planning, communication, control and monitoring, technology and innovation. Certainly, the distance that separates MSMES from their foreign counterparts is considerable and, therefore, MSMEs require well-defined strategies to close these gaps and be able to internationalize. For this reason, the six-step plan defines the inherent problems of each gap and concentrates on its elimination consecutively.

In addition, the six steps have been addressed to specific areas with practical and functional strategies that are easily adaptable to different types of MSMEs. The aim is to serve as a reference for companies in the leather and footwear sector, jewelry, hats, and handicrafts. It should also be added that the whole plan has been made thinking in the local reality; considering that none of the companies can venture into foreign markets as "global born" and they are businesses that seek to adapt to globalization, but they arose when other processes were still applied, and things were done differently.

Final Conclusions

After completing the research on the internationalization of MSMEs in the footwear and leather sector of Cuenca, as well as the MSMEs in the cantons of Gualaceo, Chordeleg, and Sigüig, it can be concluded that, although the conceptual basis gives a generalized idea of the application of tools such as Benchmarking, deciding the correct achievement of steps to carry out an optimal analysis is more complicated in practice. As said at the beginning, the influence of globalization has generated important changes in companies and the ways in which they work. The reality of the local MSMEs shows a stagnation.

Even today, several of the concepts used as "specialization of work", "Benchmarking" or "critical success factors" end up being ambiguous and unknown by a large part of the entrepreneurs. This reflects the lack of preparation with respect to international trade issues and the lack of application of the theory to the practice with knowledge of cause. In fact, in the specific case of local companies the lack of preparation is a determining feature that limits the growth of business.

The evaluation of the local reality of the companies in the leather and footwear, hats and jewelry sector, shows that there is a lack of dynamization of the productive sectors that causes that there are several companies dedicated to the same business with poor sales. Despite this, the MSMEs selected for their greatest potential to internationalize have characteristics. That, if well focused, could lead them to stand out above their competition. Among these characteristics, the quantity of production and the continuity of processes were progressive despite not having a manual. They also have quality products that are attractive to their customers. Innovation could be added as another characteristic since these companies tend to innovate more than others in the local market, but compared to foreign companies, the activities they perform are barely significant.

In relation to the CSF, their identification in the MSMEs was more complicated than in the Colombian companies, because Colombian MSMEs immediately recognize the factors that have catapulted their internationalization. For MSMEs the construction of a matrix and the division by topics of interest within the companies facilitated the process. Allowed to identify the 17 CSF corresponding to innovation and trends, capacities and resources, financing, production processes, and marketing policies. According to this, it

was then possible to identify the six negative gaps between local and international companies corresponding to planning, innovation, technology, communication, control, and monitoring and strategy.

For the initial selection of the countries where the associated companies would be, the information obtained regarding each country in Latin America showed that Ecuador's position with respect to countries that have achieved greater development is not the most suitable. Making the comparison only with Colombia, which was the country with a more similar reality, there are still many deficiencies. Especially in policies to support companies that are actually one of the most representative driving forces internally for the country. In this analysis, there were also notable cultural similarities when it comes to sharing information. There is a reluctance to let other people outside the company have access to any type of data even if it is for academic purposes.

Regarding interviews, it was very difficult to establish contact with the people in charge who could answer the questions that had been raised. As stated previously, this is derived from a purely cultural aspect. Finally, the information gathered from the companies that agreed to the interview showed the existence of a pattern in the factors that determine the successful internationalization of a company. This made it possible to conclude the analysis with the design of a generalized plan that deals with each of the gaps identified jointly. Having received no response from footwear companies, the perspective of industrial enterprise had to be addressed by secondary sources but the data did not depart from the pattern. This is why the six steps of the plan were designed to be adaptable depending on the company, all to provide a guide to the MSMEs that will assume the commitment and the investment of time and capital that is required.

