



University of Azuay

Faculty of Legal Sciences

School of International Studies bilingual mention in Foreign Trade

*“Benchmarking study for the internationalization of MSMES of the cantons Ponce
Enríquez, Pucará, Santa Isabel and the textile sector in the canton of Cuenca.”*

Work of graduation previous obtaining the title of:

Licensed

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Cuenca – Ecuador

2019

DEDICATION

To Mom and Dad

Liz Malena Peralta Castro

DEDICATION

To my grandparents who have been an example of life and a fundamental pillar to improve myself as a person and as a professional. Thank you for taking care of me when I was a child.

To my parents Angel and Melida who day by day work with love and effort allowing me to fulfill my dreams. Thank you for teaching me that in this life there is nothing impossible

To my brothers Edwin, Janeth and Olger, who over the years have taught me how to shape my character until I become the person I am today.

Finally, I want to dedicate this thesis to all my friends who in the midst of talks and good times have given me advice and life lessons that have guided me to achieve this goal.

Jairo Ismael Samaniego Jara

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RESUMEN

El presente estudio forma parte de la segunda fase del proyecto llamado “Diagnostico de la oferta exportable de las MIPYMES de la provincia del Azuay”. Esta tesis analiza las empresas de los cantones Ponce Enríquez, Pucará, Santa Isabel y las del sector textil de Cuenca para enlistar aquellas que tienen el potencial de internacionalizarse. En base a esto se establecieron los Factores Críticos de Éxito por medio del método de Benchmarking. A través de datos macro y microeconómicos se eligió al país modelo, Colombia, del cual se eligieron MIPYMES que participan en el comercio exterior. Mediante entrevistas se analizaron sus Factores Críticos de Éxito con el fin de determinar las semejanzas y las brechas existentes entre las empresas ecuatorianas y colombianas. Finalmente, se elaboró un modelo de “mejores prácticas” como sugerencia para la internacionalización de las MIPYMES azuayas.

ABSTRACT

The present study is part of the second phase of the project called "Diagnostic of the exportable supply of MSMEs in the province of Azuay". This thesis analyzes the companies of the cantons of Ponce Enríquez, Pucará, Santa Isabel and those of the textile sector of Cuenca to list those that have the potential to internationalize. Based on this, the Critical Success Factors were established through the Benchmarking method. Through macro and microeconomic data, the country model, Colombia, of which MIPYMES participating in foreign trade were chosen, was determined. Through interviews, their Critical Success Factors were analyzed in order to define the similarities and the existing gap between Ecuadorian and Colombian companies. Finally, a "best practices" model was developed as a suggestion for the internationalization of the MSMEs in the country.

INTRODUCTION

The objective of this thesis is the continuation of the project "Diagnosis of the Exportable Offer of the MIPYMES of the Province of Azuay", contributing with the realization of the second stage. This consists in the analysis of the companies surveyed in the first phase to determine those that have the necessary capacities to be able to export. Once these companies have been filtered, a Benchmarking study will be conducted in order to determine those Critical Success Factors for internationalization, thus supporting the development of the local MSMEs and the province in general.

The importance of this thesis lies in investigating the lack of international commercial culture of the owners of MSMEs in Azuay, whose local production is characterized by the production of products that do not meet the standards required for internationalization due to the scarce capacities for processing of a large number of products with the necessary quality and continuity required by foreign trade. Therefore, this represents a barrier to local development since constant globalization has generated international trade to encompass a large sector of the businesses that are carried out in the world. That is why, a high percentage of all companies, large or small, regardless of their industry, compete day after day for profits by selling their goods or services abroad (John D. Daniels, 2013).

Today, foreign trade has become a key element for the proper functioning of companies to achieve their future objectives. This is a vision that the MSMEs of Ecuador still can not develop in its entirety, to the point that of 1'322.537 Micro, Small and Medium Enterprises that currently exist, only 9% manage to be in international markets. This affects the development of the national economy in general since this sector is the main promoter of jobs (Ministerio de Industrias y Productividad, 2017).

An excellent way to counteract this problem is through the application of benchmarking, since by observing and analyzing other international companies you can obtain and apply the strategies that led them to position themselves in the international market (Comité de Industrias Energéticas, 2007). This is a practice that is not limited to any particular area or to a certain size of company, so it becomes a fundamental tool for local MSMEs to reach the goal of internationalization. Specifically, with the best practices in the industry that lead to superior performance and apply them to achieve optimal performance against competitors (David T. Kearns, 2000). Applying this theory to the objective of this thesis,

benchmarking will allow the MSMEs of Azuay to obtain the necessary capacities to have an optimal performance in the international market.

Chapter 1: Theories of Foreign Trade, Benchmarking, Internationalization and MSMEs

Introduction

In this chapter we will study the theories of foreign trade that have been most relevant throughout history. These theories are the bases to be able to apply the project since it is based on the internationalization of the MSMEs of Azuay. Initially an analysis of the beginnings of foreign trade will be carried out and later this information will be complemented with the postulates of Adam Smith, David Ricardo, Elli Heckscher, Bertil Ohlin, Raymond Vernon and Michael Porter, which will serve to understand how this activity has advanced with the passage of time and the importance of it for the companies of the 21st century. The theory of MSMEs, whose base is fundamental to understand the functioning and importance of this type of companies, will also be analyzed. Finally, the theory of benchmarking and the theory of internationalization will be discussed, being most relevant for the study since they provide a theoretical source to be able to reach the main objective that is the internationalization of the MSMEs azuayas.

1. Theoretical Framework

1.1 Foreign Trade

1.1.1 History of Foreign Trade

Throughout history, foreign trade has been fundamental for global development. It arose as a response to the irregularity of the distribution of resources that existed in the world so it became the optimal means to satisfy the needs of a population. It has its beginnings in the colonial era, mainly with the discovery of the Americas, since it was the means by which the world powers of that time shared resources among themselves and among their colonies to increase their wealth (Giler, s.f.).

With the passage of time it was gaining more importance, when, the boom of foreign trade occurring in the year 1946 as a result of the end of the Second World War. In an attempt to improve the world economy destroyed by the clashes between the different countries, the Bretton Woods summit was created, which established the first guidelines to make way for the creation of the World Bank; the International Monetary Fund; and in the year 1947, due to the disparity that existed in foreign trade, the General Agreement on Tariffs and Trade (GATT) was created. This last agreement was, of vital importance to foreign trade, since, as the result of its seven rounds of multilateral negotiations,

important achievements were obtained such as the creation of the World Trade Organization (WTO), which nowadays is in charge of controlling the norms that govern international trade.

1.1.2 Characteristics of foreign trade

To date, foreign trade presents a great progress so it is important to know the characteristics that make this activity one of the most important for global development. There are a number, however, for this research it was decided to take into account three, for their relevance when defining what is foreign trade.

The first characteristic of foreign trade is the greater number of actors that exists compared to domestic trade. For a product or service to reach the hands of the final consumer, it is necessary to involve many more intermediaries such as currency exchange houses, transport agencies, distributors, among others, extending the supply chain. These are in charge of establishing the connection between the exporting companies and the final consumers through their contacts experience and specialization. Mainly, they transform the assortment of products of exporting companies into the assortment of products that consumers want. There is not an average number of operators since it will depend on the type of product that is exported, the size of the target market or final customer. However, it is important to emphasize that, the greater the number of intermediaries, the higher the final price of the product (Diario El Exportador, 2017).

The second characteristic is the specialization of countries. In a global market in which consumers always opt for the best products based on price and quality, it is necessary that each country dedicates itself to the elaboration of products in which it can be more competitive, giving way to specialization (Gestion.org, s.f.). In this sense, the Theory of the Absolute Advantage of Adam Smith must be taken into account. This refers to countries that must specialize in the production of goods or services in which they are more efficient (Smith, 1776). For example, a country rich in flora and fauna will specialize in the production of agricultural products, while a country located in the middle of the desert will not be able to do so. Therefore, the inability of a country to develop all kinds of products is what gives way to the existence of foreign trade.

The last characteristic of foreign trade is the use of different currencies to carry out commercial activity. Because countries usually handle their own currency, it is unlikely that foreign trade will be carried out under a single currency, therefore, it will depend on

the agreement reached between the countries and their currencies to determine the type of currency that will come into play. There are exceptions such as the European Union, in which member countries handle the euro as the single currency (Diario El Exportador, 2017).

1.1.3 Advantages and disadvantages of foreign trade

The main advantage of foreign trade is perceived by consumers. Since, this commercial activity allows people to have access to goods and services at the right time, at a good price and with the best quality, regardless of whether they are made within their country. However, consumers are not the only ones who get benefits. Companies that are dedicated to the export of goods or services also perceive advantages. The first is evident in the market. When a company decides to venture into international trade, its possibilities of sale, production and costs increase on a large scale because potential buyers increase significantly.

For example, a food company that decides to enter the US market will have access to more than 300 million consumers. In addition, according to an article published by ConnectAmericas, the rapid increase in demand for organic products in this country has exceeded the local supply capacity so the United States represents an optimal market for food exports (ConnectAmericas, s.f.). But this does not happen only in North American country, because each country has need to import, which can be covered by the countries that present a competitive advantage in the elaboration of products.

It is necessary to consider that not only the companies that enter international markets perceive benefits of foreign trade since, when developing international innovation, the products that are distributed at a local level are improved. A company can obtain advantages in production through the use of imported raw material either by quality or a more accessible price, increasing the competitiveness of the same compared to the competition.

However, one of the biggest disadvantages is that the increase in competition reduces the local or international market, increasing the risk of bankruptcy, especially for companies that fail to adapt to the changing market, which forces companies to constantly improve so that competition does not destroy them (Gestion.org, s.f.).

1.1.4 Definition of Foreign Trade

The number of definitions that exist for foreign trade is such a large number that taking into account only one of them can detract from the definition that is given later. In general, this activity can be understood as the exchange of goods or services between two countries. Enrique Cornejo Ramírez defines foreign trade as "the exchange of goods and services between residents of different countries" (Ramírez, 1996). However, this activity involves more than just bilateral exchange. Thus, the definition of it is important to take into account other factors. One of them is the satisfaction of needs. That is, the countries decide to venture into foreign trade with a prior objective. This is corroborated by Luis Ceballos, editor in chief of Commerce and Customs of Mexico, who defines this activity as the "exchange between one country and another, in terms of goods and services. In order that the nations involved can meet their market needs both external and internal" (Ceballos, 2012). That External as the income of foreign currency from the sale of products abroad and internally as the purchase of scarce products locally.

These two concepts, give a clear meaning of what foreign trade is. Therefore, for this study it will be defined as the bilateral commercial activity between two countries that occurs through the exchange of goods or services with the purpose of satisfying internal or external needs presented by both the buyer and the seller. This is regulated by rules, agreements, international treaties, among others, in order to be carried out in the simplest and safest way possible.

1.1.5 Difference between International Trade and Foreign Trade

In general, these two terms can be understood as synonyms if they are analyzed only by name. Although they are not completely foreign to each other, they present a key characteristic that differentiates them from each other. For this, Dr. Rogelio Martínez Vera explains that the difference between International Trade and Foreign Trade is based on what each implies. This author says that international trade should be understood as a joint activity. That is, all the guidelines, regulations, agreements and rules that regulate commercial activity regardless of the countries that are involved in it; while foreign trade is defined as the economic and legal relationship that arises at a particular time and place as a result of the exchange of products between two countries (Martínez, 2006).

Therefore, although both terms are interrelated, they should not be understood as completely similar terms.

1.2 Theories of Foreign Trade

Foreign trade theories that have been decisive throughout history as the way in which countries should venture into this business will be presented.

1.2.1 Absolute Advantage Theory: Adam Smith

Adam Smith, known as the father of modern economics. Among his most important achievements are the development of "The Theory of Moral Sentiments" and "The Wealth of Nations" considered the first book of modern economics which we will use to define the theory of the Absolute Advantage.

The theory of the Absolute Advantage is one of the greatest contributions of Adam Smith to international trade. It was elaborated in order to contribute to the wealth of nations leaving behind the idea of mercantilism. It proposed a different idea to the accumulation of metals as a synonym of wealth, and focused on the production capacity that each nation has. This theory results in a natural or acquired advantage. Therefore, each country must specialize in the commercialization of the product in which it has a competitive advantage, in other words, nations must focus on the product in which it is most effective or in which it needs to use less effort and productive units for its preparation. Thus, each country will specialize in a different product, allowing free trade between them and everyone would gain (Smith, 1776).

Applying it now such competitive advantage could be measured in the quality of the land, available technology, production cost, etc. However, then, Adam Smith based his theory on working hours that it would take each country to produce some good (Jaramillo, 2011).

1.2.2 Competitive Advantage Theory: David Ricardo

David Ricardo was an English economist belonging to the branch of classical economic thought. His most important work was Principles of Political Economy and Taxation, written in 1817, which led him to be considered one of the most important economists of the time. In this essay he developed the theory of Labor-Value, which served as a starting point for the Theory of Competitive Advantage. This theory was a model developed as criticism and improvement to the model previously proposed by Adam Smith. David Ricardo mentions that it is not necessary for a country to have an absolute advantage to dedicate itself to the production of a product or service. On the contrary, a country can specialize in what is most efficient and leave out the products in which they are

inefficient. In other words, the right thing to do is to produce what is easier for you with the lower costs and in this way to internationalize. (Ricardo, 1817)

The argument by which he rejected the theory of absolute advantage is that labor is not the only factor of production. On the contrary, there are three determining factors that are differences in climate and natural resources, endowments of factors and resources, and technology and specialization (Ídem).

Differences of climate and natural resources indicate that each country will have different production capacities depending on the geographical area in which it is located. For example, countries located in the tropics may produce year-round, while this will not be possible for those in temperate zones. In this sense, the difference of factors and resources refers to the fact that a country with greater oil resources will have greater facility to produce certain derivatives of it compared to one that has minimum endowments of it, and difference of technology and specialization. There will be developed countries at a high level on this issue so it will be easy for them to produce electronic devices such as computers, cell phones, etc. and others who, due to their lack of knowledge on the subject, will only have to import (Ídem).

However, this theory not only focuses on more efficient production compared to other countries, but also suggests an internal comparison and thus focus on the products in which it is more efficient at the country level and export them.

1.2.3 Factor Proportion Theory: Eli Heckscher and Bertil Ohlin

The theory of Proportion of Factors proposes that for the elaboration of a product or service two factors are needed, which are work and capital. Therefore, a country that relatively possesses abundance of one of these factors will have a comparative or absolute advantage over those that do not. In this sense, a country will specialize and export goods that for their preparation need the intensive use of the relatively abundant factor, therefore, cheap; and will import those products that are made with large amounts of the capital factor that is relatively scarce and expensive. (Bajo, 1991)

For processing, Heckscher and Ohlin's theory is based on the assumption that there are two countries in the world and that each produces two goods through the use of two factors of production (labor and capital). In addition, there are no transportation costs and the world develops free trade in which there is perfect competition in all countries and production factors are immobile between them.

1.2.4 Product Life Cycle Theory: Raymond Vernon

Raymond Vernon, American economist, states that a product goes through four stages during its existence in the market. Specifically, it establishes a predictable cycle in time that applies to all products that successfully enter a new market. This cycle consists of a series of stages (introduction, growth, maturity, decline) that represent a set of opportunities and challenges when it comes to obtaining benefits (Sandhusen, 2002).

To date, this theory has become a management tool, specifically for the marketing area, since it allows the managers and personnel in general of a company to track at what stage a specific product is located in order to determine the objectives in around a certain product and the strategies to achieve them (Thompson, 2006).

In the first stage or introduction, the product is presented for the first time as something new or unusual, either because it is innovative or because it presents an innovative characteristic. In this sense, it may be the only one of its kind in the market or it is possible that there are very few similar ones. Production is limited to its place of origin and distribution occurs in markets with similar levels of development and consumption. This stage is characterized by a low level of sales in which there are no or very few competitors, for this reason, the price of the product is high due to the unique offer. However, due to the high expenses in promotion and selective distribution, the utilities tend to be negative or very low. Due to this, this stage is key and the most complicated due to the risks that are incurred when investing considerable amounts of money in the development of the product itself (Stanton William, 2007).

In the second stage or growth, there can only be those products that managed to satisfy the market and, therefore, survived the first stage. Here sales begin to skyrocket so that production can move to other countries. The demand of the market increases to such an extent that competitors begin to emerge as the product can become almost a necessity, as happened with cell phones, that a start-up was only a novelty, but with the passage of time It became essential for the daily life of people. Another characteristic of this stage is that similar products may appear, but with new features, so that prices tend to decrease as a strategy for companies to establish themselves in the market over competition that is constantly growing. However, despite the fact that there are many competitors, the profits of the companies in this stage increase as the production costs are reduced and the promotion costs are shared among all the suppliers of the product. (Sandhusen, 2002)

The third stage or maturity is not as promising as the previous ones. Here the main characteristic is that sales fall or even stop. The competition means that only the most qualified companies manage to minimize production costs in order to offer more competitive prices than those of the competition. It is true that in this stage the sales grow, but the rate in which they do it is decreasing until it reaches a point where it stops doing it. (Ídem) At this point, the service provided by companies becomes a key point to attract and maintain consumers. Finally, due to the large number of bidders and the constant competition in prices, profits tend to be reduced.

In the end, in the decline stage, the demand decreases because the need was already covered or because it stopped being a trend in the market. In this way, sales are reduced over a long term, to the point that they could decrease, so, companies choose to change product lines, relaunch or abandon the business.

It can also be the case that there are products so similar to the original that they can even be exported to the place where the original product was made. For this reason, many of the competitors decide to leave the market. At this point, there are two possibilities, this product disappears from the market or the continuity of the product's life cycle through the redesign (Vernon, 1966).

1.2.5 Theory of Competitive Advantage: Michael Porter

Michael Porter, explains that a competitive advantage is any unique and sustainable characteristic that a company has around its competition and that therefore generates a relative superiority in the market. There are many characteristics that can become competitive advantages, among the most common are the quality of the product, technology, personnel, infrastructure, production, etc. For a feature to become an advantage it has to meet certain requirements such as allowing the company to perform better than the competition, increase profitability above the average of the market or sector in which it is focused, be sustainable in the medium and long term time; and, finally, the feature must be difficult to achieve by the competition. In order to create a competitive advantage, the company can focus on two key aspects. One of them is cost leadership and the other is differentiation (Porter, 1991).

A leadership in costs is characterized by having a characteristic as a company that allows it to produce a product of similar quality to that of the competition, but at a lower cost. This allows the company to offer this product to the market at a lower price, so the

probability of sale increases. On the other hand, a competitive advantage through differentiation is that the company makes available to consumers something that is unique or novel that makes it stand out from the competition.(Ídem) For this it is possible to focus on the characteristics of the product such as design, shape, durability, in the characteristics of the company such as the way in which it conducts business, how it relates to customers, prestige, etc.; and many other ways that add value to the final product.

Additionally, in the Porter Diamond, it is possible to determine the factors that make countries more competitive to achieve business success. It has four elements that are intrinsically related because, if one increases or decreases, the others are affected positively or negatively. The factors are:

Conditions of production factors, where labor is considered as scientific knowledge, the existence of natural resources, infrastructure, machinery.

