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**EXPORT SUPPLY ANALYSIS OF THE FOOD AND BEVERAGE PROCESSING
SECTOR IN THE URBAN AREA OF CUENCA.**

Thesis submitted in Partial Fulfilment of the Requirements for the Bachelor's degree in
International Studies bilingual minor in Foreign Trade.

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Cuenca, Ecuador.

2017.

DEDICATION.

Eduardo:

The present research work is dedicated to my parents Servio and Magui who permanently push me to aim for the best and for giving me what I need to achieve my goals. To my siblings Danilo and Paúl for their unconditional support and to my dear Diana for having been with me in every step of my way. None of this would have been possible without you, and I will always be grateful for all that you have done for me.

Katherine:

I want to dedicate this dissertation to God, whose plans and will are perfect. To my family Ivan, Jenny, Javier, Pablo and my fiancé Nathan, who were present during this stage, for having been my unconditional support and harbor. I love you with all my heart.

ACKNOWLEDGEMENT.

Eduardo:

I thank to all public and private institutions who supported us throughout this research work: MICRO, EDEC and CAPIA, and their respective representatives. To the University of Azuay for this great experience. To my professors especially to María Inés Acosta, Xavier Ortega, Antonio Torres and Claudia Campoverde, from whom I learned a lot in academic terms and generated a positive impact in my life. And above all, I want to thank God, who has made it all go well and the wonderful people cross my path.

Katherine:

I want to express my thanks to those who made this work possible; to public and private institutions for their active participation and willingness to collaborate in research and to our Director Xavier Ortega. Without their support, this dissertation work would have taken a different course.

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KEY WORDS

Internationalization, productive sector, development, potential.

ABSTRACT

This research seeks to determine the potential of the food and beverage sector in the urban area of Cuenca through the study of small and medium enterprises. It was a data gathering process in which, with the help of public sector organizations, a rapprochement with enterprises was carried out. This study concludes with an analysis of the sector which allows to broaden the vision about the path this sector can take according to the reality. The investigation showed there is potential, however, there are restrictions to overcome such as the lack of use of ICTs and marketing, for which the private associativity and support of the public sector is indispensable.

INTRODUCTION

The tenth objective of the National Plan for Good Living establishes the necessity of creating new industries and promoting productivity, sustainability and sector diversification on a local level. This can be accomplished through public investment and technological advancement that promote the structural changes required for the substitution of imports. (SENPLADES, 2013, pg. 294) Consequently, this national organization was established as a public initiative aiming to understand “how a certain locality works, what problems affect it, its resources, potentialities, limitations and conditions” in regards to each Decentralized, Autonomous Government (GAD in Spanish). (Ilustre Municipalidad de Cuenca, 2011, pg. 11) This public effort, amongst other objectives, is charged with the potentiation of Small and Medium Enterprises (SMEs) at a local level. These SMEs face limitations largely due to the isolation that globalization has immersed us in, as Carlos Gelmetti emphasizes (2011):

Companies that focus their work on a single market turn small and inefficient because of their lack of international competition, their time in protected markets, or because they simply have not left their borders in order to chase the dynamics of superior companies (..) in conclusion, there cannot be a strategic business approach without an international vision. (pg. 20)

Considering the aforementioned arguments, it is necessary that a close link be established between the academia and the food and beverage processing sectors of Cuenca, with the goal of determining export potential and using this to potentiate decision making for the key actors in those sectors, both public and private. Based on this field study, which is a collaboration between the University of Azuay and the GAD of Cuenca, amongst other institutions, we intend to perform a qualitative study of SMEs in the administration, sales, finances, and production in this sector, and through this complete our stated objective.

In short, this formative and descriptive investigation will be developed across four chapters. The first chapter analyzes theories and concepts that will be used as a standard of measure for the companies in order to establish a theoretical path that the sector must follow to reach export. On the other hand, it allows the reader to understand the critical points of the investigation in each of the areas of the company. At the end of this chapter it is expected to achieve a clear perception of the extent that has the research in terms of internationalization and to establish the need for this research in the academic field.