Recommendations

- It is necessary that each of the companies consider the importance of knowing the theoretical foundations of the activities they carry out and that are in the market so they can better understand the impact of each of the problems that occur in each sector either at a country or internationally level.
- Greater training is required to the MSMEs by government entities and private organizations to make known about the assistance plans and advantages that these companies have and that they are currently unaware of.
- It is necessary to raise awareness about the importance of Critical Success Factors and their correct identification to concentrate efforts on these aspects and achieve a better outcome.
- In order to carry out a study that involves collecting information from companies in other countries, it is more effective to schedule individual interviews where researchers can visit the companies and have direct contact with the managers to inform about the research, its objectives and what is required of the interviewee.
- It is more effective for the research and the selection of companies in foreign markets to highlight the most relevant indicators. Once this is done, it is possible to proceed with the development of matrices, instead of doing a general data collection that causes initial confusion.
- With regard to preparing interviews via email, a very important factor in determining whether they will be answered is the number of questions. With fewer questions shown, there will be more willingness on the part of people to respond. Therefore, several topics must be summarized in the same question so that the same grouped information can be obtained.
- People who are developing investigations of this type must invest in an updated and reliable database for getting information from companies in other countries. Maybe there is a reluctance to spend money on this, but it is much more effective than performing a disorganized search trying to localize all the possible companies.
- The identification of gaps could be better addressed if each sector was approached from an individual analysis and not generalized. This would help in order to be

able to come together in different strategic plans focused on each type of company in particular.

- When implementing the steps and proposed strategies of the plan, companies must consider they cannot venture as "born global." Their adaptation will be more complex than for other companies that have emerged in the technological era, but it is still possible to carry out an internationalization process whenever effective strategies are put into practice.
- Finally, MSMEs that wish to project their vision towards internationalization could try to adopt the best practices of foreign companies. This does not mean trying to copy each of the activities they carry out or their processes. It is more about learning what worked best for them to find a way to adapt it in their own companies.

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APPENDIXES

Appendix 1 Official interview request sent to Colombian companies

Cuenca, January 2019

To whom it may concern.

Dear Mr. / Mrs., receive a cordial greeting. The University of Azuay, in the city of Cuenca, Ecuador, with the support of public and private institutions related to Ecuadorian foreign trade, is developing the research on INTERNATIONALIZATION OF MSMES OF THE PROVINCE OF AZUAY, for which it has already executed a Previous diagnostic study of potential exporters in our area

In the diagnostic stage it was possible to determine the existence of a series of fundamental factors that affect both the resources and the capabilities of the companies and that can be facilitators or limiters when looking for international markets. On the determination of these factors we are applying a Benchmarking methodology, so we need to study representative SMEs in the internationalization process, in this way your company has been selected in order to serve as a reference model to analyze the best internationalization practices in the Latin American area.

With this background, we send you this brief interview that we request please respond in writing in the format that we detail below. In this format you will find questions about the determination of the main factors that, in your opinion, have influenced in facilitating the incursion and consolidation of international markets in the administrative, productive, financial and marketing areas of your company, through closed answers on the degree of importance of these factors, in addition to open spaces to have your opinion about the valuable experiences of your company in the internationalization process.

The information given by you, in honor and retribution to your collaboration and trust, will be strictly confidential and exclusively for academic purposes, in order to determine what were the critical factors that drove the international development of the company.

We kindly ask you to send this study to us at the following address valecorderosalavarria@es.uazuay.edu.ec or paulacortegar@es.uazuay.edu.ec, as soon as possible, after which we will process your information immediately, in order that you are also a participant in the results of the study as soon as possible.

We hope it is understood that this type of research in favor of the export sector benefits all the actors, in an increasingly globalized and competitive world, for which we are sure to count on your participation and support, which we thank in advance

Sincerely,

Antonio Torres D.
Project Director

Valeria Cordero
Researcher 1

Paula Ortega
Researcher 2

Appendix 2 Pilot interview transcript

Semi-structured interview

Name of the company: Homero Ortega

Innovation and trends:

1. What do you consider innovation?

Within innovation in what we specifically talk about hats, innovation are colors, designs and textures. Bone, create something different from the classic.

2. Regarding the modernization processes carried out by your company and the investment in R + D + I. How often is this modernization carried out?

Maybe two or three times a year in what is colors. But there are times in the workshop where weekly designs are created, then it depends on what is being tried, whoever you want to ask, and even the spirit with which we find ourselves.

3. What differentiates your products from others?

Definitely the quality that we have.

4. Under what parameters is innovation measured in your company?

According to the new products, processes, colors, textures that we take out annually.

5. Do you currently have employees dedicated to the development, innovation, acquisition or transfer of technology?

Specifically, a particular area does not. However, I am the designer who is responsible for creating new designs, get new colors, add new textures, etc.

Necessary resources:

6. Do you think your company has enough machinery and labor?

Yes, completely since we have enough machines that make our times when making a hat, decrease. We have machines, people, enough amateurs, weavers, as well as the people who help us in the workshop.