Conditions of demand, refers to the demand of buyers at the local level to directly influence the continuous improvement of their products and services in order to create innovation and meet high levels of quality.

The related and support sectors determine the number of suppliers that exist and which of them becomes fast and secure in their products or services, generating a trusting environment where the supplier / company information allows them to grow mutually.

The strategy, structure and rivalry, allows to know the process of creation of an organization, business management, and the existing rivalry between companies of the same sector.

Porter affirms that it is not necessary that these elements obtain their functionality at 100% since, for their excellent performance, they must act in a balanced manner. For this, he mentions two other external factors that significantly influence the performance of companies: Government and Chance. The first is determined as laws and governmental decisions that positively or negatively influence the local and international business development. The second refers to all activity outside company, such as financial crises, technology development, corruption, wars.

This Porter study becomes important because it informs about the competitiveness that exists between company or country, and in turn determines the factors in which they must be improved so that the missing competitive can be increased. (Porter, 1991)

1.3 Analysis of MSMEs

1.3.1 What is a MSME?

MSME by its acronyms refers to all companies that are within the range of micro, small and medium enterprises. An essential characteristic of these is established by the International Accounting Standards Board, or as is commonly known worldwide, International Accounting Standards Board (IASB); in its publication International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) states that these entities are not required to render accounts. That is, they must not present their financial statements to the State or to the internal regulation entities of the country in which they carry out their activities. (Consejo de Normas Internacionales de Contabilidad (IASB), 2009) Therefore, a MSME is any company that, for the fulfillment of its daily activities, handles minimum or low amounts of money to such an extent that it does not need to make the declaration of its income before a financial regulation entity.

1.3.2 Types of MSME

In Ecuador there are around 1'322,537 Micro, Small and Medium Enterprises that currently exist but only 9% manage to be in the international markets. These become very important because they generate 90% of business network in the country (Misterio de Industrias y Productividad , 2017). MSMEs are classified into two groups. One is made up of microenterprises and the other is made up of small and medium-sized companies. These classification ranges will be detailed below.

1.3.2.1 Microenterprise

This type of company is considered as a solidarity economy, so it is defined within the Law of Popular and Solidarity Encomia as any organization dedicated to the production of goods and services either for self-consumption or for sale in a market in order to generate income for subsistence through self-employment (Instituto Nacional de Economía Popular y Solidaria, 2012). They are made up of one to nine workers and their annual sales reach up to \$ 100,000 (Instituto Nacional de Estadísticas y Censos, 2014).

1.3.2.2 Small and medium enterprises

The Organic Code of Production and Investment, COPCI defines this type of company as any natural or legal person that exercises a production, trade or service activity, becoming a productive unit. The exact category to which they belong will depend, as with the micro-enterprises, on the number of workers and annual sales. (Servicio Nacional de Aduana del Ecuador, 2010)

In this sense a small company will have a total of workers that can vary between ten for forty-nine. And the amount of annual sales will be more than \$ 100,001 and less than \$ 1,000,000. Meanwhile, the median company is divided into two types::

- **Medium-sized company type A:** Of 50 to 99 workers and with sales from \$ 1,000,000 to \$ 2,000,000
- **Medium type B company:** from 100 to 199 workers and with sales from \$ 2,000,000 to \$ 5,000,000 (Instituto Nacional de Estadísticas y Censos, 2014)

It should be noted that, when determining the type of company, the gross value of annual sales will predominate over the number of workers. (Servicio Nacional de Aduana del Ecuador, 2010)

1.4 Theory of Benchmarking

"If I have been able to see further, it is because I have leaned on the shoulders of giants" (Isaac Newton, 1800). Benchmarking is a term that can hardly be translated or defined in a single word, however, it is explained as a measure of quality where companies can make use of their systemic and continuous process to evaluate, understand, diagnose, measure and compare the various administrative departments, business practices, processes, services, products and prices of competitive companies engaged in similar business practices. So, it is a set of key and very important information called corporate intelligence information because it analyzes the best practices or processes to apply them within the organization.

1.4.1 Background of Benchmarking

The term benchmarking sounds innovative, but in reality it is a practice that has historically evolved. Within this research, it is intended to chronologically relate the origin of benchmarking during different passages of time.

The first historical antecedent, where the first practice of benchmarking appears, is located in 500 BC. At this time General Sun Tzu of China wrote in his book *The Art of War* the following words: "Know your enemy, know yourself and your victory will never be threatened. Know the terrain, know the weather conditions and your victory will be total ". This is how this writer narrated that, to win a war, more than knowing the battlefield, there were other factors that should be taken into account for the total triumph. For this, the generals had to know in what state the enemy was, how they used to act, what their weapons were and with what personnel they had to ensure success.

The second historical antecedent is known as *Dantotsu*. For several centuries this word has been considered as an essential axis in Japanese thought, because it means "strive to be the best". It is clear that this is a practice in Japanese culture where the spirit of benchmarking is perceived since this abbreviation is considered as a way of life, since the Japanese work daily to be more than number one. Robert Camp, in his book explains, briefly, that *Dantotsu* is a performance practice par excellence, it is not about being the best but doing the extraordinary (Robert Camp 2001).

A more recent event, the Second World War, is located as the third historical antecedent. In this period, the term reverse engineering appears, The objective of which was to seize the best pieces of aircraft, machinery and weapons to improve them. This process was carried out through a thorough analysis to determine the materials in which they were made, which made the product work, and how it was manufactured, then used the old design code and modified it to improve its operation. This term is also commonly used and applied to software and all kinds of elements such as electronic equipment, since it seeks to discover how a program whose code is not available in order to improve it works. (Watson, 1993)

After the Second World War, in the year 1945, the Japanese industry at that time was totally non-existent. Due to the devastation that Japan suffered during the war due to the bombing of a large part of its factories, the units of Japanese industry were reduced to a minimum. However, as part of their beliefs and their *Dantotsu* way of life, the idea of establishing a strong and profitable, totally vibrant manufacturing industry was born. In this way, several Japanese traveled to the United States to observe and understand how industries worked and how to adapt them to their environment through best practices and continuous improvement. It is at this stage that the name of benchmarking appears with its first steps, because not only Japanese companies began to travel to the United States

to learn, but much of Western Europe that was in terrible industrial conditions at that time. (Keegan, 1998)

For the decade of the 70s, the Japanese company Xerox Corporation, is the one that promote and spread the term of benchmarking since this company wished to improve the logistics of shipment of its products and the reduction of costs in supplies to perfect the company. Xerox presented several problems because their orders were scarce, their prices were very high and they had a large number of workers who did not respond to the delays they had with the products. In this way the company made a comparison between the performance of the company and its competitors. It was based mainly on the areas of production, production costs, operating processes, times, cycle, distribution channels, commercial logistics, sales prices, points of sale and key features of the product. (Valls, 1995)

Due to this performance comparison Xerox was able to determine and analyze the existing gap of the company in relation to its competition and for the year of 1983 great success was achieved, since the applications of these new processes boosted the business so that the general manager ordered the prioritization of the application of benchmarking in all the products launched, maintaining as a fundamental axis the excellence in quality of processes and products. As time progressed, the benchmarking technique has been perfected. Currently this technique is fully applicable as it seeks continuous improvement through the best practices of similar commercial companies. (ibídem)

1.4.2 Definition of Benchmarking

The definition of benchmarking can not be achieved only with the translation of the English word; it must be taken into account that this is a technique that fulfills a process of continuous improvement in quality. This practice becomes important behind the activities of strategic planning, organization and processes in which it is intended to achieve full professional development. The information obtained through this practice is valuable and very important because by learning the best companies you can take advantage of ideas to improve them and adapt them to the organization.

A definition that comes from the experience of the application of this technique is David Kearns, CEO of Xerox Corporation, who defines benchmarking as:

Continuous process of measuring products, services and practices against the toughest competitors or those companies recognized as leaders in the industry.
(David T. Kearns, 2000).

Within this definition, it can be analyzed that the word continuous is key for the development of benchmarking, since it not only deals with its application once, but it is the constant development to remain as the pioneers in the industry. David Kearns explained that this is a tool that can be applied in all facets of a business because the main intention of this utility is to compare processes, create and adapt new models and apply them. The information must be taken exactly from companies recognized as leaders of the industry since these are the ones that have managed to overcome the barriers and stagnation to achieve positioning as the best.

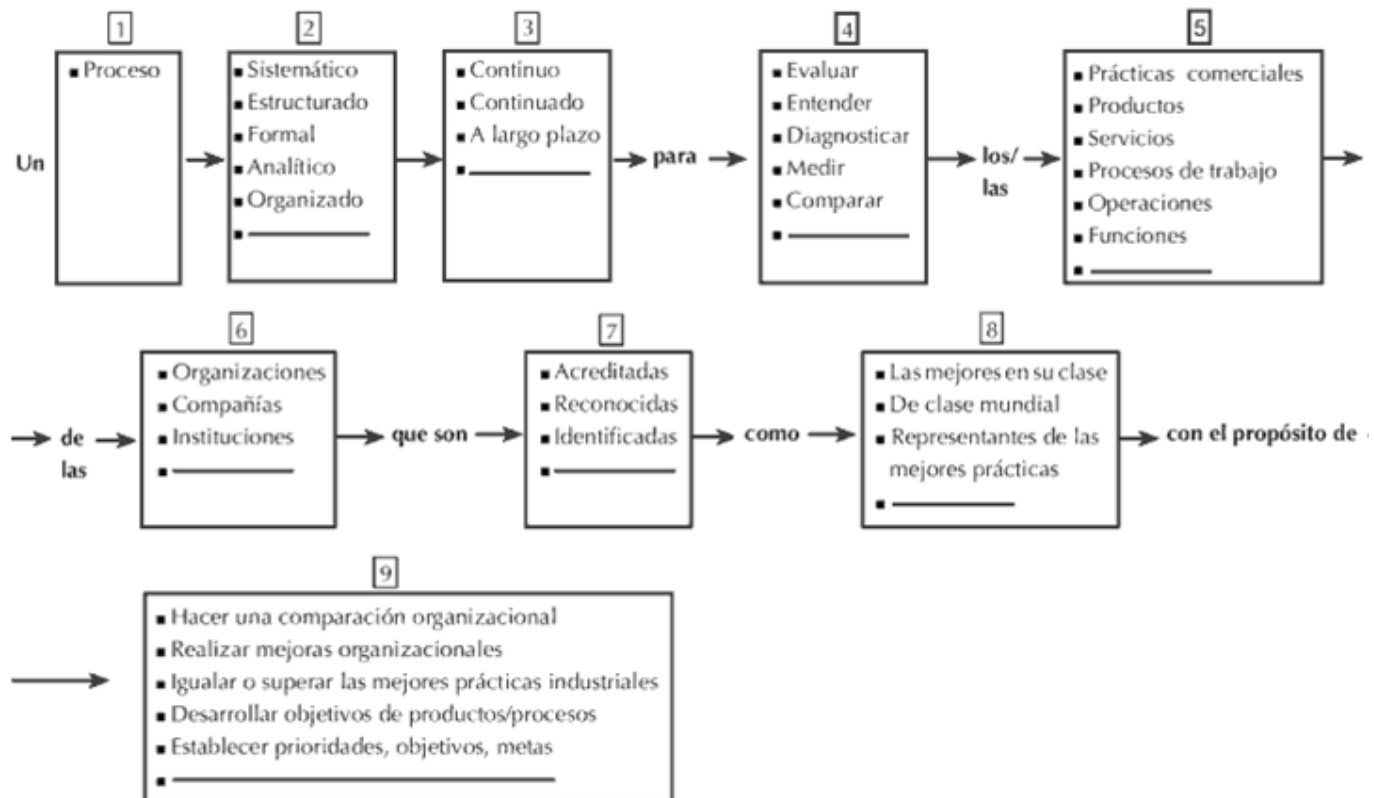
A more extensive and deeper definition has been obtained from Robert Camp, who is also based on the experience he had within the Xerox corporation:

Look for industry best practices that lead to superior performance and apply them.
(Evaluación comparativa: la búsqueda de las mejores prácticas de la industria que conducen a un rendimiento superior, Robert C. Camp, 1989)

This definition can rescue the enormous pool of knowledge and experience that must exist to apply this technique because it seeks the best practices to apply to the environment of the company and achieve full industrial development; At the same time, a superior development will be achieved in front of the competitors, since an excellent performance is obtained, profitable businesses, complete satisfaction with the clients while obtaining an advantage over the competition.

For an extension and deepening of the term benchmarking within the most relevant and significant definitions is the explanation of Michael Spendolini who needs it as: Benchmarking Process. This can be defined as one of the complete proposals. Spendolini obtained the information of 57 companies in which through interviews and several analyses it was concluded that there are 9 key characteristics to follow in order to achieve the goals and objectives of company.

Ilustración 1 Proceso de Benchmarking por Spendolini



Elaborado por: Michael Spendolini
Fuente: "Modelo de Benchmarking"

Fecha de elaboración: 1994

Benchmarking is a continuous process, it will not solve immediately the internal problems and it is not a recipe which can be applied only once in the company. This process is the search of the best practices of similar companies to be able to transform them and adapt them to the environment. For this, it must be considered that those that were used today may not be applicable within a year, for which the Illustration 1 will be explained

1. *Process*: It is considered as a process due to the set of successive and ordered phases that this technique has in order to reach the goal. That is, it involves all the internal and external interactions of the company in order to evaluate the problems, opportunities and threats that allow the change.
2. *Systematic, structured, formal analytical, organized*: The idea of this practice is to adjust to a system, that the approach to change is based on a special classification of best practices, proceed with organization and above all be part of a thorough study of the components and features for the solution of the company's problems.
3. *Continuous, long-term*: It is understood that benchmarking is a technique that should last in the long term, however, we must bear in mind that this is a model

that should not only be applied once in the company due to the constant changes within a world every time more globalized in which competition improves continuously with innovations to position itself as number one. That is why, with the changes that exist in the industry, the benchmarking model applied today will have to change for the following year.

4. *Evaluate, diagnose, understand, compare:* In this step you must determine the situation in which the company is located, its own or internal processes, should focus on the negative responses it has and the critical success factors that do not allow the company to move forward and take possession.
5. *Commercial practices, products, services, processes, operations:* It must be understood that benchmarking is not based on the application of the technique in a single department of the company, but rather it is adjusted to all the activities of the organization. This set of simultaneous actions will facilitate the final result.
6. *Organizations, institutions and companies:* The real intention of benchmarking is the application in different companies and in turn that the model to be followed is based on commercially similar leading companies.
7. *Recognized, accredited, identified:* These companies, which are intended to create the model to follow the best practices, must be fully recognized as leaders and potential candidates within the global competition.
8. *The best in its class:*
9. It is intended to obtain information from those organizations that are fully developed, those that are within the top of an established ranking. This existing material is extremely valuable and of high quality because these companies will create the new model to follow.
10. *Make the comparison:* At this level, when the company has been evaluated internally, companies that are in full development and the best practices they use to achieve success have been classified. You can determine the existing gap between the two companies to create a model to follow in order to solve the problems that were detected and adapt to the environment the new guidelines to follow for business success.

To conclude the benchmarking definitions, it is convenient to present the following quote. Antonio Valls states that not only do you need to imitate a model or an established

practice, but you must deepen it to adapt it to the local environment where the company is developing:

Benchmarking does not try to copy. The idea is to stimulate creativity at the moment of adapting to our culture the superior practices that occur in other organizations or within our own, to achieve excellence and access leadership (Valls, 2000)

It is very important to emphasize that despite the various definitions of benchmarking all conclude that the essential objective of this practice is in the knowledge and observation of the company, which will analyze the procedures used in high performance organizations to adjust them and improve them within the organization.

1.4.3 Types of Benchmarking

1.4.3.1 Benchmarking Internal

It is important to understand that benchmarking can be done internally, that is, a company by analyzing its own areas, comparing with the performance and performance of others. At this point you can detect those strengths that the organization has. By using this methodology, you can determine which are the most efficient and efficient processes in relation to others. This form of benchmarking allows to know and detect internal development patterns (Information Systems Evaluation and Integration Group, 2013).

The benefits of applying this method are immediate, because several organizations can perform the internal audit in a quick way so that the information is available. Consequently, the obtained information can be transmitted to other departments and make comparisons. It should be noted that it is essential to have knowledge of the company since this is the basis for further research you want to perform and in addition to the information passes from one department to another to promote an active and strong communication among those who participate in this method (ibid).

It is clear the advantages obtained through this, however, there are disadvantages and one of them is the comparison with another point of view. That is, other factors of other companies are not taken into account to determine a shortage or a gap that exists to improve the performance of the department.

1.4.3.2 Benchmarking Competitive

Direct competition makes this method different since it must identify products, services, processes, quality and production in relation to other companies. The main objective of this type of benchmarking is to find the information of a strong competition, which how better capacities to compare it with the company. This information is very beneficial for a product in the market to obtain favorable results when applying strategies that the other companies have worked (Information Systems Evaluation and Integration Group, 2013).

Sometimes the procedures that are extracted from the competition can be used in the organization itself without any complications. Another point to consider is that competitors can also use benchmarking and it is sometimes possible to share information between both, obviously, certain confidentiality parameters are established to achieve this.

This type of benchmarking is much more complex to perform because there may not be willingness of some companies for access their internal information since distrust increases and it is not common in the business field to share this information as the competition is considered as the rival. (ibídem)

1.4.3.3 Benchmarking Functional

For this type of benchmarking it is important to detect the competitors that are the pioneers in the industry, they do not necessarily have to be within the same sector, since it is not necessary to focus only on the direct competitors since it seeks to apply the knowledge acquired on the basis of your own needs. The reason for applying this method is great due to the interest that exists for other companies in sharing their information and in turn improving it to share it again. That is why this type of benchmarking becomes as its own name says functional. (ibídem)

1.5 Internationalization of MSMEs

The internationalization of a company can be defined as the process in which it develops its capabilities in a foreign market. This is not an issue that occurs in a fragile or rapid way, it is created over time and evolves differently. It involves time, preparation, design, financing and other important factors to achieve it. The main objective is to adapt the final products to the market that is going to be directed, since when leaving the borders of the country you will find new cultures and needs of the clients (Fanjul, 2017).

1.6. Means for Internationalization

The internationalization of a company does not have a prescribed manual because it occurs in different ways in different places. However, we must take into account factors such as business activity, sector, size, and destination country among others to know how to internationalize. There are different means by which the company can spend to reach this process.

1.6.1 Influence of imports as an internationalization process

The intention to import products is mostly to acquire raw materials, or new technologies to produce a quality product. This space is also known as internationalization, since its first operations are done in this way by contacting companies abroad (Fanjul, 2017).

1.6.2 Importance of export as an internationalization process

It is where the final product arrives in a destination country, that is, after taking the first step, the import, the second step is taken, the export. However, it does not necessarily have to be imported to export (ibídem).