The second chapter has compiled information about the sector, based on studies that approach the reality of the country and city, respectively. It is also an attempt to analyze the current perception of the sector and find critical points to investigate in the next chapter. Furthermore, this chapter seeks to obtain information on regulation, projections and governmental plans for this specific sector. By doing so, the investigation will focus on what matters most to establishing a prior vision of the environment of the food and beverage processing sector.

The third chapter concerns the field research which is based on the parameters studied in the previous chapters in order to examine correctly each area within a SME. This chapter seeks to discover critical points of the sector to identify qualitative and quantitative meters and thus, finding aspects that drive and delay the export in the sector of study. A representative sample from the universe was used to carry out the investigation according to established parameters. For this, several databases were collected.

On the other hand, the export audit is a result of the theoretical knowledge (first chapter) confronted with analytical models of export potential used by public entities. The export audit considers some parameters for a company to internationalize and it also include local and national restrictions.

Finally, chapter 4 analyzes the information found at a micro, macro, meta and meso level, (chapters 2 and chapter 3) in comparison with the theoretical framework from the first chapter. Therefore, an objective diagnosis is established but without first carrying out a SWOT analysis (strengths, weaknesses, opportunities and threats), in this way, the evaluation not only determines the current situation of the sector but also its scope. The conclusions and recommendations point out the critical points that require public and private action according to what it was investigated.

1. Chapter 1: Analysis of concepts and theories.

1.1 Introduction.

The development of a certain sector is directly related to the daily experiences of the enterprises. According to the National Institute of Statistics and Census (INEC) in Ecuador, during 2015, the big companies represent only 0.48% of the total number of enterprises while the micro companies represent 90.64%. Furthermore, the SMES represent 8.88% (INEC,2015, pg.20). It might be concluded then that most of the sectors are going to be represented by the MSMES. However, when taking into account the structural capacity, which in the case of micro companies is very basic, the SMES constitute a more representative sample in order to analyze the export potential of this sector.

The export feasibility analysis is compounded by many variables which influence directly in the sector; these variables are developed mainly into four areas of the MSMES: managing, finance, sales and production. In this respect, the competitiveness plays a fundamental role in the dynamics of SMES. Michael Porter states in his strategic model four factors which interact with each other and allow a rapid decision making when it comes to internationalization: different market demand conditions, related industries, extent in competition within this sector and the role of government; and he contrasts it with his systemic competitiveness theory which focuses the analysis and improvement measures on the four levels: microeconomic, (enterprise), mesoeconomic (sector to which the company belongs), macroeconomic (other environment variables that have an impact on the business operations), macroeconomic (behavioral, cultural and strategic features that have an impact on the productive development of the states). (Castellanos & Ramírez, 2013, pp. 49-50).

Then, the competitiveness is determined by a holistic analysis which associate different actors who work together. Having said this, Johanson and Mattson explain, through the network theories, the importance of achieving associativity within the sector, in some way transforming the competitive advantage into a cooperative advantage. (Cardozo, Chavarro&Ramírez, 2007, pages.12-13), achieving an interdependent relationship between the Academy, State and Productive Sector.

In theory, if the SMES manage to obtain competitiveness and associativity they would have gained a high potential for their internationalization. However, it should be noted

that this effort requires a step-by-step process. The Uppsala theory indicates that, as a company acquires experience in the local market, this increases its resources. Therefore, the internationalization process of a company takes four steps: the first one will be given by the irregular export activities; the second step, through independent representatives; the third step, through the establishment of a commercial premise abroad; and the last one, through the formation of productive units abroad. (Universidad del Rosario, 2010)

Finally, the potential will be determined by a set of internal and external factors, hence, the internationalization process will also require the need to invest in improvements for all of the areas. The financial growth cycle model establishes that, as a company continues to grow, this acquires greater experience and lowers the absence of information, so the financial needs tend to change, as will be the case for the prior stage to internationalization. Therefore, during first stage the smallest enterprises resort to internal sources of financing, commercial credit and 'Business Angels'. Thus, access for MSMEs to intermediate financing as venture capital investors, banks and financial institutions shall be increased. If a company presents significant growth, may approach public capital and debt markets. (Ferrer, Tanaka, & Alvaro, 2009). The mentioned theories are discussed in the next chapter and a clear theoretical path is established regarding how MSMEs manage to export, but not before analyzing important concepts.