7. Where does your raw material come from?

Our raw material comes from our weavers. They are responsible for buying a straw of good quality and knitting the hat. Being a family business of many, many years, has passed from generation to generation the gift of knowing when a hat is woven in a good way. For now, Alicia Ortega, daughter of Homero Ortega is in charge of carrying out the verification process.

8. Consider that you have a quality raw material, why?

Yes, especially from people a little more completely informal. In the city there are large companies of which we cannot detract from the quality of their product. But there are other companies that are equal exporters, but sell a product of poor quality that cheapens too much cost making the competition completely disloyal. Because there are many

people who do not have ideal that is the quality of a hat. They just want a straw hat and do not look at anything else.

9. Do you have policies for the supply of raw materials? And if so, generally indicate what they are and how often they do it?

Our policy is to buy the raw material weekly. We never stop buying. If we stop buying it would be 2 weeks at the most. Every week it is about buying.

10. What is the performance of your raw material? How much of this is wasted?

We source raw material without having to have an established order. We give customers the ease of providing the amount they need in the shortest possible time because we are always abstaining from products. Because if a client tells me I need 1000 hats to get 1000 hats that I do not have in my warehouse I will need 4 to 5 months. Meanwhile I have already in my stock the amount they have and the only time I need is the dyeing or bleaching, composure, azocada, and other processes that are already internal.

11. Do you believe that communication between departments in your company is effective? Why?

We try to make it effective, but definitely if it fails a little.

12. How often do you train your employees and how much money do you invest on average in these trainings?

Yes, in each area we try to train employees. The trainings we do are several, however, they are not so long. We invest around 250, 300, 500 dollars. Depends on the agency that gives us, usually government agencies give more economic or other more expensive training. But there is always an attempt to train all areas.

Production:

13. What is the cycle of production starting from the manufacturing order to the final delivery to the plant? How long does the completion of the cycle take?

Let's say that the longest process that is the whitewashed hats 3 weeks, 1 of composure and 1 of decoration would be 5 weeks starting from the hat part of 0. That this is never the case.

14. In recent years have programs or software been purchased for production control, inventory or for purchases?

Lately not, the internal Software that we use in the company already has more than 5 years. This helps us control inventory, purchases and sales.

15. What is the level of specialization that the plant maintains?

I consider it high. We have enough machines to be able to reduce processes and costs.

16. Do you think that the quality of your product has improved or evolved in the last 5 years?

Quality is not, because we have been working with the same quality for several years. But if we have a great innovation in new trends in textures and colors. The last can also be considered as an innovation.

17. Does the company have certificates that guarantee quality processes?

We had ISO 9001 until 2 years ago. Now it has not been re-certified, but the processes have been maintained. The ISO certificate is really important because it teaches you to order yourself. Sometimes you already have the processes, but you do not have the teaching to evaluate and tabulate all the processes. The ISO is really very helpful to be able to order us in the processes. But in reality international clients are not interested because we have these certificates. Rather, one of the certificates that companies usually ask for is Fair Trade certification. It is a rule that in any case US customers can request more than a certification standard.

18. And have not you thought about implementing the Fair Trade certification?

What happens is that they are international standards that sometimes do not fit into our environment. Above all, our craft company, what happens is that we cannot measure if the craft work is done by a child, a 10-year-old girl. And how we guarantee that the person who brings us the hats does not ask their children for help. Therefore, we cannot guarantee that hats will be woven by adults. The traceability is extremely complicated inside the processes of toquilla straw.

Marketing

19. Is the company recognized in the national and international markets?

Completely, nationally we are a reference and also internationally. We have clients around the world, to be precise in the 6 continents of the world. We would like to be recognized much more internationally and that is what we try to achieve.

20. What media do you use to advertise and how much do you spend on advertising?

This time all or that are social networks, Facebook, twitter, Instagram web page all social networks. We have also participated in fairs also in medical conventions, horse races, everything related to hats we try to be there. The expenses depend on the event really.

Financing:

21. Does the company handle debt policies? and What is the way it is financed?

Thanks God no.

22. Do you know government agencies that offer economic incentives to MSMES in your country and, if so, with which your company is managed?

Well, we as an economic incentive have the VAT refund, given by the SRI that we are given as incentives for being exporters. I know there are good rates with the financial corporation, but we have not asked for credit. I could not talk to you about that, I know general information but we have not used that.

Mrs. Angelica after this talk we have had, could you more or less tell me what is the critical factor that has allowed your company to internationalize?