1.6.3 Commercial internationalization

The company is established with a representative department or with the company itself abroad, and not only commercializes its products, but also has offices and representation in the country to enable orders. This process is known as one of the variations that the franchise has (ibídem).

1.5.4 Productive Internationalization

In this form of internationalization, the productive part of the company is implanted in another country. This brings benefits such as a large reduction of tariffs or relocation where labor is much cheaper. As in the previous case, this process is part of one of the variations that the franchise has (Fanjul, 2017).

1.5.5 Globalization of the company

The management of the company completely loses its nationality and this begins to be a global company that is to say that the company begins to divide its departments and places them in the countries where greater benefit can be obtained (ibídem).

1.6 Theory of internationalization

This theory states that internationalization responds to the recognition of imperfections in foreign markets and the knowledge thereof to determine the degree of investment that must be made by organizations. It is understood as the set of operations that allow a

company to establish links with international markets through a process of growing involvement and international projection. (Lawrence Welch, 1988) For a company to have the ability to compete internationally, it is necessary a correct combination of local circumstances and business strategy that benefit the company when it comes to achieving a competitive advantage abroad (Porter, 1991).

For a company to venture into an international market there are two approaches. These are the Uppsala and Born Global model.

1.6.1 Uppsala model for the internationalization of companies

Also known as gradualist theory, it was first developed in the sixties with the production of the articles by Johanson and Wuedersheim in 1975 and Johanson and Vahlne in 1977, and then completed by Johanson and Vahlne in 1990 and Vahlne and Nordström in 1993. Their hypothesis states that a large number of companies start spontaneously conducting international operations and when they are still small to gradually expand in general. The company first performs commercial activities in the national market and internationalization occurs as a result of a set of incremental decisions (Yesid Aranda, 2006).

This occurs in four stages that are irregular exports, export through an independent agent, establishment of a commercial branch in the foreign country and ends with the establishment of productive units in the foreign country (Alan David Maccormack, 1997).

1.6.2 Born Global model for the internationalization of companies

Born Global companies are those that, since their creation, seek to participate in international markets through a significant competitive advantage and the sale of their products in multiple countries. These organizations are born with a commercial and business perspective that is not limited to local or national borders (Benjamin M. Oviatt, 1994).

These are characterized by being small and medium entrepreneurs of young people created in traditional sectors or high technology (D. Deo Sharma, 2003). In general, it does not have a great variety of products because they focus on choosing markets with homogeneous clients, allowing them to make minimal adaptations for incursions in several markets (Oystein Moen, 2002). One of its advantages is its entrepreneurial capacity to be directed by proactive people with experience and academic training that has allowed them to develop a set of knowledge and skills that facilitates the direction of

the same (C. Shrader, 2000). However, the risk handled by these organizations is high because they are new companies that lack experience to face challenges and problems that may arise (D. Deo Sharma, 2003).

Conclusions

From Chapter 1, it can be concluded that international trade allows residents of different countries to exchange goods and services among themselves as the main means to solve the irregularity that exists in the distribution of resources. It has been present throughout human history and has evolved over time becoming one of the most important activities of the economy today to the point that it has ceased to be an option and has become a necessity.

Despite their importance, MSMEs in Ecuador have not developed optimally in this area due to the lack of international commercial culture which has created a disadvantage for the national economy 90% of companies in Ecuador belong to this sector, therefore, changing this reality is fundamental for the development of MSMEs and the national economy in general.

To achieve this, it has been determined that benchmarking is an appropriate tool for MSMEs since it allows them to learn the critical success factors of companies that are already successful in foreign markets to adapt them to their needs. It should be noted that benchmarking does not consist in copying but in learning from the best.

In this sense, there are two forms of internationalization. The first is the Uppsala model, which consists of entering foreign markets spontaneously through experience in the local market and then, through successive stages, selling their products outside the country. The second model is the Born Global in which a company is created with the aim of selling its products in foreign countries leaving aside the local market.

Chapter 2: Situation and performance of the MSMEs of the cantons Ponce Enríquez, Pucará, Santa Isabel and the textile sector in the canton of Cuenca.

Introduction

MSMEs are the engine of a country's economy. In Ecuador, SMEs represent a large percentage of productive units within their economy. Currently, the government recognizes the great contribution that these companies make, since it covers 75% of the economically active population. There are institutions that offer training so that companies can improve in quality, product presentation, standardized processes and more. However, there are still challenges that affect the consolidation of a strong guild for participation in international business. According to Effexor, for the year 2012, 676 MSMEs are exporters and there are 2,000 enterprises that try to venture into the international market. Being these companies, of vital importance for the economic development of the country, the internationalization of them is sought.

This chapter records continuation of the research project of the University of Azuay “Internationalization of MSMEs of Azuay, diagnosis of exportable supply”.

The internationalization of companies is always a beneficial factor to obtain a better market and a larger number of clients. In this chapter the ability of companies to internationalize in the assigned cantons: Ponce Enríquez, Pucará, Santa Isabel and the MIPYMES of the textile sector in the canton of Cuenca is analyzed. The analysis is based on the sectors: administrative, productive, financial and commercial of each company; in order to determine which companies can develop foreign trade, and in turn will select the Critical Success Factors that they have, since they are the key points that define and guarantee the development and growth of companies.

2. Methodology for the determination of MSMEs with the ability to internationalize

To determine the companies that have the necessary capabilities to enter the international market, the information collected in the first phase of the project will be used as a basis. The qualifications assigned to each of the companies and the comments made by the researchers regarding the positive and negative aspects of the same will be taken into account. The selected companies will be those that reach 80% or more of the individual total rating. It should be noted that, for the assignment of the respective qualifications,

four different areas of each company were analyzed; administrative, productive, financial and commercial.

For the corresponding analysis, first a brief summary of the examined company will be made, then it will be determined if it is suitable for this phase of the project based on the general qualification that will be presented through the corresponding table. This will have the name of the company, the rating of each of the areas analyzed together with the percentage, and the total score acquired by the MSME in numbers and percentage.

Consecutively, a summary of the key features of each of the areas of the company in which the administrative and productive part in a paragraph will be analyzed, and in the following everything related to financial and commercial will be made.

2.1 Selection of the MSMES of the canton Camilo Ponce Enríquez

Within the canton of Camilo Ponce Enríquez, 6 companies were detected with the possibility of becoming international according to the research carried out in the first stage of the project. In this second phase it was determined that, of the 6 companies, only 2 will be taken into account in this analysis because the rest of the companies do not comply with several important characteristics to enter the international market.

2.1.2 MSMES canceled from the canton Camilo Ponce Enríquez

Of the total number of companies analyzed, it was possible to determine that there are 4 entities that will not be part of this project due to the fact that they have several limitations to perform in the local area, and even more to enter the international arena. Many of these shortages were included in the productive area, since the capacity of the same, was limited only to quantities for a small territory, did not have infrastructure or machinery necessary to meet a greater demand, and its suppliers were not qualified or selected so the quality of the product varied. In addition to not having the support of financial institutions, management in the financial area is scarce. Some of the products offered by these companies do not present higher profitability, since the profits were minimal, the administrations of these entities are in charge of small producers with clearly local visions.

- Association “Esperanza del Buen Vivir ASOPRORIDA”
- Association “Vivero de las Orquídeas de las Princesas”
- Association “Prestación de Servicios de Camilo Ponce Enríquez ASOCAMPON”

- Mining Company Ecuador Gold

2.1.3 MSMES selected from the Camilo Ponce Enríquez canton.

Next, the details of the companies of the canton Camilo Ponce Enríquez that will be part of this study are listed.

- Association of agricultural workers of Shumiral ASHUMIRA
- Gold and Metal “El Inca”

2.1.3.1 Association of agricultural workers of Shumiral ASHUMIRA

This company is responsible for the preparation of cocoa paste bitter and sweet, also made chocolates, but this activity only made by order. It was established in 2013 and currently has 15 members.

The company, within the productive area, has a process of selection of ripe fruits that are identified and separated by color. They produce around two tons of product per month and their production has the capacity to extend up to 6 tons. Its technology and machinery is complete so that its products are of quality. In the financial aspect, they are the same partners who inject capital into the company or at the same time are the main ones who contribute to the investment. They do not have credits in the financial system.

In the commercial area, the company is managed by two brands that are Shurumira and Romes. It does not have a list of fixed clients, however, its recognition for the quality of its products has been extended to international fairs. The company is in a position to export, but due to a failed project in previous years it was not possible to sell its product to Japan.

2.1.3.2 Gold and Metal “El Inca”

This association is mainly engaged in the production and sale of gold. It was founded in 2011 as a de facto company, but in 2016, due to the regulations of the law, it is recognized as a company. The company consists of 12 partners.

The company has security areas, medical department, kitchen and an administrative department located in the center of Ponce Enríquez. In the productive area the company processes around 150 tons per month which is the result of two kilos of gold approximately.

The product is exported, but, within logistics, this company is responsible for delivering the final product that are rectangular bars to the city of Machala where they are exported

to China and the United States. The partners are the ones in charge of obtaining their own clients, that is, each partner will sell the part that corresponds to the client that has.

2.2 Selection of the MSMES of the Pucará canton

Within the study of the first phase of the project it was determined that there are two companies that could be part of the second stage. Unfortunately, in the respective analysis none of the companies in this canton comply with the specific requirements and with the requested score. There are major shortcomings in the companies in terms of productive, financial, commercial, and administrative areas. These companies only dedicate themselves to a purely local production, even in quantities lower than the demanded one, they do not show optimum levels of production and there is no extra performance for the final product. They are companies that, within their objective, do not take into account the growth or development of the same, there is no aspiration. Their planning in terms of product distribution is scarce, there is no departmental organization and they are even too small to have it.

2.3 Selection of MSMEs in the canton of Santa Isabel

In this canton there are a total of 684 economic units of which 610 are within the category of single establishments, 12 as a parent establishment, 42 branch establishments and 20 as auxiliary premises. Together, they generate jobs for 1,381 people. As for commercial organizations, in Santa Isabel there are a total of 130 organizations that are classified as follows. Improvement Committee 81, Producers Associations 7, Merchants Associations 4, Professional Associations 3, Transport Cooperatives 14, Educational Institutions 7 and Sports Clubs 4. However, despite the large number of actors that are located in this area, only seven economic organizations qualified for the study of the project, of which only four were analyzed. The reason why the others were not taken into account is that they are branches of companies whose headquarters are located in Cuenca.

The companies that were taken into account for the development of the present investigation are:

- Dairy Producers Association San Fernandito
- Liquor company Los Faiques
- ASOPROCSI, Association of small coffee producers of Santa Isabel
- Association of cañicultores La Sulupaleña.

When the respective analysis was carried out it was possible to determine that none of these MSMEs complies with the export parameters due to their low score in the 4 areas studied.

The following common flaws were found. In the administrative part, it is not known how they are internally organized, they do not have established processes or personnel in charge in the different work areas. In the productive, there is no respective planning, the market is scarce and varies, therefore, they are not clear how much they will produce in certain periods. In addition, they do not have any type of sanitary registry, certificate or necessary permission; They also do not have the necessary machinery to make their products.

Unfortunately, their only source of funding is through the partners and they do not have external sources, other MSMEs are still under construction at the factory and their economic capacity does not generate large incomes. Finally, in the commercial part, they have not yet launched any of their products with registered trademarks, so they do not know what the acceptance of their flagship product would be and they identify their competitors by placing them at a disadvantage. Finally, they do not have a target market and are limited to selling locally. In addition, much of the productive resources such as land and water, are atomized in holiday and recreational villas.

2.4 Selection of the MSMES of the textile sector located in the canton Cuenca of the province of Azuay

Within the Cuenca textile sector, it was possible to determine 13 companies for the first phase of the project, as mentioned above, only those companies that reach at least 80% of the ExportAudit will be selected. Within this analysis, the following areas were taken into account: administrative, productive, financial and commercial. For the corresponding analysis, first a brief summary of the company will be made, then it will be determined if it qualifies for this phase of the project based on the general qualification that will be presented through a table.

2.4.1 MSMES canceled from the Textile sector of the Cuenca canton

2.4.1.1 Dicovs, Diseños, Confecciones y Ventas Cía. Ltda.

This company does not meet the requirements and score established to be part of this research, due to the decreasing line that has been generated in recent years by the creation of the tram in the city. In the administrative area, its qualification is affected by its internal functioning because there is no organization and trained personnel in the different areas of work. In the productive area it is possible to be emphasized that the company is adapted for a wide production, nevertheless, by the situation in which it finds at the moment it only operates with 40% of its capacity. There is no quality control, however, the administrative manager performs certain inspections at certain times. As for the commercial area, this is the one with the lowest score in the areas. This is because there is no staff responsible for the distribution and sale of your product, also does not have staff responsible for marketing and advertising. They are managed by social networks, this being their main promoter in terms of dissemination. They are not interested in exporting due to the debt they keep of their mortgage.

2.4.1.1 Homero Ortega Peñafiel e Hijos Cía. Ltda.

This company was founded in 1972 so it has more than 45 years of experience in the market. It is dedicated to the manufacture of toquilla straw hats and is constituted as a limited company so it is part of the Superintendency of Companies. With an almost perfect score, this company will not be taken into account in the present investigation, because its products are already commercialized in several countries on all continents, therefore, a study of it is not necessary.

2.4.2 MSMEs selected from the textile sector of the Cuenca canton

2.4.2.1 Areldi Jeans (87%)

This company has managed to position itself in the national market and has a trajectory of 37 years. During this period they have gained great prestige at the national level. This company started only with jeans production. Currently has a wide range of high quality products such as casual clothes with details and designs for men, women, children and babies.

It can be analyzed from the following table that this company has the capacity to internationalize because its total valuation is within the minimum required range. The score over 5 is 4.36, which represents a percentage of 87%. Next, will be specified the reasons why the company enters this investigation.

Table 1 Areldi Jeans puntaction

Areldi Jeans		
Area	Qualification	Porcentage %
Administrative / 0,50	0,39	8%
Productive / 2,00	1,86	37%
Financial / 1,00	0,97	19%
Commercial / 1,50	1,14	23%
Total / 5,00	4,36	87%

Elaborated by: Peralta, Samaniego Date of elaboration: October 30, 2018

Source: "Diagnóstico de la oferta exportable del Sector Textil en el cantón Cuenca de la provincia del Azuay."

To begin, in the administrative area, you can recognize the successful trajectory it has because its recognition at the national level is exceptional. This can be seen through their organization and compliance with goals in an orderly manner, since they have a business organization chart that details the processes of each area of the company and employs personnel clearly trained for the established activities which results in a product of the highest quality. Regarding certifications, the company does not have any, but, at times, it has sent its merchandise to the United States and Spain. It should be noted that there is a small fear of exporting because they are aware of the disadvantages that the country has to compete with foreign companies in Peru or Colombia. The productive area stands out remarkably due to the fact that a large part of its process is mechanized, they also have quality controls and trained personnel for the handling of the machinery. They supply the local market and if they carry out an export plan, they are in the productive conditions to do it. Their suppliers of raw material are previously selected according to the quality that is required, they also carry an inventory of them.

In the financial aspect, it is well structured due to the fact that they make an annual budget for their activities, they have personnel in charge of accounting and they even have organized systems to be able to recover the investment in a certain time. In addition, it has bank financing, which represents an important support to improve infrastructure and machinery. Within the commercial area it is important to mention that the company has personnel for the Marketing and sales area, they also have a website and manage social networks as a means to carry out promotions.

2.4.2.2 Clothing Industry Referee Cía. Ltda. (88%)

This company was founded 11 years ago, in November, 2007. It is dedicated to the development, design and marketing of sportswear for women, men and children. They

specialize in athletic apparel, gym, cycling and hiking. In addition, they manufacture sports uniforms for schools, colleges and sports clubs. The staff is previously trained in the different seminars offered by the Chamber of the Small Industry of Azuay (CAPIA).

Regarding the obtained qualification, its score is 4.41 out of 5, which represents 88% in percentage. Therefore, it is within the minimum qualification required to be part of this project. Next, it will be detailed the characteristics of greater relevance that the company has to be part of this investigation

Table 2 Referee Cía. Ltda. Puntuation

Clothing Industry Referee Cía. Ltda		
Area	Qualification	Porcentage %
Administrative / 0,50	0,38	8%
Productive / 2,00	1,93	39%
Financial / 1,00	0,92	18%
Commercial / 1,50	1,18	24%
Total / 5,00	4,41	88%

Elaborated by: Peralta, Samaniego

Date of elaboration: October 30, 2018

Source: "Diagnóstico de la oferta exportable del Sector Textil en el cantón Cuenca de la provincia del Azuay."

The company is not only recognized locally, but its short period of operation is already recognized nationally. Administration area, the company has personnel trained in the different existing areas, in addition they have a strategic plan that they develop in the short and long term to reach their objectives and goals. In addition, they have a procedures manual that helps them obtain the best quality in their products. They belong to the Chamber of Industries, Production and Employment (CIPEM) and CAPIA. The company has not ventured into foreign trade and is not interested in doing so in the short term, but, in order to achieve its long-term objectives, they have to export. In the production area, there are few processes that are carried out manually since a large part of their production is mechanized. There are schedules of quality controls and trained personnel for the different stages of this procedure. Its production capacity is great because there are times when demand can double. The raw material is high technology and in turn always seeks new designs and trends according to the sports branch in which they are working.

Within the financial area it has the development of an annual budget for the various activities that this company has. They have established their point of balance and cost of production which allows them to carry their information in an orderly manner regarding

the unit value of each product. In case of entering into foreign trade, its financing would be entirely internal. As for the area of commerce, they have trained personnel in the areas of marketing and sales. It has a website and social networks management since they are its advertising sources. Likewise, they use these sources to carry out promotions or launches of their new products. They have distribution channels for those customers who purchase their products en masse.

2.4.2.3 Kossmoran Cía. Ltda. (82%)

This company started its activities in 1983, it has been in the market for 34 years and its main production is focused on making sports and casual clothes for men, women and children. Their products have great recognition locally because of the quality they offer their customers. In addition, it has two stores in the city where they sell their products.

In the following table it can be analyzed that Kossmoran is within the minimum score required for this research since its total score is 4.12 out of 5, which represents 82%. Next, we will highlight the most important characteristics that the company has to reach this percentage.

Table 3 Kossmoran Cía. Ltda. Puntation

Kossmoran Cía. Ltda.		
Area	Qualification	Porcentage %
Administrative / 0,50	0,28	6%
Productive / 2,00	1,76	35%
Financial / 1,00	0,94	19%
Commercial / 1,50	1,14	23%
Total / 5,00	4,12	82%

Elaborated by: Peralta, Samaniego Date of elaboration: October 30, 2018

Source: "Diagnóstico de la oferta exportable del Sector Textil en el cantón Cuenca de la provincia del Azuay."

To start this brief analysis it is important to highlight that the company has a great prestige in terms of the quality of its products. This has been forged through the organization and fulfillment of goals that it has. Kossmoran has a business organization chart but does not have a procedure manual, which makes it difficult to control internal operations and what can alter the final product. It is important to emphasize that despite the years it has been in operation, it does not have any type of certification. The company is clear that exporting would expand its sales, however, its vision is focused only on the local market since for them there are many disadvantages in terms of its competition coming mainly from Peru and Colombia. Regarding the productive area, it is important to highlight its mechanized

process without neglecting the manual process, there are also control methods to ensure a quality product. Currently, has the ability to cover a national market and even meet orders abroad, however, the company does not aim to do so.