1.1.1 What a MSMEs is?

The different realities of the states of the world have led to increasingly difficulty when it comes to standardized approaches at an international level with regard to the concept and characteristics in order to consider a company as Small and Medium. (Cardoso, Velásquez, & Rodríguez, 2012, p. 1632). Therefore, the determination and classification of MSMEs is going to depend mainly on the legal, cultural and economic context of the country in which a company is located based on variables such as number of people, revenues and sales. Hence, according to the Internal Revenue System (SRI), Ecuador defines MSMEs as: "Small and Medium-size companies which, based on their sales volume, share capital, number of employees and production or liquid assets level, present unique features of such economic entities" (SRI, 2017). In Ecuador, the MSMEs engage in a wide variety of activities such as: wholesale and retail trade, agriculture, forestry, fishing, manufacturing and construction industry, transport, storage, communications,

real estate, business services, communal, social and personal services (SRI, 2017). Table 1 contains the classification variables of an Enterprise within Ecuador:

Table 1

Classification Variables: company size.

Companies	Annual Sales	Employees
Big	5 000 001	+ 200
Medium B	2 000 001 a 5 000 000	100 a 199
Medium A	1 000 001 a 2 000 000	50 a 99
Small	100 001 a 1 000.000	10 a 49
Micro	100 000	1 a 9

Elaborated by: the authors.

Source: National Institute of Statistics and Census (INEC).

1.1.2. ¿What does the agroindustry sector represent?

Agriculture and industry are activities that are related. However, in Ecuador, with the implementation of the extractivist model, the concept of agroindustry can be misunderstood. The Food and Agriculture Organization (FAO) of the United Nations defines agroindustry as a series of activities carried out through manufacturing whereby raw materials and intermediate goods derived from the agricultural sector are elaborated. (FLACSO, 2013, page. 9). To conclude, agroindustry represents the transformation of products from fishing, agriculture, and forestry.

Tomas Quevedo states a clear difference between traditional agroindustry and food processing agroindustry, which is based on the modernization level of each type, this being quite limited for the former. He also indicates that the traditional agro industrial products are those which are placed on the external market while the products related to Food processing agroindustry are placed on the local market with the exception of processed milk and meat products which are directed towards the global market. (FLACSO, 2013, p. 10-11)

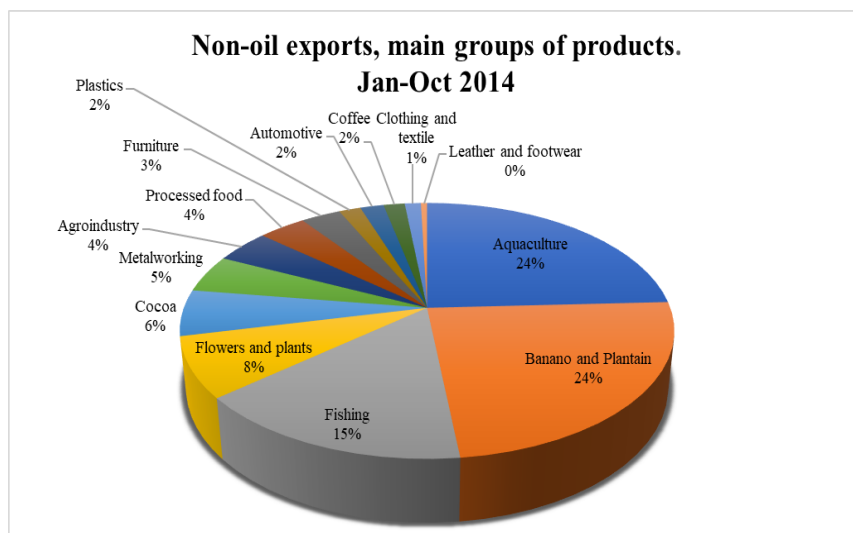
With regard to a study conducted by the FAO concerning agroindustry enterprises for development, it is mentioned that the nature of the changing structure of the demand for agro-industrial food allows for diversification and creation of added-value within agricultural sector, especially for developing countries. During the last twenty-five years the developing countries have doubled the percentage of added-value in agro-industry processed products. However, this has represented a serious risk when an imbalance arises in the agro-industry chain since the added-value comes mostly from a few participants of the chain. Hence, it is concluded that the agro-industry companies will only be sustainable if they are competitive in terms of costs, prices, operative efficiency, product offering and other associated parameters, making it clear that it is a serious challenge for MSMEs to maintain the competitiveness. (Knudson, Silva, Baker, Shepherd, Jenane, Miranda da Cruz, 2013, page.573-574).