Well I think that for us to be known internationally. First, it is the quality of our product, then the seriousness of the company. We have been a company that always fulfills what it offers. Innovation, always being at the forefront in trends, colors. It is always a plus for people to choose us as suppliers. And logically always be in social networks, fairs, campaigning so that the brand Homero Ortega is known. In the fairs to see one as a serious company you have to go more than 3 times if you do not see it as such. There is always

perseverance and perseverance is what has made our company what it is. The comments of our customers make that little by little it becomes more known. For example, Cristian Meyer has used our hats at the Orchid festival, this year the boy from the Casa de las Flores also made use of these. Then it is small investment that we do in giving a gift to them, in the long run it brings fruits because the social networks with so many followers that have make our hats are recognized. So, the work that is done with social networks is a very high bonus because with all these people who are influencers or fashionists then one has to be home to try to make contact with them.

Appendix 3 Trocha company interview transcript

RESEARCH INTERVIEW

“Internationalization of the MSMES of AZUAY ”

University of Azuay

We are dedicated to manufacturing hats and cavalry accessories. Among our most outstanding products are toquilla straw hats, which are an emblem of our company.

Innovation and trends:

- 1. Does the investment in R+D+I have a significant importance for your company? Under what parameters does innovation measure in your company?**

Innovation is not really the bottom line. However, we make changes or new designs in the products. We measure it according to how often we are entering more models of hats. We just entered a new model that is a mix of straw hat, but has wings and cow leather cups, has been selling very good, is a very colorful design. If you want, you can see it on the website of the company or on Instagram

- 2. How often are modernization processes carried out in your company?**

We try then to introduce at least 3 new products a year including models and colors.

Resources and capabilities

- 3. Does the company have established parameters for the selection of personnel, suppliers, raw materials and machinery? As which?**

For the selection of personnel if we have profiles, we have around 20 weavers and 16 people in the administrative area, production, accounting, foreign trade, design and also people who help in the area of dyeing and the azocada hat that would come to be the ironing of the hat. The truth is that if I can say that we have a qualified staff.

- 4. Under what parameters do you measure the quality of your products?**

According to the durability of the product, our hats if well-maintained and little used can last for 5-8 years, while if it is constantly used it can last up to 3 years.

- 5. From 1 to 5 rate the effectiveness of communication in your company, being 1 little effective and 5 highly effective. Explain why you assign that rating.**

I rate it with 4 points, it's good, but we can improve. There have been minor conflicts that could have been countered with better communication

- 6. How often do you train your employees? And do you consider that investment in training is reflected within the company?**

We try to do it constantly, for example, there are courses that know how to be 2 or 3 times a week, those are usually more complete and learn more. The truth is that yes, our internal staff is very agile, and very efficient.

Production:

7. What is the estimated time required for the product development cycle?

It can last the manufacture of 2 to 3 days and we have a weekly production of 300 hats per week. These are made whether or not necessary and we keep them in our warehouses as stock.

8. Is there a production manual and an established system where all the processes are specified from the entry of raw material to the factory?

No, we do not have any. However, we have raised these 300 hats under test and errors. There are usually orders for 5000 hats and if we did not have this constant production, we would not fulfill those orders.

9. From 1 to 5 qualify the level of specialization that maintains the plant, being 1 little specialized and 5 highly specialized.

Three, I still consider that we need more machinery. Yes, we have, but we really lack.

Marketing

10. Is the company recognized in the national and international market?

With a national recognition if we are referring to cavalry hats made in toquilla straw, international not yet much.

11. What do you consider are the marketing policies that have been most effective for your company?

In general, we use what is Facebook, Instagram and our official website. In addition, we use industry magazines to promote ourselves.

Financing:

12. Does the company handle debt policies and how is it financed?

Yes, of course, the financial part takes care of those. For now, we deal with two banks, one national and one international.

13. Do you know government agencies that offer economic incentives to MSMES and if so, what is your company managing?

One of the entities that supports us is the Directorate for Micro, Small and Medium Enterprises, which was established by the Ministry of Industries, Commerce and Tourism. These offer us loans with lower rates and we also usually receive help from the Colombian Association of the media, Micro and Small companies.

Critical success factors

14. You can define which elements or factors are most representative and decisive for the success of your company that have led it to internationalize.

I think without doubt that it is the innovation and quality that we offer. We are a company very well recognized for the quality of its work and above all for the good products that we offer and offer.

15. What is your opinion about the use of Benchmarking as a tool to strengthen companies? Include any comments or comments you have regarding this interview.