The financial area of the company is managed in an orderly manner, with qualified personnel for the accounting area. The company has a general budget that helps economic stability and obtain profits, since they manage a balance point and goals that must be met periodically. In the area of commerce, they do not have a responsible person in the sales area, they are managed only in their two stores and do not have an optimal distribution channel for their garments, since most of their sales are made at retail.

2.4.2.4. Procostura Cía. Ltda. (86%)

The company was founded 30 years ago, started as a small family business and nowadays they get to market their products nationally through three registered brands: Ungaro. PKK and Truker In the table below it can be seen that the company obtained a score of 4.28 out of 5 which in percentage this represents 86% of the total. The company qualifies to be within the present investigation demonstrating the potential to export.

Table 4 Procostura Cía. Ltda. Puntation

Procostura Cía. Ltda.		
Area	Qualification	Porcentage %
Administrative / 0,50	0,32	6%
Productive / 2,00	1,93	39%
Financial / 1,00	0,97	19%
Commercial / 1,50	1,06	21%
Total / 5,00	4,28	86%

Elaborated by: Peralta, Samaniego Date of elaboration: October 30, 2018

Source: "Diagnóstico de la oferta exportable del Sector Textil en el cantón Cuenca de la provincia del Azuay."

In the administrative area, the company obtained that score because it does not have an organization chart or specific objectives to be met in the short, medium and long term, however, it is important to emphasize that it is an organized company with a defined area for each employee. The company in previous years has made sales abroad, but did not have a distribution channel so their products reached the border and customers were in charge of the other logistics processes. The experience that has left these sales abroad has not been favorable, but the company is interested in making a formal export project in the long term despite recognizing the disadvantages that the country has against its competitors. The most outstanding area is the productive one because its raw material is previously selected and of the best quality to be able to make products that please the

client. In addition, it has responsibility for the environment because it has an adequate waste management. The company has a market to focus on and strategic points of sale for its products.

Within the financial aspect, it can be highlighted that there are constant changes in the general budget due to the current situation in which the company is located. Do not resort to external financing as it is convenient for them not to have obligations with third parties and if the company in the future would like to export because it has sufficient capacity to meet the demands of the international market. In the commercial area, who is in charge of the sales and marketing area is the general manager. He mentions that his product is not advertised frequently because most of his sales are wholesale. Its scope is nationwide because they send products to Guayaquil and Machala.

2.4.2.5 Products Betoven Cía. Ltda. (87%)

This company is dedicated to the manufacture of garments and accessories for pets. It has 23 years of operation and trajectory. It is important to note that the founder of this company is a blind person who, with the support of his family, currently has a nationally recognized company.

As can be seen in the following table, the total score obtained is 4.37, which represents a percentage of 87%, which shows that the company is in full export condition since it complies with several characteristics that will be detailed below.

Table 5 Betoven Cía. Ltda. puntuacion

Productos Betoven Cía. Ltda.		
Area	Qualification	Porcentage %
Administrative / 0,50	0,38	8%
Productive / 2,00	1,9	38%
Financial / 1,00	0,97	19%
Commercial / 1,50	1,12	22%
Total / 5,00	4,37	87%

Elaborated by: Peralta, Samaniego

Date of elaboration: October 30, 2018

Source: "Diagnóstico de la oferta exportable del Sector Textil en el cantón Cuenca de la provincia del Azuay."

Within the administrative area it is key to recognize that this is a company that works in a horizontal manner, that is to say that all areas support each other. They have an organization chart where they have detailed the area and the specific activity of each worker and have a process manual. However, in some cases the latter is not working as

there are customers with a different requirement than the other products. This company has an interest in exporting because it believes that entering an international market would increase its sales, however, they say that competing with prices against Colombia or Peru is one of the main problems. Within the productive area it can be highlighted that currently the company operates with 60% of its capacity to cover the local market, which is why it can cover an international market. They have a wide distribution channel to commercial stores and national chains, proving that their product is found in several parts of the country. Despite the great success of the company, it does not have any type of certification for its products.

Financially this company prepares its budget for the performance of its activities annually and also has a person in charge of the accounting department to handle a balance point and goals to meet. In addition, it obtains a direct relationship with private banks, since they make loans for small modifications in the structure of the company and acquisition of new machinery. In the area of commerce, there is a person in charge of positioning the brand at the Cuenca level and they have digital support, such as social networks, websites and online catalogs to enter markets located in different parts of Ecuador. It also has 3 branches in the city where more than offer products offer service for the care of the pet. The desire of the manager to export his products is key because he only expects that there is a study and concrete analysis to be able to venture into international trade.

2.4.2.6 Creaciones Andreali (84%)

Established as a natural person, this company started its activities about 35 years ago. They started making sleepwear and as time went by they changed their production line so to date their main activity is based on the manufacture of garments for men, women, children and babies. Currently, they are affiliated with the Chamber of the Small Industry of Azuay, CAPIA.

Creations Andreali enters into this research since it complies with all the necessary capacities to be able to export. This is evidenced in the following table as a rating of 4.21 out of 5.00. That is, 84% of the total possible points.

Table 6 Andreali Punctuation

Creaciones Andreali		
Area	Qualification	Porcentage %
Administrative / 0,50	0,38	8%
Productive / 2,00	1,79	36%
Financial / 1,00	0,97	19%
Commercial / 1,50	1,07	21%
Total / 5,00	4,21	84%

Elaborated by: Peralta, Samaniego

Date of elaboration: October 30, 2018

Source: "Diagnóstico de la oferta exportable del Sector Textil en el cantón Cuenca de la provincia del Azuay."

This company is recognized nationally due to its long history within the market. In the administrative area, they have a well-structured organization chart in which there is a control and supervision system for each of the areas of the same. In addition, a person, previously trained, is assigned to control critical areas of the company such as production, sales, administration and design. One of the objectives of the company is to venture into the international market so it is willing to form an association with other producers. This in response to the strong competition that exists in neighboring countries such as Colombia and Peru. As regards the productive aspects, most of their processes are mechanized with a minimum of manual procedures. This area is one of its strengths since they have qualified personnel who perform quality controls during all production phases. One of the points to take into account is that in case you decide to export, you have to invest in infrastructure to be able to satisfy the international and local market.

Financially, the company manages a general budget that is used for the different activities it carries out. Performs frequent analysis of accounting information so that decision making is facilitated. It does not need external financing since it has the capacity to self-finance its activities so it does not maintain any type of debt. However, if internationalized, it is willing to acquire some type of external financing. In the commercial area, they have focused a lot on carrying out market studies together with Pro Ecuador, in order to establish a target market abroad and thus facilitate the process of internationalization.

2.4.2.7 Frada Sport (82%)

This family business has grown over time to the point that in its 19 years of history has managed to gain prestige at the local level. It started by making handmade uniforms for local schools; over time, they decided to expand their range of products so to date they

offer all kinds of sportswear made with 'smart' fabric. Established as a limited company, currently, it is a member of the Superintendence of Companies.

Frada Sport complies with the necessary capacities to be able to export so it becomes part of this investigation. In this sense, his individual qualification exceeds 80% of the total score since he obtains 4.12 points of the 5 possible.

Table 7 Frada Sport. Punctuation

Frada Sport		
Area	Qualification	Porcentage %
Administrative / 0,50	0,28	6%
Productive / 2,00	1,76	35%
Financial / 1,00	0,94	19%
Commercial / 1,50	1,14	23%
Total / 5,00	4,12	82%

Elaborated by: Peralta, Samaniego Date of elaboration: October 30, 2018

Source: "Diagnóstico de la oferta exportable del Sector Textil en el cantón Cuenca de la provincia del Azuay."

At the administrative level, the company has an organizational chart and a person in charge of each critical area of the company with qualified personnel for these functions. It is important to mention that they focus to a greater degree on the control of the production area since for the company to maintain a continuous quality of its products it is essential. To date, they have not carried out foreign trade activities. However, there is a team from the United States that buys their uniforms in Frada Sport through direct purchase in their stores and then take them to that country. For production, mechanized processes with constant quality controls and personnel in charge of maintenance of the machinery are used. For the elaboration of sports garments, imported raw material is used, however, they acquire it through intermediaries, so it is planned to import it directly.

In the financial aspect, Frada Sport has an annual budget to carry out its activities. This is obtained through external financing through banking sources. It has updated accounting information so it does not present any kind of problem with your tax obligations. If exported, is willing to obtain more sources of financing in order to increase the production of the company. Finally, at a commercial level, the company is very well developed since it has a person in charge of sales and marketing. They currently have a website and a Facebook account, which means they keep in touch with customers and carry out most of the promotion of their products

2.4.2.8 Hermanos Martínez Sportswear Cía. Ltda. (92%)

This company is dedicated to the manufacture and distribution of specialized sportswear for high performance athletes. Created seven years ago by four sports brothers, today they are recognized as the leading brand recognized throughout the country because they use state-of-the-art machinery.

With a total score of 4.6 out of 5, Hermanos Martínez Sportswear has one of the highest qualifications in the textile sector so it is prepared to sell its products abroad. In this way, this company will be part of the present investigation as it exceeds the required minimum percentage by 12%.

Table 8 Sportswear Cía. Ltda. Punctuation

Hermanos Martínez Sportswear Cía. Ltda.		
Area	Qualification	Porcentage %
Administrative / 0,50	0,45	9%
Productive / 2,00	1,93	39%
Financial / 1,00	0,89	18%
Commercial / 1,50	1,33	27%
Total / 5,00	4,6	92%

Elaborated by: Peralta, Samaniego Date of elaboration: October 30, 2018

Source: "Diagnóstico de la oferta exportable del Sector Textil en el cantón Cuenca de la provincia del Azuay."

It's important to mention that the Company is willing to assume the risks that it implies. The production area is where it is better developed. It has the most advanced technology in the country. In addition, the personnel perform projects of continuous improvement and apply quality controls to all the process and trained staff check the machinery constantly. It guaranties the best quality of the company's product. In case they decide to internationalize, the company can satisfy the local and external market due to they are not using their total production capacity at the moment.

In order to start to work, the company got funds through the la Corporación Financiera Nacional (CFN). Since then, success has been rotund so at 2018, they will pay the entire loan. To carry out its activities, the company elaborates an annual fund that is distributed to the different areas in a planned way. In addition, this company has an external financing source through the International Bank. In case Hermanos Mrtinez Sportawear decides to export, the owners of the company are willing to acquire a new loan. Finally, the company manages its image very well to the point that, despite not having activity in a foreign market, it is known internationally for their sponsorships to high performance Ecuadorian

athletes. In addition, the company manages its advertising through the sponsorship of sporting events and in national fairs. It should be noted that there are eighteen athletes from different disciplines who have decided to work with them.ellos.

2.4.2.9 Modas y Telas Zhiros Modtezhi Cía. Ltda. (84%)

Founded on January 22, 1991, this company started making clothing of all kinds. However, after 2001, the owners decided to focus on the production of clothes for children older than six months and under than eight years. Since then, they have positioned their brand throughout Ecuador.

Due to its great performance in different areas, especially production, this company has the necessary qualification to be part of this research. It gets 4.2 of 5 points reaching the minimum score necessary.

Table 9. Zhiros Modtezhi Cía. Ltda. Punctuation

Modas y Telas Zhiros Modtezhi Cía. Ltda.		
Area	Qualification	Percentage %
Administrative / 0,50	0,34	7%
Productive / 2,00	1,97	39%
Financial / 1,00	0,75	15%
Commercial / 1,5	1,14	23%
Total / 5,00	4,2	84%

Elaborated by: Peralta, Samaniego Date of elaboration: October 30, 2018

Source: "Diagnóstico de la oferta exportable del Sector Textil en el cantón Cuenca de la provincia del Azuay."

At the administrative level, Zhiros Modtezhi has a well-developed organizational chart that allows to the staff to control each of the areas of the company. Each area has responsible personnel assigned that help maintaining a good performance, especially in the production area. In addition, the company has procedures and functions manuals that are properly developed. Even though It does not have any type of certification, the company has the capacity to acquire them due It meet in an 'informal' manner the national and international quality standards. It represents a great advantage in the international market although the owners have not planned to. At the productive level, the company is working to improve and update its processes so that the quality of its products is even better in the future. For the elaboration of the clothes, the company works with a satellite production system that refers to working with workshops outside the main factory. It means that their production capacity is high and can even increase if the owners decide

to expand the company's market. In addition, to maintain optimal quality, the company qualifies its suppliers according to criteria previously established.

In the financial part, Zhiros manages an annual budget for the development of activities in each area. Its sources of external financing are national banks, but it is planned to acquire a loan with the Corporación Financiera Nacional, CFN for the development of future projects. In the commercial area, there is a person in charge of marketing and sales. Its brand and logo are duly registered. To maintain contact with its customers, the company manages social networks and has its own website. For the promotion of its products, the company has focused on the development of eye-catching packaging to add value to its final product.

2.4.2.10 Modasa S.A. (92%)

This company has been in the national market for more than 23 years. It is dedicated to the elaboration of uniforms for companies and different clothing for men and women. One of its characteristics is the excellent quality of its products. To the date, it distributes its products nationwide.

With a score that exceeds 90% of the total percentage, this company qualifies for the present investigation. Modasa obtains 4.58 of 5 points so it this company has one of the best business performances in this sector.

Table 10. Modasa S.A. Punctuation

Modasa S.A.		
Area	Qualification	Percentage %
Administrative / 0,50	0,43	9%
Productive / 2,00	1,97	39%
Financial / 1,00	1	20%
Commercial / 1,50	1,18	24%
Total / 5,00	4,58	92%

Elaborated by: Peralta, Samaniego Date of elaboration: October 30, 2018

Source: "Diagnóstico de la oferta exportable del Sector Textil en el cantón Cuenca de la provincia del Azuay."

In the administrative area, this company manages itself very well to the point that it has procedures and manuals functions, which are updated constantly to keep up with any change that may exist in the sector. Something to emphasize is that to date the company manages a project focused on obtaining an ISO certification so it is a great advantage if the business leaders decide to export. In addition, part of the staff have knowledge of

foreign trade management. In terms of production, most of it is carried out in a mechanized way with a minimum of manual processes. The company performs quality controls throughout the process; and once clothes are ready, they are inspected to verify that they meet the required standards in order to have a product of excellent quality.

In the financial area the company reaches a perfect score so, in case of needing some type of financing to be able to internationalize, the company would not have any problem to acquire it. Another advantage is that the company has an annual budget financed internally so it does not have any type of debt. Finally, for marketing and sales, the company has a person dedicated exclusively to this activity. Modasa has four brands; These are Herrera by Mónica, Incomodasa, Unimoda and MHF Collections. To promote them, the company uses current social networks and web pages. In addition, the company has a warranty service for concessions and sales and provides a two-year guarantee for clothing, and a year for the fabric. For this and other characteristics the company is more than ready to expand into the international market.

2.4.2.11 Sombreros el Austro (71%)

This is a family business founded approximately 40 years ago by Carlos Pesantes, who is the current president of it. Its main activity is based on the production of handmade straw hats. For this, the company has 4 workers apart from the owner and his wife. To date, it is part of the Cámara de la Pequeña Industria del Azuay, CAPIA.

Although exclusive processes are used to weave the hats, Sombreros del Austro does not reach the minimum score to be part of the study. However, it will be taken into account because its product is desired in international markets.

Table 11. Sombreros del Austro Punctuation

Sombreros el Austro		
Area	Qualification	Percentage %
Administrative / 0,50	0,21	4%
Productive / 2,00	1,74	35%
Financial / 1,00	0,91	18%
Commercial / 1,50	0,71	14%
Total / 5,00	3,57	71%

Elaborated by: Peralta, Samaniego Date of elaboration: October 30, 2018

Source: "Diagnóstico de la oferta exportable del Sector Textil en el cantón Cuenca de la provincia del Azuay."

This company has great prestige within the productive sector. However, it is not recognized by consumers because it markets only with wholesalers. It does not have an

organization chart. In addition, there is no type of control within the productive process. This company is interested in exporting, but due to its lack of knowledge in the matter it has not been able to achieve its expectations. However, the president is willing to assume all the necessary risks in case this objective is realized. At the productive level, they have the capacity to produce up to 6,000 hats per month, which are considered of excellent quality in the local market. Therefore, the company has the capacity and potential to be competitive in international markets.

In the financial area, resources are assigned according to the activities. It has a pending loan that will be canceled no later than the end of this year, so in 2019, the company can acquire another loan to export. Finally, in the commercial area, the company does not have a person in charge of marketing and sales because it only works with intermediaries. However, Sombreros del Austro is known in the market due to the high quality of its hats.

2.5 Evaluation and Study of the MIPYMES with greater probability of internationalization.

In this analysis it was possible to determine which companies present the optimal conditions to export and be part of this research.

In Ponce Enríquez and Pucará, eight companies were analyzed; however, only two of them qualify for this phase of the project.

- Asociación de trabajadores agrícolas de Shumiral ASHUMIRA
- Minera de Oro y Metales El Inca

In Santa Isabel, unfortunately, none of the four companies analyzed meets the minimum score required to be part of this investigation. Therefore, there are no companies prepared to internationalize.

In Cuenca, due to the conditions it presents, eleven of the thirteen companies analyzed have optimal resources and the minimum score required to participate in this research. Of the disqualified companies, the first does not have the minimum score required to export, and the second company is already exporting its product in different parts of the world.

- Areldi Jeans
- Industria de la Confección Referee Cía. Ltda.
- Kossmoran Cía. Ltda.
- Procostura Cía. Ltda.

- Productos Betoven Cía. Ltda.
- Creaciones Andreali
- Frada Sport
- Hermanos Martínez Sportswear Cía. Ltda.
- Modas y Telas Zhiros Modtezhi Cía. Ltda.
- Modasa S.A.
- Sombreros el Austro

In summary, between Ponce Enríquez, Pucará and the SMEs of the textile sector of Cuenca, there are thirteen companies that will be part of this project.

2.6 Selection and analysis of the Critical Success Factors of MSMEs

2.6.1 Definition of Critical Success Factors

Before selecting the Critical Success Factors (FCE) to analyze within the project, it is important to define what they are and the importance they represent in this investigation. John Rockart defines the critical success factors as a limited number of areas of a company that, if they are developed satisfactorily, will result in exceptional performance of the organization in the competitive sector. On the contrary, if things are not done correctly, there will be problems within the company. (Rockart, 1979)

Another shorter definition, but with the same validity, is presented by Tim Stapenhurst in his book "The benchmarking book". This author says that CSFs are the relatively few factors in which an organization must succeed in order to achieve its aspirations. That is to say, it describes those areas in which the company must perform extremely well. (Stapenhurst, 2009)

Taking these definitions into account, it is clear that the importance of CSFs within the organization is great to the point that company's success or failure depends on them. In this sense, a correct identification and performance of the CSFs will result in a good performance in the competitive field. On the contrary, if they are not identified and the company focuses on non-relevant areas, the company may have problems to reach.