On the other hand, Quevedo also states that the agroindustry's growth concerning food processing began in the forties and corroborates the previous study by mentioning that, since their origins, the agro-industries sought to consolidate their market hegemony through monopolization.

1.1.3 Commodities vs. processed goods.

Figure 1

Non-oil exports, main groups of products.



Elaborated by: Bureau of Business Intelligence and Investment of PRO ECUADOR.

Source: Central Bank of Ecuador (BCE).

In Ecuador, the major exports belong to traditional agro-industries, while only 3.24%

represents processed food exports. Among these products, the main ones are bananas, coffee, cocoa and fishery products. In fact, it may be observed in Ecuador that the export of agricultural products without added-value is gaining in competitiveness in international markets.

1.2 International Commerce.

International Commerce encompasses everything related to imports and exports. (Lerma Kirchner & Márquez Castro, 2010).

The theories related to foreign trade, according to Ricardo Torres, are those that direct the government's actions in a better way and states that: "In the area of production and distribution, the theorists deduce and present the principles governing international exchange and those that serve as a criterion in order to achieve a fair application of productive factors and thus increasing them." (1996, pg.15)

1.2.1 Mercantilism, Absolut advantage and comparative advantage.

Those who defend mercantilism allege that a country's wealth is going to depend on the accumulation of precious metals: "Like a rich person, a rich country is not supposed to lack money; and the collection of gold and silver is supposed to be the easiest way to enriching it". (Smith & Rodríguez Braun, 2011)

This macroeconomic scenario led countries to apply restrictive policies regarding imports and, on the other hand, to subsidize exports which is considered a key factor in order to achieve economic growth. This type of commercial relationship meant that a country's profits represent losses for other countries. Buendía quotes Adam Smith as saying that all countries could benefit from international trade if there is a proper division of labor. This international division is best known as absolute advantage and states that each country should specialize in those profitable activities in which they are good and efficient. (2013, page.56)

According to the author, the absolute advantage might be natural or acquired. The former refers to natural resources within a country (weather, labor force, etc.) which the human being cannot modify or interfere. Those natural resources could restrict or support the economy of a country. On the other hand, the acquired advantage focuses on the process or product improvement directly related to the rapid advance of technology. In this, the human being is directly linked with technological progress according to resource

exploitation and its use. Therefore, it is convenient for a country to import what is often expensive to produce and export products resulting from efficient internal processes. In terms of resources, the more restrictions that exist within a country, the more expensive that it will be to produce and therefore the more convenient it will be to import. On the other hand, it will be more convenient to export when there are few restrictions. In conclusion, as the countries focus their resources on what has absolute advantage, costs tend to reduce, the profit rises, and the global benefit increases. (Buendía, 2013, page.56-58)