I consider it a very good tool as long as you have the necessary resources to do such research and studies. Actually, the interview seemed very good to me and I hope that they can obtain the information they are looking for and be able to finish their research project.

Appendix 4 Milenio Jewelry Interview Transcript

RESEARCH INTERVIEW

"Internationalization of the MSMES of AZUAY"

University of Azuay

Employees 40

The production is based on special designs for each client. In the company we work with 2 types of gold, 18 carats and 14 carats, we have white, yellow and pink gold and we also work with silver; everything to customer's liking.

Innovation and trends:

- 1. Does the investment in R & D & I have a significant importance for your company? Under what parameters does innovation measure in your company?**

In fact, our innovation is carried out at least 6 times a year, we take new collections depending on the season, the time or the fashion.

- 2. How often are modernization processes carried out in your company?**

It's about creating and copying models all the time. The new products are usually made every 6 times a year, since not having an international reputation the designs are usually not very requested. We have been very lucky with certain models, but we prefer to make copies of already created designs.

Resources and Capabilities

- 3. Does the company have established parameters for the selection of personnel, suppliers, raw materials and machinery? As which?**

As far as the suppliers vary a lot, these are the ones that provide us with the raw material and we rely on those who offer us the best prices. For example, who gives us cheaper diamonds, cheaper chains.

- 4. Under what parameters do you measure the quality of your products?**

The truth is that it depends on many factors. For example, in emeralds or stones we see brightness, color, transparency and especially when we buy loose stones since these are more expensive then we see that we are asked to pay fairly for this. As for gold, he told us that they currently manage a supplier that gives them a gold that meets the parameters of the company and it must be sent to the gold for several analyzes to be carried out and their purity is indicated there. If it is not enough, then said gold is returned to the supplier. Lately, we have not had problems with gold.

- 5. From 1 to 5 rate the effectiveness of communication in your company, being 1 little effective and 5 highly effective. Explain why you assign that rating.**

3/5 because there are many points to improve this rating has been assigned because many misunderstandings have occurred in the works we have to perform, in what the client has wanted and has not been done.

6. How often do you train your employees? And do you consider that investment in training is reflected within the company?

Unfortunately, we have not had training for jewelers, however, we have had training to manage the accounting programs, and the different systems we have.

Production:

7. What is the estimated time required for the product development cycle?

It depends a lot on what is being prepared, it can be from 3 or 4 hours to a day, the jewelers we have are very fast, for example, two jewelers work very fast.

8. Is there a production manual and an established system where all the processes are specified from the entry of raw material to the factory?

Actually, most of our production is manual, since it is a family business. However, we have certain cutting machines and smelters, from then on everything is manual.

9. From 1 to 5 qualify the level of specialization that maintains the plant, being 1 little specialized and 5 highly specialized.

I have to qualify with 1, as I had said it is 100% handmade.

Marketing

10. Is the company recognized in the national and international market?

We have a recognition more national than international, however, we are beginning to incursion in foreign trade with the aim of taking abroad our jewels of emeralds that are highly recognized nationally.

11. What do you consider are the marketing policies that have been most effective for your company?

Actually, we do not have a person specialized in the marketing area, our secretary is in charge of social networks, but what we find most is the tourism we have since we have a show room and we are associated with agencies of travel such as The Royal Caribbean, Trip Advisor, Princes Cruises and Celebrity X Cruises.

Financing:

12. Does the company handle debt policies and how is it financed?

Currently we do not deal with credits, we manage with the investments made by our owners.

13. Do you know government agencies that offer economic incentives to MSMES and if so, what is your company managing?

The only entity that benefits us is the reduction of tax payments by the DEAN.

Critical success factors

14. You can define which elements or factors are most representative and decisive for the success of your company that have led it to internationalize.

Since we have started the internationalization process, I can tell you that the high quality of our products, as well as the variety and the beautiful designs, have allowed us to internationalize. You will not find more beautiful stones and designs than we produce here. In addition, I think you may or may not have quality raw material, but the important thing besides this is to have a skilled and agile workforce that makes produce such raw material so I consider our jewelers are really a very important factor to make that our product has the designs it has.

15. What is your opinion about the use of Benchmarking as a tool to strengthen companies? Include any comments or comments you have regarding this interview.

I think that Benchmarking in some way or another helps to provide information to improve. However, I believe that they must be companies that have a high budget to be able to do such studies. I think the interview was very clear and really interesting.