2.6.2 Applied methodology for the selection of Critical Success Factors

In order to select the CSFs, all the factors present in the EXPORTAUDIT company qualification models will be analyzed. These are divided into four key areas of the company; administrative, financial, commercial and productive. All of them will be qualified based on two criteria in order to identify the correct CSFs.

The first criterion is based on the Rockart postulate that mentions CSFs should be set based on the main objective of the organization due to on these depend whether the company achieves its goal or not. (Rockart, 1979) In this way, the selected CSFs will respond to the main objective of this project, which is the internationalization of MSMEs belonging to the cantons of Cuenca, Santa Isabel, Pucará and Ponce Enríquez.

The second criterion was established based on the question: What should the organization do correctly to survive / succeed? It was created by Stapenhurst, this author affirms that the basis for identifying CSFs is being able to answer it correctly because, although it is simple, it is not easy to answer due to the success or failure of the organization will depend on it. (Stapenhurst, 2009)

Therefore, based on the postulates whose analysis was previously carried out, the final selection criteria to determine the CSFs of the analyzed companies will be:

Does carrying out this factor in a correct way guarantee that the selected companies succeed in internationalization?

In this sense, those factors that are considered of vital importance to achieve company's goals will be considered as CSFs during this project. So that this analysis has greater validity, the CSFs must have positive results in the management of the company. This is in accordance with Rockart's postulate which says that to be able to identify CSFs, all positive internal and external aspects must be taken into account. It should be emphasized that the external aspects will be analyzed when carrying out field research in the selected country. (Rockart, 1979)

To determine the degree to which a factor is relevant to ensure the success of the organization, a scale based on the Likert scale will be used. It is a measuring tool that, through five response options, allows to establish a greater degree of specificity in comparison to a question that can be answered with a "yes" or "no". Then, it generates greater reliability.

The levels to be used in this project will be the following:

- **1:** Strongly disagree
- **2:** Disagree
- **3:** Neutral
- **4:** Agree

- **5: Completely agree**

2.6.3 Selection of the factors from the EXPORTAUDIT model

As mentioned earlier, a qualification model based on the LIKERT scale was used to apply the selection criteria of the CSFs. Then, those factors whose response is "in agreement" or "completely in agreement" will be considered as the CSFs selected to continue the investigation. It should be noted that the factors analyzed in this phase were obtained from the ExportAudit.

Next, all the critical success factors selected are presented based on the question: Does carrying out this factor in a correct way guarantee that the selected companies succeed in internationalization? All the corresponding answers can be found within the annexes.

Table 12, Selected Critical Success Factors

Selected Critical Success Factors	
• Administrative Area	
Interest in exporting	
Consider the needs of the export markets	
Differentiation of the competition	
Fulfill its objectives, according to its management indicators	
Consider the needs of local markets	
Have procedures manuals	
Minimum level of instruction for the heads in the areas of the company	
Accounting (records - analysis)	
• Productive Area	
Technical criteria for the purchase of raw material	
Registration in Intellectual Property (patents and trademark registrations)	
Formality of the company (own permits, records)	
Procedure for quality control in all its processes	
Own adequate facilities	
Packing or packaging with correct labeling	
Quality control (suppliers - product)	
Fulfill environmental management requirements for the industry	
Production capacity based on machinery and equipment	
Innovation in the processes	
Innovation in the product	
• Financial Area	
Own sources of external financing	
Capacity to acquire machinery and supplies for continuous improvement	
Investments	
Manage production costs	
Plan future expenses (budget)	

Possibility of sales on credit
• Commercial Area
Have a person focused on the marketing and sales area
Use media to advertise their products
Clearly defined target market
Inimitable added value in the short term.
Delimit or identify competition within your target market
Define the strategies of the competition
Have a sales strategy
Possessing a logistics for the distribution of products
Explore market opportunities to increase sales

Elaborated by: Peralta, Samaniego Date of elaboration: October 30, 2018

Source: ExportAudit

Something to take into account is that subjectivity when analyzing the factors can present. However, this is not entirely negative; Thus Rockart mentions that, when determining the priority of the CSFs, it is preferable that people who not belong to the higher ranks evaluate them subjectively, since based on the experience of other companies, he affirms that this type of subjective evaluation is very useful for executives in charge (Rockart, 1979).

2.5.4 Analysis of the Critical Success Factors

2.5.4.1 Administrative Area

2.5.4.1.1 Interest in exporting

It has been considered as CSF due to the importance of this activity in the current world. Ing. José Lugo affirms that currently the international economic environment is much more dynamic, since there is a great interdependence between countries, formation of commercial blocks, and emerging economies that create a competitive and changing environment. (Benítez, 2007) It is essential to have a universal vision since internationalization is born as a need to increase national productivity, exports, foreign currency accumulation, employment level; this in terms of macroeconomics. From a business perspective, this CSF will help the company to improve its productive capacity, become much more competitive and create value-added products. In addition, it develops innovation capabilities which helps to improve the company's performance (Fernández, Peña, & Hernandez, 2007).

2.5.4.1.2 Consider the needs of the foreign markets

It is very important to know the target market and its needs if the company wants success in the internationalization of its product. When the company begins to observe its

competitive advantages and resources, it is moving towards the goal of succeeding in foreign markets. In addition, it is important to take into account that there are new markets that are extremely attractive to offer the company's product. However, it must be done through an in-depth analysis of strategies and not taking data at random (Benítez, 2007).

2.5.4.1.3 Differentiation of the competition

This FCE becomes important because companies feel the essential need to continuously improve, for this they need key tools. Among them are quality and service, which differentiate the winning companies from those that do not meet the needs of the client. Each time, entrepreneurs are required to be more innovators to differentiate the company from its competitors in order to achieve international success. The reason is that consumers are the center of entrepreneurial creativity (Pasqua, 2008).

2.5.4.1.5 Have procedures manuals

The creation of a procedure manual is directly related to detailed information in an orderly, systematic and comprehensive manner. It contains all the instructions and responsibilities of the different operations carried out within a company. This in turn determines the level of knowledge of the person in charge of a position and thus ensures the quality of the product due to the order and guidelines (Vergara, 2017).

2.5.4.2 Productive Area

2.5.4.2.1 Technical criteria for the purchase of raw material.

A key criterion to ensure the quality of the product is the acquisition of prime raw material. This CSF becomes relevant because the globalization has created clients who are stricter when purchasing a product. Then, it is necessary for companies to have quality methods in order to establish continuous improvement. Therefore, companies will demand raw materials of the highest quality in order to meet the client's expectations (Ramírez & Barreto, 2015).

2.5.4.2.2 Intellectual Property

These CSFs become essential when defining authors' rights and granting a license and permission to third parties for the use or copy of an invention or the brand of the product. This step, be it local or international, brings with it great recognition at the product level. Today there are brands that sell high-end products that consumers buy before they go out in physical (Instituto Ecuatoriano de la Propiedad Intelectual, 2018).

2.5.4.2.3 Formality of the Company

Obtaining records and permits allows the company to create formal competitiveness and growth in reference to those that do not. Although there are numerous procedures and permits to obtain them, their importance are reflected when exporting and selling in a foreign market where a product requires a number of characteristics that it and the company must possess. That is why this FCE is important for the internationalization of the company (Secretaría de Economía, 2010).

2.5.4.2.4 Adequate installations

Infrastructure directly influences the quality of production. This is extremely linked to the business performance which can be obtained through the implementation of correct practices and policies. Then, they will help the company to obtain greater quality in its products, and satisfaction of its workers (Gonzalez, 2007).

2.5.4.2.5 Correct packaging

In the diversification of marketing there is a tool in which the packaging and labeling of the product is fully studied. This becomes a decisive CSF because it is the final presentation of the product that will be used by the client to identify himself based on phrases, colors and aesthetic sense of the product. It is important to adapt the packaging to the target market that the company wants to reach. It is necessary to be clear about the differences between cultures in order to adapt the product in a better way based on language, beliefs, habits, tastes and preferences of consumers and up-to-date regulations (Mazzioconacci, 2017).

2.5.4.2.6 Environmental Management of the industry

Currently respect for nature and awareness for the environment has grown significantly for both business organizations and consumers. Carrying out good environmental management within the company entails numerous advantages such as: certifications, recognition and even preference from consumers over those that do not have developed environmental management. Reducing and reusing waste will help the company reduce costs. This CSF is important because there must be characteristics for internal compliance of the company that will improve its general performance (Perevochtchikova, 2013).

2.5.4.2.7 High-tech Machinery

This factor is essential to carry out activities in international markets to the point that the introduction of technology is essential to improve productivity and increase

competitiveness. For example, in research carried out on small and medium companies in Medellín, it was determined that not using high-tech machinery forces SMEs in that sector to apply manual processes, so that companies produce in low volumes, decreasing the possibilities to compete in markets with high demand. In addition, this limits innovation in production processes, so it implies being less competitive locally and internationally (Córdoba, 2015).

2.5.4.2.8 Innovation in Processes

It allows the company to incorporate an improved or new production technology, or new or improved methods for the supply of services or product delivery. The result of doing it well will be a significant increase in the quality of the product, or the decrease in distribution or distribution costs. Then, It increases the competitiveness of the company (Instituto Vasco de Estadística, n.d).

2.5.4.2.9 Innovation in Product

It is characterized by the ability of a company to offer an improved product with respect to its basic characteristics. That is, it gives the consumer a higher satisfaction index through new or improved technical specifications, software, quality, etc (Instituto Vasco de Estadística, n.d.).

At a competitive level, these two factors are of vital importance. This is how Antonio Hidalgo mentions that innovation has become a strategic factor for companies in general since it allows it to improve its competitive position. Any organization that incorporates innovation within its management, will have the possibility to anticipate, and even provoke situations that allow it to renew its competitive advantages at the right time. On the contrary, its absence makes it impossible for the company to create new products and processes (Hidalgo, 2011).

2.5.4.3 Financial Area

2.5.4.3.1 Have Sources of External Financing

Access to funding sources by MSMEs is of vital importance to allow this type of companies having the economic capacities to take advantage of unexpected business opportunities, or reacting to external situations that may generate some type of competitive disadvantage. In addition, as MSMEs are growing companies, they require external financing to cover their needs for expansion, technology, machinery, etc. Then, access to loans becomes a limiting or business enhancer (Orlandi, 2006).

2.5.4.4 Commercial Area

2.5.4.4.1 Have a budget for marketing and sales

Having a defined budget for these activities has become more than an option, an obligation for companies; especially for those whose objective is the internationalization. This occurs because having the best product or service is not enough to succeed. It is true that this will make it easier entering into new markets; however, advertising and marketing campaigns are needed to remind customers the reasons why their products are the best (Pardina, 2015). In case of not doing so, the competition will have freedom to market their products through effective advertising.

2.5.4.4.2 Consider Local Market's Needs.

The adaptation of a product to a local market considers needs and conditions that, prior to an analysis, can be identified. It is important to know the local market based on customer satisfaction. There must also be a desire to meet consumer's needs taking into account the capacity that exists in the purchase and sale of the product. Establishing in a local market, more than experience, means that the company has the capacity to export (Chavarry).

2.5.4.4.3 Identify and Delimit the Competition

This CSF becomes the most relevant of the research since it is the basis of the investigation. It is important to know the competition with an in-depth analysis of what they do, how they do it, and how they can acquire their customers. This small study will help the company to maintain a continuous improvement and competitive advantage. These will help the company to stay in the first place in terms of customer preference (Sevilla, 2007).

2.5.4.4.4 Logistics for the distribution of products

Technology, globalization, media and transportation create greater flexibility and adaptation to improve the logistics distribution chain of products. The logistic activities must be totally coordinated so that efficiency in the productive system can be achieved. These logistics also benefit the customers because they will have their product in the desired place and in time (Monterroso, 2016).

2.5.4.4.5 Defined Target Market

Defining a target market is of vital importance for positioning the company. Hand in hand, with marketing, allows the company to develop the right advertising to be able to insert

itself in the market, and make some kind of adjustments to the final product based on the preferences of its target market. Therefore, business success will depend largely on the correct definition of it (50Minutos.es, 2016).

2.5.4.4.6 Product with Added Value

Understood as an extra feature or service that is given to a product, this factor is of vital importance for the success of MSMEs since it allows companies to be more competitive local or internationally. A product with a clear added value generates greater consumer purchase interest. Therefore, it is vital that a product destined for export meets this characteristic because international competition is so numerous and varied that, if added value does not exist, it would be impossible to introduce a new product within a foreign market (Morillo, 2005).

2.7 Conclusion

Within this analysis it is understood that the development of MSMEs is key for the economy of the country. From the cantons Ponce Enríquez, Pucará, Santa Isabel and the textile sector of Cuenca, a total of 25 companies were obtained and analyzed in detail. After the elimination process, it was determined that a total of 13 MSMEs had internationalization capacity. It is important to emphasize that, in the province of Azuay, Cuenca leads in terms of the number of MSMEs with the capacity to develop in foreign trade. After the analysis of the departments: productive, commercial, administrative and financial of the ExportAudit survey model, the Critical Success Factors were determined. These will be used as a basis for the comparison and establishment of gaps, since they respond to the objective of this project, which is internationalization.

Chapter 3. Environment of international MSMEs

Introduction

In this chapter, it will be determined the country where interviews will be conducted. Interviews will be elaborated based on principles of competitive benchmarking. This principles are: analyzing companies that develop in the same sector (competition) and present a better performance. (Watson, 1995) Therefore, the selected country will be the one whose development is higher than that of Ecuador.

Based on the theory of benchmarking, the MSMEs that have excellent international performance located in countries with higher development worldwide such as United States, China, Japan, among others will be analyzed. However, this project would lose value because, for the selected local companies, applying the Critical Success Factors obtained from them would become a problem rather than a basis for learning. The reason is that MSMEs in these countries are developed in realities totally different from the Ecuadorian so this CSF cannot be replicated in the national environment. Therefore, there is a structural problem as a country rather than a lack of business development, which would distort the study. On that case, a country analysis would have to be done, but not a business analysis.

For this reason, it has been decided to take the theory of Antonio Valls as a basis. It mentions that in order to reach success when doing a benchmarking study, it must analyze the competition that develops in similar realities and presents the highest development indexes (VALLS, 2000). In this way, the information obtained in the research will be applicable to companies in general, being possible to improve their performance either locally or internationally. Therefore, the organizations to be studied will be those whose performance at the international level are excellent. In addition, they have to be developing in socioeconomic models similar to Ecuador, that is, the MSMEs located in the different countries of Latin America whose development and competitiveness indexes are superior to those of Ecuador.

3.1. Methodology for the selection of the economic development model in which Benchmarking will be applied

For the selection of the country, this study was based in Latin America because it is a comparative environment for Ecuador. Of the 20 countries that make up this group, according to the United Nations Educational, Scientific and Cultural Organization (UNESCO), a country will be selected through two rounds of selection.

In the first instance, all those countries whose macroeconomic indicators are very distant from the average of Ecuador will be eliminated. The macroeconomic data to be used will be: Economic Growth, Competitiveness Index, Gross Domestic Product per inhabitant (GDP per capita), GDP growth rate, Unemployment Rate and Inflation Rate; these last four used by the European Union for the analysis of its member countries.

In the second round, microeconomic factors will be analyzed. These are: World Bank's Doing Business, Cultural Distance, Number of MSMEs in the Country, Development of Textile Sector in the Country, Influence of MSMEs in Textile Sector, and Corruption Perception Index. The selected country will be the one that shows more development in this sector at the MSMEs level, so it will be ideal to carry out the benchmarking study.

3.1.1 Macroeconomic Indicators for the First Round of Selection

3.1.1.1 Economic growth

This macroeconomic factor becomes fundamental for this research because it shows the increase of the real Gross Domestic Product (GDP) in a year. In other words, if economic growth is positive, a significant increase in the income and living conditions of the population is determined. That is why obtaining this growth is an important goal for each country. (Guillen, Badii, Garza, & Acuña, 2015)

3.1.1.2 GDP per capita

GDP per capita is the gross domestic product divided by the population at mid-year (World Bank, 2018).

3.1.1.3 GDP Growth Rate

With this indicator, productivity and investment can be determined. If this indicator increases, companies will produce more goods, there will be higher income, the employment rate increases together with household income. If it is decreasing, it will be described as an economy in recession (European Central Bank, 2018).

3.1.1.4 Unemployment Rate

It is the proportion of the active population that does not have a job but is looking for it and is available to do so. The definitions of the active population and unemployment differ according to the country (Organización Internacional del Trabajo, 2018).

3.1.1.5 Inflation Rate

The inflation rate is the annual percentage increase of the general price level, this can be calculated by comparing the price of a basic food basket with the same basket of the previous year (Banco Central Europeo, 2018).

3.1.2 Microeconomic Indicators for the Second Round of Selection

3.1.2.1 Doing Business

This index measures aspects of regulatory environments to do business. According to the Doing Business ranking, the different economies are classified in an order from 1 to 190, in which those closest to 1 represent a better environment for the development of business (World Bank, 2018).

3.1.2.2 Cultural Distance

This indicator aims to show the barriers that exist in terms of geographic separation, cultural disparity between countries, differences between social characteristics, language and religion, based on the study of the Hofstede Index (Almodóvar, Navas, & Huerta, 2015).

3.1.2.3 Importance of MSMEs in the Country

It indicates the number of MSMEs existing in a country in order to determine the influence and development they represent in that place. This is done to obtain information that facilitates the selection of the country in which the present project will be carried out.

The way in which this index will be obtained is the following:

From the total of existing companies, it will be calculated how many of them belong to the MSMEs sector. It allows to know the influence of this sector on the production capacity of the analyzed country.

3.1.2.4 Development of the Textile Sector in the Country

Knowing the textile development of the country is key in the research because the development of this sector is important to determine if the country can be part of the investigation. In case of obtaining irrelevant information, the country will be discarded.

A basis will be used to determine how developed the textile sector of each country. It will be elaborated taking into account information obtained from secondary sources such as entities and officials of the State in order to get accurate data.

3.1.2.5 Importance of MSMEs in the Textile Sector

It allows establishing the influence of MSMEs in the development of the textile sector in order to determine if the information that can be obtained from them can be valuable or not for the present study. In case there are many of these organizations in the country, but they are not representative in this sector, the country will be discarded.

The way in which this index will be obtained is the following:

Of the total of existing MSMEs, how many of them develop in the textile sector will be calculated. It will allow to know the influence of textile MIPYMES in the analyzed country's economy.

3.1.2.6 Perception of Corruption Index

Corruption is understood as the abuse of power of the authority in charge for personal benefit. This measures the level of corruption in the public sector, based on the perceptions of experts and entrepreneurs. These are measured through surveys conducted in each country. For this, a scale from 0 to 100 is used, in which zero is very corrupt and 100 is very transparent (Transparency International, 2018).