In 1817, unlike mercantilism, which favors government intervention, the absolute advantage proposed by Adam Smith increases the interplay of free supply and demand where the market regulates itself. David Ricardo, asserted that any country may acquire an absolute advantage, not only in a single product but in several others, no matter if the rest of the countries are producing the same goods since the exchange would be beneficial for all parties. (Daniels, Radebaugh & Sullivan, 2016, page. 222)

This statement is best known as comparative advantage, subsequently: “A country gains an advantage if all its resources are focused on goods that may be produced in an efficient manner; so, some basic goods are traded in the international market.” (Daniels, Radebaugh & Sullivan, 2016, page. 222-226). The more products have competitive advantage within a country, the more efficient this country will be, hence, the mentioned country may benefit from the international exchange and thus increasing the production.

1.2.1.1 Heckscher-Ohlin Theory.

Based on the model proposed by Eli Heckscher in 1919, author Bertil Ohlin (1933) asserts that there are two regions; America and Europe. Each one of them has only two production factors which are land and labor. Furthermore, there are only two types of products: food and clothing, at the same time that both have the same technological production level. As the said productive factors increase, the remunerations remain constant; however, if the productive factors are somehow affected, the remunerations would decrease. (Samuelson, 2014, page. 163)

In this example, the author assumes that America has a comparative advantage in terms of food production (intensive in soil) due to each unit of work has sufficient arable land. Following this same logic, in case of Europe, this would have considerable manpower

but limited arable land thereby causing that manpower to be cheaper. Thus, the clothing industry would be the best choice for this region. As a result, the countries will have to specialize in those fields where there is comparative advantage, either total or partial, from the most abundant production factor within this country. Nonetheless, if at any time, whether America or Europe have a greater demand for land, the production costs on-site will increase drastically. This problem, according to this theory, will be solved when an adequate level of trade specialization is achieved. (Samuelson, 2014, pág.163)

A summary table with the principal characteristics of each one of the international trade theories is presented here below:

Table 2

Classic Theories of International Trade.

Theories.	Author/s.	Features.
Absolute Advantage	Adam Smith (1776)	<ul style="list-style-type: none"> - International division of labor. - Countries specialize in what is cheaper and what they do best. - The advantage might be natural or acquired. - One must import what is expensive to produce and export what is cheaper. - The exchange produces global benefits.
Comparative Advantage	David Ricardo (1817)	<ul style="list-style-type: none"> - Any country might have an advantage in several products. - Specialization must be directed to the most efficient products. - Commerce between countries with similar goods is possible. - Global benefits.
Heckscher-Ohlin.	Eli Heckscher (1919) Bertil Ohlin (1933)	<ul style="list-style-type: none"> - Each country specializes in the most abundant production factor with comparative advantage. - The exchange occurs when the productive factor with comparative advantage has been depleted.

Source: the aforementioned authors.

Elaborated by: the aforementioned authors.

1.2.2 Globalization.

During the seventies, different authors started to use the term “global village” in order

to refer to the deep technological changes that were emerging especially in the field of communication and that would contribute to cultural, economic and commercial changes. In the nineties, this term was used to refer to the increase in demand as well as the supply level worldwide. (París, 2010, pages.24-26). Currently, 20% of the total production globally is carried out outside National boundaries, compared to 7% in 1950. In the same way, there is a large reduction of import barriers between both times.

As a result, there is a major interdependency between countries; nevertheless, this does not necessarily mean that every country has achieved the same globalization level. The Kearney Index places Singapore and Hong Kong as the most globalized countries and Iran and India as the less globalized countries. In this respect, author John D. Daniels (2016) quotes in his book “International Business” seven factors responsible for accelerating globalization:

1. Increase and implementation of technology.
2. Cross-border Trade liberalization and movement of resources.
3. Service development towards international commerce.
4. Increasing demand from consumers.
5. Increasing global competitors.
6. Changing political situations.