3.1.3 First round of elimination

The following are the 20 countries that belong to Latin America with their respective indexes. In the case of the competitiveness ranking, the data was obtained from the World Economic Forum in its report for the year 2018; and the rest of indexes were obtained through information published on the official website of the World Bank.

For the respective elimination, it has been decided to highlight with red the countries that are not compatible for the study of benchmarking. Those that are marked in red in three or more indexes will be discarded due to their great structural disparity with Ecuador. It is important to mention that if the information of any of them has not been found, they

will also be classified as non-candidates since the lack of official data can occur due to some type of irregularity.

In the first ranking, countries with a competitiveness index much lower than Ecuador are marked. This is based on the benchmarking theory that mentions that you should study specifically to the competition that best develops in the market. Countries with a very high or unreachable index are also marked.

In terms of the per capita GDP ranking, to determine those economies that are not compatible, a difference range of \$ 4000 has been established. It means, based on Ecuador's \$ 11617.4, those rates that are below \$ 7617.4 and above \$ 15617.4 will not be selected because they represent a big difference with Ecuador's economy.

In the rate of GDP growth, countries that show a difference of 1.5% have been marked. That is, based on the 3% that Ecuador presents, those that are below 1.5% or above 4.5% have grown very little or a lot with respect to the country, so they are not candidates for research.

In the Unemployment Rate factor, a predetermined range was established based on the score of Ecuador, which is 3%. Those that are 3 points above or below the established one have been marked.

Regarding the inflation rate, the average inflation of the last 5 years of Ecuador was taken as a base, which is 2.4% and serves as a framework to select the countries that are in this same range.

Table 9, First Round of Elimination (Latin-American Countries)

Latin-American Countries	Competitiveness Index	GDP per Capita	GDP Growth Rate	Unemployment. R.	Inflation R.
Chile	70,3	24635	1,5	7	2,2
México	64,6	18258,1	2	3,4	6
Uruguay	62,7	20551,41	2,7	7,9	6,2
Costa Rica	62,1	17044,2	3,2	8,1	1,6
Colombia	61,6	14552	1,8	8,9	4,3
Perú	61,3	13234,1	2,5	3,6	2,8
Panamá	61	24446	5,4	4,5	0,9
Brasil	59,5	15483,5	1	13,3	3,4
Argentina	57,5	20786,7	2,9	8,5	No data

República Dominicana	57,4	16029,6	4,6	5,5	3,3
Ecuador	55,8	11617,4	3	3,8	2,4
Guatemala	53,4	8150,3	2,8	2,7	4,4
Paraguay	53,4	8827,01	0,8	4,6	3,6
El Salvador	52,8	8006,1	2,3	4,5	1
Honduras	52,5	4986,2	4,8	4,5	3,9
Bolivia	51,5	7559,6	4,2	3,1	2,8
Nicaragua	51,5	5842,2	4,9	4,4	3,9
Venezuela	43,2	No data	No data	7,7	No data
Haití	36,5	1814,9	1,2	14	14,7
Cuba	No data	No data	No data	2,5	No data

Elaborated by: Peralta, Samaniego Date of elaboration: November 30, 2018

Source: World Bank, 2018

It is important to mention that one of the main reasons why it has been decided to discard Argentina is the economic problem it is going through. Thus, according to the British Broadcasting Corporation (BBC) this country presents serious problems of economic sustainability due to bad government administrations. This has caused the inflation rate to rise overwhelmingly (BBC, 2018). Therefore, it is not feasible to carry out a benchmarking study because it is very possible that MSMEs in that country are going through a crisis. As a result, the information acquired in this country can be not invalid for local companies.

Then, the countries that qualify for the second elimination round are the following: Colombia, Peru, Panama, Guatemala, Paraguay and El Salvador being eliminated Chile, Mexico, Uruguay, Costa Rica, Brazil, Argentina, Dominican Republic, Honduras, Bolivia, Nicaragua, Venezuela, Haiti and Cuba for the reasons mentioned above.

3.1.4 Second Round of Elimination

The countries selected for the second elimination round are: Colombia, Peru, Panama, Guatemala, Paraguay and El Salvador.

3.1.4.1 Analysis of Colombia

In Colombia, it can be analyzed that it is a strongly developed country in terms of support for MSMEs since it has around 2'540,953.00 and 85% of these are dedicated to the Textile Sector. This information is key for the development of this research since it outnumbers

Peru and Guatemala. (CCCA, 2018) This country has created the Cámara Colombiana de la Confección y Afines, which is responsible for supporting and advising SMEs in the development process, and at the same time, It promotes the garment industry at a national and international level. (CCCA, 2018) In the year 2017 this industry exported around \$ 921 million US dollars, so it is expected that by 2018 this figure will grow considerably. (Becerra, 2018) This industry becomes important because it is equivalent to 8% of GDP and represents 24% of total employment in the country. (Litman, 2017). The government of this country promotes the textile industry through the creation of lines of credit, suspension of tariffs for garments and fighting against smuggling. (Botero, 2018) Regarding the cultural distance between Ecuador and Colombia, it was determined that there is a 2,317 degree distance between these two. (Farías, 2016). In terms of transparency and corruption, Colombia has a score of 37 (Transparency International, 2017). Finally, Doing Business Index of Colombia shows an indicator of 69.41, which is 0.04 lower than Peru, so there is not a significant difference between them (World Bank, 2018).

3.1.4.2 Analysis of Peru

Peru is made up of more than 1.7 million formal MSMEs of which less than 15% is dedicated to the production area. (Ministerio de la Producción de Perú, 2016) Regarding the textile sector in this country, this industry generates more than 500,000 jobs and is mainly made up of MSMEs whose characteristics are: low levels of productivity and financing limitations. So they are seriously affected due to the large amount of competition that exists within this sector. (Ministerio de la Producción de Perú, 2018) Therefore, taking Peru's MSMEs as a model to follow is not ideal since they do not present optimal performance that could serve as a basis to improve the results of local companies. In the ranking of the facility to do business, is located in box 58 above the rest of the rest of countries analyzed in this elimination round. (World Bank, 2018) In terms of the perception of corruption index, this country is in the 96th position along with Panama; so this country has a better control of corruption in comparison with Ecuador (Transparency International, 2017).

3.1.4.3 Analysis de Guatemala

Regarding Guatemala, there are no updated data on the number of MSMEs, however, for 2015 there were 370,000 MSMEs; that is, 99.53% of the total registered companies.

(Oficina Coordinadora Sectorial de Estadísticas de la MIPYME, 2017) The textile sector of this country is one of the most developed worldwide. Thus, it exported 1540 million dollars in 2017, which represents 8.8% of GDP, generating more than 100,000 jobs per year. It should be noted that the main performance is carried out by the large industries that are located in the country, but not by the MSMEs (Asociación de la Industria de Vestuario y Textiles, 2017). As for Doing Business Index, Guatemala is in the 97th position according to the world ranking, so it surpasses Ecuador that is in the number 118 box. However, there are other possible candidates that occupy better positions such as Colombia, Peru and Panama. (World Bank, 2018) In terms of the perception of corruption index, it is located at number 143, so it can be said that it has more corruption than Ecuador, the position of which is 117 (Transparency International, 2017). Therefore, this generates different socio-economic realities what qualifies Guatemala as a non-ideal country to carry out the benchmarking study. The cultural distance between Ecuador and Guatemala is of 1,767 degrees according to the article *Medición y Representación Gráfica de las Distancias Culturales Entre Países Latinoamericanos*, (Farías, 2016) being this one of the lowest which means that in case both countries decide doing business, the culture of these would not be a problem. In general, this country would be optimal for studying the textile sector. However, it does not qualify for this project because, as mentioned above, MSMEs in this sector do not play an important role since they are characterized by: supplying the local market and manufacturing clothing without added value. Then, large industries are responsible for international market. In addition, another problem that these MSMEs present is the lack of association because the public or private sector do not support them (Prado, 2010).

3.1.4.4 Analysis of Panama

Panama is in a large recession in terms of textile development, Augusto Corro, president of the Asociación Nacional de la Industria de la Confección de Ropa, says that big part of this recession occurred because several entrepreneurs began to import textile products from China through the Zona Libre de Colón (Central America Data, 2018). Due to this great problem it is difficult to take Panama into account for the investigation. There are around 60,740 MSMEs; of these, 13% is dedicated to manufacturing. As for exports in the textile sector, they reach USD \$ 500,000 (Romero, 2015). It is also affirmed that a great cause of this decline is the migration of Panamanian labor, lack of competitiveness against the products that enter from China and Colombia, and the few trained personnel

for the productive area in the textile sector (Coro, 2016). MSMEs in Panama generate 49% of jobs and represent 8% of GDP (Dopeso, 2018). In terms of the perception of corruption index, its index is 37, which shows that its transparency is weak (Transparency International, 2018). In relation to Doing Business index, its score is 65.27 (Doing Business, 2018).

3.1.4.5 Analysis of Paraguay

Due to the limited development Paraguay has in terms of MSMEs, this country will not be taken into account to develop this research (Lopez, 2015). According to the Chamber of Industries of this country, Paraguay only has around 2,500 formalized MSMEs. Exports of textiles in this country reach USD \$ 57 million, however, it must be emphasized that much of this export is achieved through large manufacturing industries in the country, but not by MSMEs (Cámara de Comercio, Industrias y Agricultura, 2015). However, despite their small number, they represent 66% of the economically active population and 21% of GDP (Mortgage International Corporation S.A, 2016). This country seeks to encourage aid to MSMEs, unfortunately, its development is still gradual so this country cannot be a finalist in this research (Lopez, 2015). As for Doing Business Index, Paraguay has a score of 59.18 (Doing Business, 2018). and in the transparency and corruption index, this country has a score of 29.

3.1.4.1 Analysis de El Salvador

El Salvador is made up of 160,797 MSMEs, of which a large part is developed in the textile sector (Comisión Nacional de la Micro y Pequeña Empresa, 2016). This sector exported 2 552 million dollars in 2017, which represents 46% of the total exports of this country so it generates more than 80,000 jobs (La Cámara de la Industria Textil, Confección y Zonas Francas de El Salvador, 2017). A study conducted in that country determined that the micro, small and large Salvadoran exporting companies specialize in the manufacture of textiles, clothing and *maquila*. The latter is the main economic activity in El Salvador (Banco Central de Reserva de El Salvador, 2017). However, this represents a problem for research since there is a very large gap with Ecuador in terms of capabilities. So conducting a benchmarking study in this country is not ideal. It should be noted that another reason why this country is left aside is the existence of a large number of well-used free zones in which the majority of MSMEs develop. They dedicate to the business model known as *maquilas*. In this sense, the selected MSMEs would not obtain

benefits in case of carrying out the research in said country. This is because the local business model is different. The cultural distance that exists between these countries is 2,511, being one of the highest (Farías, 2016). That means that carrying out a business between both countries would be difficult due to their differences. El Salvador, in the ranking of Doing Business, is in the position number 73 which indicates that it is easier to undertake in that country (World Bank, 2018). Finally, this country is located only two positions above Ecuador in the corruption perception index so it can be affirmed that this social problem occurs in similar amounts within these countries (Transparency International, 2017).

3.2 Situation and performance of MSMEs in the selected country

Colombia has a strong development in terms of support to MSMEs. That is why they have created the Sistema Nacional de Apoyo a las Micro, Pequeña y Mediana Empresa Enterprises as a key tool to offer advice, help and different financial instruments for entrepreneurs. In spite of the great challenges that companies have had to overcome in these years, they can access external financing to achieve their objectives. There are around 2 million companies that obtain advantages according to the provisions of the Law of MSMEs offered by the government. Among these are the facility to access loans, acquisition of assets for investment, support programs and innovation (Pymes Colombia, 2017). In addition to chambers of industry and chambers of commerce that strengthen business development, the government proposes programs in which entrepreneurs can also access "Productive Transformation Program", "Digital MIPYME," "Productive SME". This in order to achieve new challenges of innovation, improvement of productivity and access to mentoring processes (Negocios Pyme, 2018). It is clear that Colombia has developed new policies of change for the benefit of its small businesses since they support their local economy and employ a large part of the economically active population.

3.3 Preparation and application of field interviews

For the elaboration of the interviews, the previously selected Critical Success Factors were used as a base in order to determine if these are the ones that will allow local companies to internationalize. This consists of 17 questions of which 14 focus on a specific FCE, the number 15 includes all the FCE in cross-response mode in order to check whether the previous answers are valid or not, and the last 2 are optional. Of the total, there are seven questions with an answer option of YES / NO, four based on the 5

levels of the Likert scale, four of multiple choice and two with optional response so that the interviewee can add information relevant to the investigation in case it has not been considered within the interview.

For the application of the interview, a database of textile companies located in Colombia that carry out foreign trade activities was prepared. They were contacted via telephone and by email; the latter is the method selected for sending and receiving interviews. Of all the companies contacted, a total of 3 valid interviews were obtained. They will serve as a source to establish the performance gap and develop the "best practices" model as part of chapter 4.

3.4 Description of MSMEs located in Colombia

Next, the companies that have responded positively to the request to collaborate in this project will be described. These are: Nexxos Studio, Denim Factory and Sentido Figurado.

3.4.1 Nexxos Studio S.A.S.

Company name	NEXXOS STUDIOS S.A.S
Product	Elaboration and designs of T-shirts
Localization	a 34-79 343, Cra. 8a, Cali, Valle del Cauca, Colombia
Contacted people	Ángela Moreno Mercadeo
E-mail PBX // Ext	servicioalcliente@nexxosnxs.com 572) 442 33 86 Ext. 222
Interview date	14 – January - 2019

3.4.1.1 Perfil

Nexxos Studio S.A.S. is a company that started its activities in the year of 1985 being a small company with the idea of giving originality to their designs. With the passage of time, this company has become a pioneer in the development and design of shirts and other clothing. Nowadays, the company exports its products to different countries in Latin America. Its success is based on seeking excellence through creativity and originality in the printing of every garment that they produce. Innovation is key to its success since they offer around 75 categories in garments and more than 300 products at the best prices in

the market. The company is affiliated as a Simplified Shares Company, and belongs to the Cámara Colombiana de la Confección.

3.4.1.2 Applied interview

EVALUATION INTERVIEW
"Internationalization of the MIPYMES of AZUAY"
Universidad del Azuay

1. At the time of internationalization, did the company have a properly prepared strategic plan? YES / NO

NO.....

2. Do you consider it important to have experience in the local market before becoming international? YES / NO

YES

3. Do you think it was important to establish the target market to be able to internationalize?

- ☐ Completely disagree
- ☐ Disagree
- ☐ Neutral (Neither agree nor disagree)
- ☐ Agree

X Completely agree

4. Do you consider that the differentiation of competition is a key element for the internationalization of the company?

- ☐ Completely disagree
- ☐ Disagree
- ☐ Neutral (Neither agree nor disagree)
- ☐ Agree

X Completely agree

5. What is the level of importance that the company provides to the training and personnel training (updating of knowledge and management of new technology or machinery)?

Importance level:

- ☐ Unimportant
- ☐ Unimportant
- ☒ Moderately Important
- ☐ Important
- ☐ Very important

6. ¿Mark with an x if the company already fulfilled the following factors at the time of entering an international market

- ☒ Patent of products
- ☒ Trademark registration
- ☒ Operating permits
- ☒ Company registration

Other factors:

7. Does the company perform quality controls on its products? YES/NO

YES

8. Do you consider it important to register suppliers to maintain the quality of the raw material?

- ☐ Unimportant
- ☐ few important
- ☐ Moderately Important
- ☐ Important
- ☒ Very Important

9. What is your differentiation based on?

- ☒ Differentiation in product
- ☐ Differentiation in processes
- ☐

10. Does the company comply with environmental management regulations? Yes / No If the answer is positive, Do you consider that this has an influence on the consumer's purchasing decision?

YES

11. Does the company have a detailed planning of its expenses for the following year? YES/NO

YES

12. The money acquired in loans or profits is invested in ... Indicate the corresponding options.

- ☒ Advertising - Marketing
- ☒ Industrialization
- ☒ Staff training
- ☒ Innovation
- ☐ Infrastructure

Other options:

13. What is the method of logistics distribution of your product? Point out the corresponding options.

- ☒ Direct
- ☐ Retailer
- ☐ Distributor
- ☐ Broker

Observations:

14. ¿Is there advertising of your products in the international market? YES/ NO

No, there is not

15. Mark with an x according to your criteria the following Factors according to what you consider important at the time of entering the international market.

Selected Critical Success Factors	YES	NO
Considering the needs of the foreign markets	X	
Achieving the company's objectives, according to their management indicators	X	
Considering the needs of local markets	X	
Having procedures manuals		X
Minimum level of instruction for the heads in the areas of the company	X	
Technical criteria for the purchase of raw material	X	
Patenting Products	X	
Registering Brand	X	
Having permits, records	X	
Procedure for quality control in all its processes	X	

Having adequate infrastructure	X	
Packing with correct labeling	X	
Keeping a record of qualification of suppliers	X	
Fulfilling environmental management requirements for your industry	X	
Advanced technological level of your machinery	X	
Innovation in the processes	X	
Innovation in the product	X	
Owning sources of external financing		X
Investing with the objective of innovating	X	
Planning future expenses	X	
Defined budget for Marketing and Sales Activities	X	
Product with clear added value	X	
Logistics for the distribution of products	X	
Explore market opportunities to increase sales	X	

16. In case it has not been mentioned previously. What other factors do you consider important to enter an international market?

17. We accept your suggestions, comments and observations.

3.4.2 Denim Factory S.A

Company name	DENIM FACTORY S.A
Product	Casual clothes for women, men and children
Localization	Cali Colombia
Contacted people	Alfredo Córdova
E-mail	alfredocordoba@ci-denim.com
Interview date	14 – January - 2019

3.4.2.1 Profile

This company is dedicated to the production and distribution of casual garments for women, men and children. The company has over 20 years of experience that is reflected in its personalized service, production processes and final product quality. Locally and

internationally, it is dedicated to the distribution of high-end Colombian clothing with the best standards in order to meet the needs of the clients. They are strongly committed to the community since they promote the integral development of their company's personnel and promote environmental practices. For the production of its products, it is carried out from the washing and dyeing of fabrics to the elaboration of the final product. They specialize in personalized customer service. In addition, it complies with the corresponding certifications such as compliance with the occupational health and safety at work law and the environmental law for the treatment, disposal and deposit of waste.

3.4.2.1 Applied interview

EVALUATION INTERVIEW "Internationalization of the MIPYMES of AZUAY" Universidad del Azuay

1. At the time of internationalization, did the company have a properly prepared strategic plan? YES / NO

YES.....

2. Do you consider it important to have experience in the local market before becoming international? YES / NO

YES

.....

3. Do you think it was important to establish the target market to be able to internationalize?

- ☐ Completely disagree
- ☐ Disagree
- ☐ Neutral (Neither agree nor disagree)
- ☐ Agree

X Completely agree

4. Do you consider that the differentiation of competition is a key element for the internationalization of the company?

- ☐ Completely disagree
- ☐ Disagree
- ☐ Neutral (Neither agree nor disagree)
- ☐ Agree

X Completely agree

5. What is the level of importance that the company provides to the training and personnel training (updating of knowledge and management of new technology or machinery)?

Importance level:

- ☐ Unimportant
- ☐ Unimportant
- ☐ Moderately Important

☒ Important

- ☐ Very important

6. Mark with an x if the company already fulfilled the following factors at the time of entering an international market

- ☐ Patent of products
- ☐ Trademark registration
- ☒ Operating permits
- ☒ Company registration

Other factors: Comply with all the laws

7. Does the company perform quality controls on its products? YES/NO

☒ YES

8. Do you consider it important to register suppliers to maintain the quality of the raw material?

- ☐ Unimportant
- ☐ few important
- ☐ Moderately Important

☒ Important

- ☐ Very Important

9. What is your differentiation based on?

☒ Differentiation in product

☒ Differentiation in processes

10. Does the company comply with environmental management regulations? Yes / No If the answer is positive, Do you consider that this has an influence on the consumer's purchasing decision?

YES, local and foreign clients take care not being part of a scandal or demand.

11. Does the company have a detailed planning of its expenses for the following year? YES/NO

YES

12. The money acquired in loans or profits is invested in ... Indicate the corresponding options.

- ☐ Advertising - Marketing
- ☒ Industrialization
- ☒ Staff training
- ☒ Innovation
- ☒ Infrastructure

Other options:

13. What is the method of logistics distribution of your product? Point out the corresponding options.

- ☒ Direct
- ☐ Retailer
- ☐ Distributor
- ☒ Broker

Observations:

14. ¿Is there advertising of your products in the international market? YES/ NO

No, there is not

15. Mark with an x according to your criteria the following Factors according to what you consider important at the time of entering the international market.

Selected Critical Success Factors	YES	NO
Considering the needs of the foreign markets	X	
Achieving the company's objectives, according to their management indicators	X	
Considering the needs of local markets	X	
Having procedures manuals		X
Minimum level of instruction for the heads in the areas of the company	X	
Technical criteria for the purchase of raw material	X	
Patenting Products		X
Registering Brand		X
Having permits, records	X	

Procedure for quality control in all its processes	X	
Having adequate infrastructure	X	
Packing with correct labeling	X	
Keeping a record of qualification of suppliers		X
Fulfilling environmental management requirements for your industry	X	
Advanced technological level of your machinery	X	
Innovation in the processes	X	
Innovation in the product	X	
Owning sources of external financing	X	
Investing with the objective of innovating	X	
Planning future expenses	X	
Defined budget for Marketing and Sales Activities		X
Product with clear added value	X	
Logistics for the distribution of products	X	
Explore market opportunities to increase sales	X	

16. In case it has not been mentioned previously. What other factors do you consider important to enter an international market?

17. We accept your suggestions, comments and observations.

In our case, once we HAVE the experience AND the product with added value, we look for representatives abroad with experience in the business, who know the market of their country. Thus we enter France, Italy and USA. In each one there is an agent who has been in the sector for many years and knows the market and customers.

3.4.3 Sentido Figurado S.A.S.

Company name	SENTIDO FIGURADO S.A.S.
Product	Exclusive designs
Localization	Itagui Antioquia
Contacted people	Juan Camilo Ríos Romero
E-mail	camilorios@sfigurado.com.co
Interview date	16 – January - 2019

3.4.3.1 Profile

It began as a dream of a small entrepreneur of 17 years in 2007. Juan Camilo Ríos is currently one of the 3 founders of Sentido Figurado, who is dedicated to the development of exclusive clothing. Through this company, high-end products and avant-garde collections are sold. Camilo's garments have been awarded at the Cromos de la Moda for Best Designer and his collections won the International Fashion Designer Award. Its commercial distribution reaches cities in Mexico, the United States and Panama.

3.4.3.2 Applied interview

EVALUATION INTERVIEW
"Internationalization of the MIPYMES of AZUAY"
Universidad del Azuay

1. At the time of internationalization, did the company have a properly prepared strategic plan? YES / NO

No, internacionalization was casual and not planned.

2. Do you consider it important to have experience in the local market before becoming international? YES / NO

YES

3. Do you think it was important to establish the target market to be able to internationalize?

☒ Completely disagree

- ☐ Disagree
- ☐ Neutral (Neither agree nor disagree)
- ☐ Agree
- ☐ Completely agree

4. Do you consider that the differentiation of competition is a key element for the internationalization of the company?

- ☐ Completely disagree
- ☐ Disagree

☒ Neutral (Neither agree nor disagree)

- ☐ Agree
- ☐ Completely agree

5. What is the level of importance that the company provides to the training and personnel training (updating of knowledge and management of new technology or machinery)?

Importance level:

- ☐ Unimportant
- ☐ Less important
- ☐ Moderately Important
- ☐ Important

☒ Very important

6. Mark with an x if the company already fulfilled the following factors at the time of entering an international market

- ☐ Patent of products
- ☒ Trademark registration
- ☒ Operating permits
- ☒ Brand registration

Other factors: Comply with all the laws

7. Does the company perform quality controls on its products? YES/NO

YES

8. Do you consider it important to register suppliers to maintain the quality of the raw material?

- ☐ Unimportant
- ☐ few important
- ☐ Moderately Important
- ☐ Important

☒ Very Important

9. What is your differentiation based on?

☒ Differentiation in product

☐ Differentiation in processes

10. Does the company comply with environmental management regulations? Yes / No If the answer is positive, do you consider that this has an influence on the consumer's purchasing decision?

YES, but it is not important for buyers. .

11. Does the company have a detailed planning of its expenses for the following year? YES/NO

YES

12. The money acquired in loans or profits is invested in ... Indicate the corresponding options.

- ☐ Advertising - Marketing
- ☒ Industrialization
- ☐ Staff training
- ☒ Innovation
- ☒ Infrastructure

Other options: Raw materials and developing new products.

13. What is the method of logistics distribution of your product? Point out the corresponding options.

- ☒ Direct
- ☒ Retailer
- ☐ Distributor
- ☐ Broker

Observations: Specialized stores

14. Is there advertising of your products in the international market? YES/ NO

No, there is not. The company uses social networks.

15. Mark with an x according to your criteria the following Factors according to what you consider important at the time of entering the international market.

Selected Critical Success Factors	YES	NO
Considering the needs of the foreign markets	X	
Achieving the company's objectives, according to their management indicators	X	
Considering the needs of local markets	X	
Having procedures manuals	X	
Minimum level of instruction for the heads in the areas of the company	X	
Technical criteria for the purchase of raw material	X	
Patenting Products		X
Registering Brand	X	

Having permits, records	X	
Procedure for quality control in all its processes	X	
Having adequate infrastructure	X	
Packing with correct labeling	X	
Keeping a record of qualification of suppliers	X	
Fulfilling environmental management requirements for your industry	X	
Advanced technological level of your machinery	X	
Innovation in the processes	X	
Innovation in the product	X	
Owning sources of external financing		X
Investing with the objective of innovating		X
Planning future expenses	X	
Defined budget for Marketing and Sales Activities	X	
Product with clear added value	X	
Logistics for the distribution of products	X	
Explore market opportunities to increase sales	X	

16. In case it has not been mentioned previously. What other factors do you consider important to enter an international market?

- Training on the export processes and knowledge of the requirements in the goal market.
- Appropriate public relations with the people of the country, access to the magazines, bloggers, influencers in social networks.
- Having products with origin to reduce tariffs, this is very important for the buyer.

17. We accept your suggestions, comments and observations.

3.5 Determination of the Critical Success Factors based on the interviews.

Taking into account that the questions were elaborated based on the critical success factors selected in chapter 2, only those that present a positive response from the total of companies interviewed will serve as a source to determine the CSF to internationalization. Next, the questions are presented with their respective answers and analysis.

1. At the time of internationalization, did the company have a properly prepared strategic plan? YES / NO

Answer	YES/NO
Nexxos Studio	No
Denim Factory	Yes
Sentido Figurado	No

Due to the fact that only one of the three interview companies responded positively, it has been determined that the "Properly prepared strategic plan" factor was not a CSF for Colombian companies.

2. Do you consider it important to have experience in the local market before becoming international? YES / NO

Answer	YES/NO
Nexxos Studio	YES
Denim Factory	YES
Sentido Figurado	YES

Due to the three interview companies responded positively, it has been determined that the factor "Experience in the local market" was a CSF for Colombian companies.

3. Do you think it was important to establish the target market to be able to internationalize?

Answer	C. disagree	Disagree	Neutral	Agree	C. agree
Nexxos Studio					X
Denim Factory					X
Sentido Figurado	X				

Based on the fact that the response of two of the three companies shows a total acceptance of the factor "Establish a target market", it has been considered as CSF for research.

4. Do you consider that the differentiation of competition is a key element for the internationalization of the company?

Answer	C. disagree	Disagree	Neutral	Agree	C. agree
Nexxos Studio					X
Denim Factory					X
Sentido Figurado			X		

Based on the fact that two of the three companies present a positive response, and the third does not show any opposition, the factor "Differentiation of competition" will be considered as CSF within the project. Because the three companies state that the factor "Personnel Training and Training" is important in different degrees, it will be considered as FCE for the investigation.

5. What is the level of importance that the company provides to the training and personnel training (updating of knowledge and management of new technology or machinery)?

Answer	Unimportant	Less important	Moderately important	Important	Very important
Nexxos Studio			X		
Denim Factory				X	
Sentido Figurado					X

Because the three companies state that the factor "Personnel Training" is important in different degrees, it will be considered as CSF for the investigation.

6. ¿Mark with an x if the company already fulfilled the following factors at the time of entering an international market

Answer	Patent of products	Trademark registration	Operating permits	Brand registration
Nexxos Studio	X	X	X	X
Denim Factory			X	X
Sentido Figurado		X	X	X

In this case, the factors "Operating Permits" and "Brand Registration" will be considered as CSF due to the positive response of the total number of companies.

7. Does the company perform quality controls on its products? YES/NO

Answer	YES/NO
Nexxos Studio	YES
Denim Factory	YES
Sentido Figurado	YES

Due to the three interviewed companies responded positively, it has been determined that the factor "Product quality controls" was a CSF for Colombian companies.

8. Do you consider it important to register suppliers to maintain the quality of the raw material?

Answer	Unimportant	Less important	Moderately important	Important	Very important
Nexxos Studio					X
Denim Factory				X	
Sentido Figurado					X

The factor "Registry of suppliers" will be considered as CSF in this investigation because the total of the companies responded positively.

9. What is your differentiation based on?

Answer	D. in product	D. in processes
Nexxos Studio	X	
Denim Factory	X	X
Sentido Figurado	X	

In this case, only the factor "Differentiation in product" will be considered as CSF within the investigation.

10. Does the company comply with environmental management regulations? Yes / No

Answer	YES/NO
Nexxos Studio	YES
Denim Factory	YES
Sentido Figurado	YES

Due to the fact that the three interview companies responded positively, it has been determined that the factor "Comply with environmental management regulations" is a CSF for the internationalization of companies.

11. Does the company have a detailed planning of its expenses for the following year?
YES/NOT

Answer	YES/NO
Nexxos Studio	YES
Denim Factory	YES
Sentido Figurado	YES

As in the previous question, all companies answered Yes, so the factor "Detailed planning of expenses for the following year" will be considered as an CSF in this project.

12. The money acquired in loans or profits is invested in ... Indicate the corresponding options.

Answer	Advertising Marketing	Industrialization	Staff training	Innovation	Infrastructure
Nexxos Studio	X	X	X	X	
Denim Factory		X	X	X	X
Sentido Figurado		X		X	X

When analyzing the answers, the factors "Invest in industrialization" and "Invest in innovation" will be considered as CSF within the project.

13. What is the method of logistics distribution of your product? Point out the corresponding options.

Answer	Direct	Retailer	Distributor	Broker
Nexxos Studio	X			
Denim Factory	X			X
Sentido Figurado	X	X		

In this case, only "Direct logistics distribution" will be considered as CSF for the investigation.

14. Is there advertising of your products in the international market? YES/ NO

Answer	YES/NO
Nexxos Studio	NO
Denim Factory	NO
Sentido Figurado	NO

Due to the negative response of all companies, "Advertising in the international market" will not be considered as CSF for research.

Question 15 has not been used to obtain FCE from Colombian companies since its purpose was only to corroborate the veracity of the previous questions. Questions 16 and 17 will be used for writing the recommendations at the end of chapter 4.

Therefore, after analyzing the 14 specific questions, the following critical success factors of the Colombian MSMEs were obtained.

1. Experience in the local market
2. Differentiation of the competition
3. Personnel training
4. Operating permits
5. Brand registration
6. Quality product controls
7. Suppliers registration
8. Differentiation in product
9. Comply environmental management regulations.
10. Detailed planning of expenses for the following year
11. Invest in industrialization
12. Invest in innovation
13. Direct logistics distribution
14. Establish a target market

Conclusions

According to the data obtained during the investigation to the different countries of Latin America, it was determined that the most developed country in the textile sector is El Salvador; however, due to the fact that this country has a very advanced level of development of the maquilas, it was not selected for the application of the interviews since the existing gap would represent a problem for the project due to the lack of capacities of the local MSMEs. Therefore, the finalist countries were Peru, Guatemala and Colombia. Of these, Colombia was selected country for the application of field research based on the high degree of internationalization presented by MSMEs in this sector and their development model similar to that of Ecuador.

For the elaboration of the interviews, a total of 40 possible Critical Success Factors were taken as a base, resulting in a total of 17 questions. Once the interviews were sent to the Colombian companies, the response of three MSMEs were obtained, which served to establish a total of thirteen Critical Success Factors that will be used for the subsequent elaboration of the "Best Practices" model.

Chapter 4. Comparison of local MSMEs characteristics with international ones

Introduction

In this chapter, local critical success factors will be compared with those of Colombian companies in order to establish the similarities and differences between the two groups. This will make it possible to determine the existing gap between international and local MSMEs, which will serve as the basis for the elaboration of the model called Best Practices whose purpose is to facilitate the internationalization of local MSMEs.

This chapter responds to the third stage of the benchmarking process called Gap Data Analysis and Performance Facilitators whose purpose is to identify those characteristics or Critical Success Factors of Colombian companies to determine which are adaptable to the local environment. For this, the nature of the CSF will be organized and analyzed in order to establish its adaptability to the local MSMEs. It will help to eliminate the gap in the performance between local and international companies. (Rockart, 1979)

The gap is understood as the difference between the performances of leading companies in the market with the company that is conducting the benchmarking study. In case there are no clear differences, It can be said that there is a parity in the performance so the study is not necessary. (Rockart, 1979) For this project, the gap will be defined as those key characteristics for internationalization that international MIPYMES already meet and that will serve local companies as a basis to internationalize through the adaptation of them in the model called "Best Practices" and that will be applied in the next phase of the project.

4.1 Analysis of the Critical Success Factors between local and international MSMEs.

Next, analysis of the different Critical Success Factors both local and international companies will be made in order to determine the similar CSF, discard those that have not been important for the internationalization of the Colombian MSMEs, and most importantly, establish the existing gap between these two groups. It will serve as a basis to elaborate a model of "Best Practices" that facilitates the internationalization of companies located in the province of Azuay.

For the respective analysis, a table consisting of the selected local companies and the Critical Success Factors of the Colombian MSMEs was prepared. In case that the local company complies with said factor, it has been marked with the word "Yes" and the

respective box has been highlighted green; and if it does not comply, it is used red color and the word “No”.

To establish the gap, it has been decided to take as a basis the trend in relation to the fulfillment of said factors within local companies. If most companies have already developed the CSF, it will be established as similarity; and in the opposite case, it will be defined as a breach. In the event that there is no clear trend, the relevance of the CSF will be taken into account. Then, if it is vital for internationalization, it will be established as a gap, so it is possible to develop said factor in the "Best Practices" model.

Next, the respective table is presented.

Table 10: Analysis of the Colombian CSF in relation to local MSMEs													
	Does the company develop the Critical Success Factor?												
Critical Success Factor MSMEs Colombia	ASHUMIRA	El Inca	Areldy Jeans	Referee	Kossmoran	Procostura	Betoven	Andreali	Frada	Hermanos Martínez	Zhiros	Modasa	Sombrereros del Austro
Experience in the local market	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Differentiation of the competition	No	No	Yes	Yes	No	No	Yes	No	No	Yes	No	Yes	Yes
Personnel training	No	No	Yes	Yes	No	No	No	Yes	Yes	Yes	Yes	Yes	No
Operating permits	Yes	Si	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Brand registration	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Quality product controls	Yes	No	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	No
Suppliers registration	Yes	No	Yes	Yes	No	Yes	Yes	No	Yes	Yes	No	No	No
Differentiation in product	Yes	No	Yes	Yes	No	No	Yes	No	No	Yes	No	Yes	Yes
Comply environmental management regulations.	No	Yes	No	No	No	Yes	No	No	No	No	No	No	No
Detailed planning of expenses for the following year	No	No	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	No
Invest in industrialization	Yes	No	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	No
Invest in innovation	No	No	No	No	No	No	No	No	No	Yes	No	No	No
Direct logistics distribution	No	No	No	No	No	No	No	No	No	No	No	No	No
Establish a target market	No	No	No	No	No	No	No	No	No	No	No	No	No

Elaborated by: Peralta, Samaniego

Date of elaboration: January, 2019

Source: MSMEs from Colombia and Ecuador.

4.2 Similarities

Based on the previous analysis, the following Critical Success Factors have been determined as similarities in the performance of the companies from both Colombia and Azuay.

- **Experience in the local market:** In this case, only two of the thirteen companies analyzed have not yet developed this factor in their company, so it has been decided to establish it as similarity between both groups.
- **Operating permits:** based on the fact that all the companies analyzed comply with the respective permits, it is clear that this factor establishes another similarity between local and Colombian MSMEs.
- **Brand registration:** Only one of the local companies does not comply with this factor, so a trend can be found, resulting in a high degree of similarity between both groups.
- **Quality control of the products:** In this case, ten of the thirteen companies comply with this factor, so a positive trend can be observed. Then, the similarity between the two groups of MSMEs is clear.
- **Detailed planning of expenses for the following year:** When analyzing the different local companies, it was determined that ten of the thirteen companies handled an annual budget for their different activities, so it has been decided to manage this factor as a similarity with the MSMEs of Colombia.
- **Invest in industrialization:** Eleven of the total companies have the necessary facilities to be able to produce optimally in case of internationalization, so this factor was considered as similarity with Colombian companies.

4.3 Establishing the existing gap

To establish the gap between the two groups of companies, It was used as a basis those factors that are not met by the majority of MSMEs of Azuay. That is, if the trend is negative in the sector, the CSF will be considered as a gap.