1.2.2.1 Internationalization.

When it comes to internationalization within the business environment, this is defined as: “the set of operations that facilitate the establishment of stable linkages between the company and the international markets, throughout a process of increasing involvement and international expansion of it”. (Rialp, 2017, p. 117). Nowadays, the interconnection of the productive factors has allowed more and more companies to decide for internationalization and gain access to different advantages in the productive, commercial, financing and Human Resources areas. Among the advantages of Internationalization, the following are included: access to international credits with affordable interest rates; risk diversification at the time of operating in foreign markets; opportunities of access to top tier markets; access to new technologies that ensure the company’s competitiveness; acquisition of comparative and competitive advantages; adequate use the productive capacity of enterprises; greater expertise when interacting

within new markets. (Lerma, Márquez, 2010, page. 42-44)

In case of MSMEs, imports represent the most common form of revenue in order to reach an international status:

Initially, imports are often considered as the most favorable aperture mode since they enable enterprises to regulate the export efforts as they obtain positive results abroad. Thus, the export process turns, usually before any other method, into a pure learning experience at the enterprise level. (Criado; 1999, p. 120)

As a company increases both its activity abroad and its level of commitment, it also acquires new skills through the experience which enable it to be more competitive. (Criado; 1999, page.123) Then, some conceptual criteria that help both to justify and clarify the activities of enterprises beyond National borders are presented.

1.2.3 Internationalization theories based on international entry market modes:

Currently, enterprises are organized in different ways at the time of entering international markets, both Canabal and White, (2008); Hennart and Slagen, (2015); Shaver; (2013); Shao, Luo and Suh, (2004); contend that the background information from the experiences both at local and international level, affect directly the way a company chooses to entering new markets, as it is mentioned in: (Schellenberg, Harker, Jafari, 2017, page.117).

1.2.3.1 Theory focused on the transaction costs.

The transaction costs theory seeks to explain the reasons why enterprises want to expand their activities from inside to outside. This concept departs from the premise that most of the times a company shall seek to minimize costs; hence, the intention is to compare if the costs from the exchange of resources are major or minor against those transaction costs derived from the implementation of activities within the company. In the words of Ronald Coase (1937, pg.60), a company could easily grow if the costs of the company's internal activities are cheaper than doing them through exchanges within its environment. According to the economist Oliver Williamson (1971, pg.115), the actors may take decisions within a "limited reality", that is, they have based most of their

decisions on emotional impulses these being partially reasonable. (Teoría del costo de transacción, 2017).

Thus, these actors may operate in both timely manner or taking the risk by acting neutrally, the transaction costs at an internal level occur every time a product or service is transferred into a new stage, being the technological requirements greater. On the other hand, the costs of external transaction are related to aspects such as: uncertainty in the environment, opportunism, risks, limited rationality and the company's assets. (Schellenberg et al., 2017, page.9).

These factors may increase the transaction costs of the company, and the latter will have to determine the best option. (Teoría del costo de transacción, 2017) Subsequently, if a company decides to enter into the market for reasons related to the costs, it will expect to have good results based on the assumed risk. Finally, in the case of a fledgling company with limited resources, the actions to externalize its activities must take into account the transaction costs, strategies, and competitive capacity within the global market. (Schellenberg, 2017, page.10).

1.2.3.2 Institutional Theory.

The institutional theory explains how an enterprise enters a market defined by new rules, provisions and values within a different context from that used previously. A different concept related to this theory is "isomorphism", consist of: "A restrictive process in which it is expected to force a unit to look like the others within a population, under a single set of environment conditions". (Scott, 1995; pág.10) Hence, this theory states that those companies who enter into a new market, are going to imitate the actions from local enterprises and their competitors, as a way of legitimizing their activities in that environment; as well as their presence in a certain place. Having said that, author William Scott (1995) called them "institutional forces" and are divided into groups of three: regulative, normative, and cognitive.

The regulative forces refer to rules and laws; normative forces refer to values and norms; and cognitive forces refer to those notions where definitions are born. In this respect, different authors agree that enterprises adopt the market's institutional order to which they are entering, that is, the institutional forces adapt and are able to compete in a better way in this new environment; achieving better outcomes than operating under their own

values.