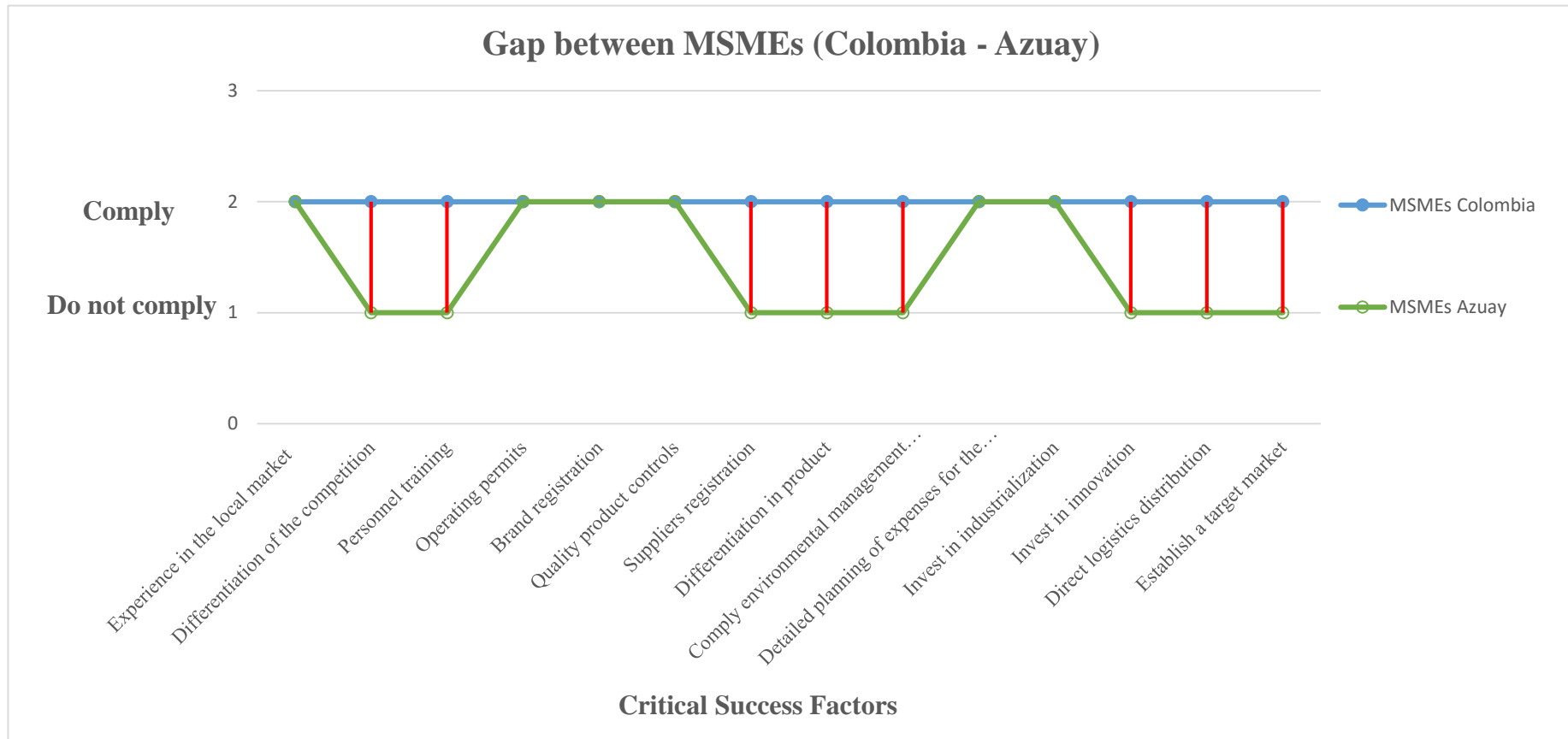
- **Differentiation of the competition:** In this case, only six of the thirteen companies have focused on generating a product differentiation, so it can be said that there is a great difference between the performances of both groups, generating a clear gap.

- **Personnel training:** Colombian companies have marked this factor as a key to grow business, however, six of the local companies do not develop it internally so this generates another gap between local and Colombian MSMEs.
- **Registration of suppliers:** Key to a quality product and the preference of consumers abroad, so that Colombian companies say that it is essential to carry out a registration in case of internationalization. However, almost half of local MSMEs do not comply with this factor, so it has been decided to establish it as a gap within the project. In this way, companies that decide to enter an international market take this factor into account as part of the requirements basic.
- **Differentiation in product:** Very linked to the previous factor, it is important that companies look for this differentiation in order to insert their product in a new market. However, only seven of the thirteen companies analyzed have worked on this factor, so the gap between both groups of MSMEs is evident.
- **Complying with environmental management regulations:** Colombian companies affirm that this factor does not influence consumers' purchasing decisions, however, it is requested by importers, so complying with this factor is essential. Despite this, eleven of the companies analyzed do not comply with these regulations, so there is a clear gap between the two groups.
- **Investing in innovation:** Despite its importance to generate interest in both local and foreign consumers, only one Ecuadorian company has generated innovation, so the gap between local and Colombian MIPYMES is evident.
- **Direct logistics distribution:** None of the analyzed companies complies with this factor since it is developed at the time of export. In this sense, the direct logistics distribution will be developed once the company starts with the internationalization processes.

4.3.1 Illustration of the existing gap

In order to analyze the gap in a better way, a graph is presented below detailing the Critical Success Factors with the respective trend lines of the MSMEs of Colombia and Azuay. In order to identify the trend, number 1 is used to refer to the local companies that do not comply with the factor, and number 2 means they already develop the CSF.

Illustration 2 Existing gap between MSMEs (Colombia – Azuay)



Elaborated by: Peralta, Samaniego
Source: MSMEs from Colombia and Ecuador.

Date of elaboration: January, 2019

4.4 Model of the "Best Practices" for the internationalization of the MSMEs in the country.

For a better development of the model to follow, the seven Critical Success Factors that make up the existing gap between the local and Colombian MSMEs, it has been decided to group them according to the business department they belong; that is to say, according to their nature they will conform the administrative, productive, commercial or financial department.

Next, the CSFs are presented in the respective department to which they will be assigned:

Administrative department:

- Personnel capacitation and training

Productive department:

- Suppliers registration
- Differentiation of the competition
 - Differentiation in product
- Comply environmental management regulation

Commercial department:

- Direct logistics distribution
- Establish a target market

Financial department:

- Invest in innovation

4.4.1 Development of the "Best Practices" Model for internationalization

4.4.1.1 Administrative department

4.4.1.1.1 Personnel training

Personnel training is understood as the activity planned and carried out by a company in order to generate a change or development in the skills and attitudes of the workers. This will facilitate the fulfillment of the previously stated objectives or goals and business development. For this reason, it is important to develop a training based on

the needs of the company since it will help the personnel to perform their activities. (Aguilar, 2004) In this case, MSMEs should focus on training their different workers on issues related to internationalization due to their main objective is the internationalization.

The following are the most important steps to achieve effective and efficient staff training and education:

- 1. Detect the needs of the company:** People in charge must analyze what is the objective of the company. Based on this and through the observation and evaluation of the staff, they must determine their skills and knowledge. This will allow to know the training needs of the staff.
- 2. Sort and prioritize the training needs:** Once people in charge know the training needs, they must organize them based on the most urgent and important. It will allow to know the topics in which the staff will be trained.
- 3. Establish objectives and strategy to follow:** At this point, people in charge should examine the different training options that exist in the market in order to establish costs, time of execution and personnel selected for training.
- 4. Develop or acquire an optimal program:** Boss or manager must develop or acquire a program that best suits the training needs that allows staff to improve both personal and business productivity.
- 5. Evaluate the results:** To finish, the personnel that are being trained must be followed up before, during and after executing it (Castillo, 2012).

4.4.1.2 Productive department

4.4.1.2.1 Suppliers registration

Related to the competitiveness of the company, this consists of the control carried out by a company to the natural or legal persons that provide raw material or supplies them. It is of vital importance for the company because the quality of the final product will depend to a great extent on the suppliers since they will provide the raw material for the elaboration of the same. In addition to this, due to the constant development of a global business culture, the correct management of suppliers has become a fundamental basis to generate profitability, operational efficiency and integral logistics within the company (Cámara de Comercio de Medellín, n.d.).

The following are the most important aspects to make an optimal supplier record:

Previous analysis: At this point, it is important to know in detail the needs of the company in terms of raw materials or supplies in order to determine the conditions in which these will be covered.

Preparation: the market in which the company operates at the supplier level must be investigated in order to know and pre-select possible suppliers.

Execute: now the person in charge of the purchases must perform an analysis and comparison of the suppliers, negotiate with each of them and select the provider that best responds to the needs of the company.

Follow-up: when the first deliveries have been made, a control of both qualitative and quantitative deliveries must be made based on the quality of the product received, and in case there is disagreement with any of them, return it (Cámara de Comercio de Medellín, n.d.).

In the case that the company already has suppliers, it must monitor them and find other possible distributors to determine if it is feasible to continue working with them; or in the opposite case, hire new suppliers.

4.4.1.2.2 Differentiation of the competition

Based on the fact that local companies still do not have a presence in international markets, it is vital to have a differentiating feature to be able to attract the attention of potential consumers. There are several methods to be more competitive; in this case, it is important to focus on product differentiation, since it has been selected as CSF by Colombian MSMEs.

4.4.1.2.3 Differentiation in product

At this point it is important that customers perceive the product as unique, different or superior compared to those of the competition in order to generate a perception of high value.

Below are ideas that can be used by MSMEs in Azuay to create this perception. It is important to mention that there is no specific model or steps to follow to create a differentiation in the product.

1. First it must be clear what is sold and who are the ones who buy it.
2. Analyze the target market in order to know tastes and preferences that allow adding or removing characteristics to the final product.
3. Investigate the competition within the target market in order to know advantages of disadvantages of the company's product.
4. Generate differentiation based on the perceived benefits of the product (Antonio Aragón Sánchez, 2005).

Based on these four steps, the person in charge along with a pre-selected team must analyze the product to determine if it differs from the competition in order to export it with the current characteristics, or in the opposite case, they should focus on creating a differentiation. Below are certain factors that can contribute to differentiation above the competition.

1. Design: of vital importance within the textile sector. The greater the quality of the design, the greater its differentiation.
2. Quality: it is important to work hand in hand with the production and purchasing department to be able to guarantee that the quality is the best possible.
3. Variety: Allows the company to reach a greater number of consumers since the customer has more purchase options.
4. Price: It is important to mention that a low price does not always mean competitiveness. In this sense, it is important to determine the sale price based on the target market. (Ibíd.)

It is important to mention that an ideal environment for innovation is essential. This refers to the fact that the company must be a place where people who contribute to this factor can meet. There must be total freedom to express the ideas without any analysis in terms of feasibility, cost, time, etc. That is, it must be created an environment in which ideas flow freely.

4.4.1.2.4 Comply environmental management regulations

This is an important factor due to the duality between the human being and nature. Currently, users demand products that protect the environment in the course of its development (Giraldo, 2015). In addition, there are several policies according to each

country that must be met so that the product can be marketed. The good environmental management of the company brings with it several benefits such as:

A clear improvement in the image of suppliers and customers

The green sells, nowadays consumers are the ones that demand these products

It helps to avoid sanction and environmental risks.

Helps to achieve a total quality on production and save on resources.

In Ecuador there is the Sistema Único de Información Ambiental, SUIA who delivers a certificate when the company complies with the standards of regularization and environmental control. At the international level, there are ISO 14000 standards that cover standardized environmental aspects, since it supports the public and private sectors to protect the environment (AENOR, 2015).

Steps to achieve the ISO 14000 Standard

1. The company must voluntarily be willing to obtain this certification in order to meet its objectives and achieve goals.
2. Estimate how long it will take the company to carry out the change of the most urgent aspects of your company
3. Training staff regarding the regulations, so that they fulfill the tasks according to their functions.
4. There must be documents describing the objectives and the most important aspects so that there is a fundamental theoretical part.
5. Start up the system where the requirements of the standards are met.
6. Before the audit by the specialists, an internal audit must be carried out to evaluate the development and functioning of the applied standard.
7. Conduct the audit by the specialists.
8. By complying with all aspects of the regulations and approved by the external audit, certification is obtained and, in turn, a regular follow-up is carried out to maintain and check the good condition of the system.

4.4.1.3 Commercial Department

4.4.1.3.1 Direct logistics distribution

In the international arena, the distribution and choice of the sale points of the company's products are an essential factor for its development and in order to grow and extend business capabilities in the future. The direct distribution is one in which the manufacturer is responsible for getting the product to the final distributor in order to avoid an extensive chain of distributors. This helps the company to have a key approach towards its client, and at the same time, it will be able to adapt the product to the client's needs. Another point in favor is the effectiveness that exists in the delivery of the products so it helps to have a better quality in customer service (Centro de Comercio Internacional , 2014).

It is important to highlight some key aspects when carrying out direct logistics distribution:

1. The territory to be exported must be identified and known. It is important to take into account a market where the competition cannot supply it.
2. It must have defined what products will be released to the market and what kind of legal restrictions exist for them to enter the country.
3. Take into account the tariffs and analyze the cost-price with which the product enters the country.
4. Obtain an agent or representative in the country to which the products will be exported.
5. Adapt the agent's contract in order to explain the exclusivities, commissions and everything related to the legal scope of both parties.
6. Have sale goals in the foreign market, look for new markets if necessary.

4.4.1.3.2 Establish a target market

This is defined as the group of consumers to whom it is planned to offer or sell the products of a company based on the characteristics of both the potential customers and the final product. An effective way to determine the target market is through segmentation taking into account four basic characteristics in which a population can be divided. These are: geographic location, sex, ages and socioeconomic level (Kotler, 2002).

Based on the aforementioned, a 5-step process has been created that will make it easier for local companies to establish their target or target market.

- The first step to determine the target market is to know the characteristics of the product that the company wants to offer in the international market such as quality, price, size, etc.
- The second step is based on geographical location. It must be made an analysis of the possible countries in which the product may have acceptance. It has to be done based on the previously established product characteristics.
- The third step is to determine the gender of the people for whom the product was created. It can be only for men or women or for both groups.
- The fourth step is to establish the age of potential consumers based on similar characteristics or tastes that are shared according to age.
- Finally, the socioeconomic level must be determined. It is very important to know the final price of the product since the target of the market will depend on it. In addition, It will allow the company to know if a person has the capacity to acquire the product or not (Ibid).

4.4.1.4 Financial department

4.4.1.4.1 Invest in innovation

Innovation is an essential source of competitiveness. Investing in this will allow the company to reach new consumers and maintain interest in current ones. In order to succeed on this factor, it is important to clarify that not new cannot always be considered as innovative; so that it has to create value for the consumer to be considered as such. In this sense, those who define whether there is innovation are the clients at the moment they accept and pay the price of a new product (Arboniés, 2009).

Due to the high competition in global markets, investing in innovation has become a key element for internationalization. The reason is that it minimizes risks since it allows the company to be competitive and differentiate itself through innovative products that generate interest and purchase desire in the final consumers.

It is important to clarify that allocating funds to acquire the best technologies does not necessarily mean investing in innovation (Ibid). On the contrary, this process is

complex and therefore requires the participation of the staff to guarantee its success. Next, a guiding model is presented.

1. The person in charge must make the decision to invest in innovation and allocate a specific fund for this activity.
2. The marketing department will be responsible for detecting and analyzing new opportunities.
3. This department must conduct a market study and send a proposal of development of opportunity to the department or personnel in charge of innovation.
4. At this point, it is recommended that the people in charge make a Funnel Model for innovation. This consists of three steps that will be detailed below.
 - a) Development of ideas: together with the work team, a brainstorm must be carried out that responds to the needs of the project.
 - b) Ideas must be filtered to select the one that has the highest probability of success.
 - c) Develop the idea and create a final prototype.
5. Once the prototype has been developed, it must be sent to the production department for its manufacture.
6. Once the product is finished, it is recommended to evaluate it based on the quality control parameters of the company.
7. When all these parameters have been met, the final product must be placed on the market for the subsequent evaluation of the client. (Ibid)

Conclusion

After analyzing the different Critical Success Factors of the local and Colombian companies, it was possible to determine that the local MSMEs already comply with approximately 50% of the FCE for internationalization, so the gap between these two groups can be overcome with the dedication and application of the "Best Practices" model. In this sense, it can be seen that the companies that have qualified for this project have focused on meeting local needs, leaving aside all those factors related to internationalization. For this reason, it is possible to affirm that if these companies decide to internationalize, it will be a matter of time and experience to be able to eliminate the existing gap.

GENERAL CONCLUSIONS

The growth and development of foreign trade that has occurred throughout history is noteworthy. Nowadays, practicing and entering foreign trade is not an option, but a priority for each country. It is understood that a large part of this economic movement carried out by companies helps to maintain the positive trade balance of the country. However, it is MSMEs that provide work for a large percentage of the economically active population. That is why, after having analyzed the importance of foreign trade theories and taking into account the theory of internationalization, it is concluded that internationalization is key and fundamental for the development of companies and the country.

Having understood this, it was determined that there is an exportable supply in more than 50% of the analyzed companies of the cantons of Ponce Enriquez, Pucara, Santa Isabel and the textile sector of Cuenca. These companies have products and brands that have the potential to be part of an international market. The qualifications obtained by these companies, show their good performance especially in the productive area. In this way, they meet several important factors that influence positively the quality of the final product. It was also observed that there are few companies in the canton of Ponce Enríquez and Pucará that can become internationalized. The problem appears in the canton Santa Isabel because there are no companies with the capacity to internationalize. This shows the lack of development and business support for these cantons.

Through macro and microeconomic analyzes, it was determined that Colombia is the country that presents the greatest similarity with Ecuador in terms of the economic development model. In this process, the Critical Success Factors of small and medium enterprises were established, which helped to know which are the Colombian strategies needed to venture into foreign trade. In addition, it was possible to investigate that Colombia is a country that strongly supports MSMEs, granting them several business opportunities for their full local and international development.

Finally, the Ecuadorian differences with Colombia are not extensive because the companies of Ecuador comply with more than 50% of the Critical Success Factors to internationalize. The factors that have not yet been incorporated into the management are those that are intimately related to foreign trade, so once the MSMEs of Azuay

decide to export their products, they will be able to eliminate the existing differences with Colombian companies. For this reason, it is evident that the possibility of entering a global market is high.

RECOMMENDATIONS

In Ecuador, there must be greater protection, assistance and development for MSMEs, as in Colombia. Ecuador has to work on key policies so that companies can grow locally and at the same time achieve the long-term objective of internationalization

It should be considered that the cantons far from the capital of each province suffer significant shortages for their internationalization and even for their local development. That is why in each zone there should be training and courses for all the owners of MSMEs, since there is a low local development in these.

There must be promotion and publicity by government in terms of supporting these entrepreneurs so that they can obtain greater benefit from the help that exists for MSMEs. This will benefit the employees and the country at the same time.

There must be a joint work with international companies to understand how they were able to internationalize, and at the same time apply this strategy to the Ecuadorian reality.

It should be conducted Critical Success Factor analysis in a constant and continuous manner because these are changing over time.

There must be assigned resources from the public and private sectors for the research and development of new production processes and new products through the development of research centers that promote innovation and change of the productive matrix, not only in final products but also in raw materials.

There must be created and increased awareness among many of the owners of MSMEs about the importance of their company in relation to the development of the country so that they start to develop company's quality policies for an improvement in their products and processes.

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