On the other hand, there are institutional systems and market organizations that prevent the entrance and adaptation of new competitors; such as the government regulations that raise entry barriers. (Schellenberg, 2017; page. 12)

1.2.3.3 Theory of the eclectic paradigm.

The eclectic paradigm is a theory involving diverse theoretical scopes that include: International Theory of Trading, Theory based on the Resources and Theory of the transaction costs. The eclectic paradigm proposed by Dunning (1993) states that enterprises, when choosing a particular market, rely on three factors such as: property, location, and internationalization. The property refers to the costs, control and the benefits resulting from the linkages with other companies. Generally, the property has to do with the company's assets, size technological level, innovation, etc. The property's advantages of a company determine most of the times its capacity to compete within the market. On the other hand, with regard to the location advantages, these are defined as those factors that are considered particular due to their geographical location. In some cases, a location advantage applies when it is much easier for certain company to combine its production in different places, other factors like cultural similarities or infrastructure might help to reduce costs which result in advantages defined by the localization. Lastly, internationalization advantages are understood to be those operations carried out by a company which add value to the logistics chain reducing costs as well. (Schellenberg, 2017; page. 13)

1.2.3.4 Uppsala Theory.

Uppsala theory argues that any person who carries out activities within a market will increase the invested resources in that market as long as he/she acquires expertise on the said market. For this reason, Uppsala theory states that the internationalization stage has to be implemented gradually through four successive steps that are called "supply chain":

1. Export sporadic or non-regular activities.
2. Export processes through independent representatives.

3. Commercial Branch Establishment abroad.

4. Establishment of productive units abroad.

According to this theory, this stage involves a greater engagement level in international markets, hence, it is sought to lower the uncertainty level acquired by a company when deciding whether or not to invest capital and resources in international trade.

To conclude, the lack of knowledge represents an important obstacle for developing international operations and, hence, as the said knowledge increases, the amount of involved resources at international venues will be greater. (Schellenberg, 2017, pg. 15)

This theory is also based on the principle of psychological distance, whereby, the entrance of companies into foreign markets would tend to occur through the closest psychological market. The term “psychological distance” is defined as the set of factors that restrain or prevent the information flows between the company and the market like, for example, linguistic, cultural, religious, economic and political differences at educational or industrial development level. This variable acquires special importance on the decision of which are the best foreign markets to enter during the initial stages of the internationalization process. Therefore, the company shall make a choice between the markets with the lowest psychological distance, until entering progressively in markets with a greater psychological distance. (Schellenberg, 2017, pg 16.)

1.2.3.5 Vision theory based on resources

The vision based on resources analyses a company as a business unit of both tangible and intangible resources; these may be the company's assets, procedures, knowledge and skills: “this theory was developed in the field of strategic managing and is focused on attributes and unique assets, hard to copy; drivers of competitive sustainable advantage and the organizational performance that is necessary for internationalization.”. For that reason, the capacity of a company to overcome any obstacles and protect its resources and thus gaining an advantageous position over competitors, is the best way for enterprises to ensuring a strategic position in the market.

In case of small companies, and because of the variety both from environment and types of enterprises, it is difficult to identify in a uniform way the necessary resources at the time of internationalization; however, authors Grant (1991) and Barley (1991) establish qualities depending on the types of resources such as transparency, durability, validity,

originality. On the other hand, it is generally thought that those companies whose leaders, with both vision of expansion and a different mentality assert that by being internationalized, they will develop intellectual capacities, in addition to identifying their resources in a proper manner. (Schellenberg et al., 2017, p.17).

A summary explaining the internationalization theories is presented below:

Table 3

Internationalization theories based on entry modes to international markets.

Theory.	Theory focused on transaction costs.	Institutional theory.	Theory of eclectic paradigm.	Uppsala theory.	Vision theory based on resources.
Author/s	Ronald Coase (1937) Oliver Williamson, (1971)	William Scott (1995)	John H. Dunning (1988-93)	Johanson & Wiedersheim-Paul (1975)	Grant & Barley (1991)
Main Features	<ul style="list-style-type: none"> - Comparison between internal and external costs. - External costs are related to: the uncertainty, risks, opportunism, and assets. - The higher the risk, the higher the profit. 	<ul style="list-style-type: none"> - New enterprises imitate local companies. - Institutional forces: regulative, normative, and cognitive. 	<ul style="list-style-type: none"> - Besides transaction costs, three advantages are considered: property, location, internationalization. 	<ul style="list-style-type: none"> - The internationalization process of a company occurs in three stages. - The greater information level, the less committed resources. 	<ul style="list-style-type: none"> - A company is a business unit of both tangible and intangible resources. - Resources must be protected in order to achieve an advantageous position.

Sources: Schellenberg et al.
Elaborated by the authors.

1.2.4 The competitiveness factor within the company and environment.

When it comes to competitiveness, it is important to talk about each of the processes and external aspects within a company that have an impact on it. This factor refers exclusively to methods and resources available to the company in order to assume certain situations concerning goals, objectives, uncertainty, risk and its position with respect to other players within the sector. Measuring internal competitiveness involves three terms that will be explained later: efficiency, economics and ethics.

The compliance of these parameters is carried out through a well-designed strategy, and it could be said that a company is competitive when these concepts are properly linked to it. On the other hand, it is worth noting that a sector is competitive when the public sector clearly understands its needs, potentialities, weaknesses and implement public policies and projects in order to support it.

Competitiveness is studied by some authors who have presented various models and alternatives to understand it. Nevertheless, the enterprise competitiveness it should be mentioned since this definition states the importance of the fields of action such as: managing, innovation, production and human resources, with particular emphasis on the importance of controlling the profitability, costs, added value, market participation percentage, level of exports, technological innovation, quality of products, and others. On the other hand, the structural competitiveness model seeks to promote team work within enterprises, government entities, industries and innovative regions as a way to achieve a continuous improvement through political and economic decisions. (Universidad Nacional de Colombia, 2013, Page. 29-31)

Lastly, the systemic competitiveness is a concept which broadly covers the mentioned definitions. This considers that competitiveness of enterprises is related to other entities support which provide inputs and services for production. It also states that at a micro level, competitiveness is related to interaction, defining the business sector as a dependent variable from the national system of rules and norms that define incentives. On the basis of these principles, three important aspects arise: analytical, political, and functional. (Universidad Nacional de Colombia, 2013, Page. 29-31)

The analytical aspect audits competitiveness from four points of view: goals, macro, medium and micro. The first one measures the development of the national managing capacity, this is, the capacity of a society to integrate and propose strategies. Macro level analyzes the stability, examining the monetary, tax, exchange, commercial, antitrust, consumer protection, and legal stability policies including the economic and political environment.

According to the medium perspective, the selective policies gain relevance, so the quality of life, educational level, the development of science and technology, the sustainable use of environment and local growth are assessed. Furthermore, the micro level promotes a transition towards the best practices, this is, the analysis of the way in which enterprises react to the environment's requirements, through organizational, social and technical associations that allow the achievement of quality and efficiency. (Universidad Nacional de Colombia, 2013, Page. 29-31)

On the other hand, the political aspect refers to areas concerning political affairs within a country including all bodies of law that operate in the same branch, through the delegation of responsibilities to these bodies. Finally, the functional aspect pursued by teamwork allows departments and administrative functions to respond effectively to the organizational environment. (Universidad Nacional de Colombia, 2013, Page. 29-31)

Furthermore, José Antonio París mentions that, in order to understand competitiveness, the analysis of the costs of the productive factors or the favorable conversion rates proves to be ineffective, then three aspects to take into account are proposed in order to understand what he calls "the issue of international competitiveness".

Moreover, he points to the business sector considering as measurement variables high entry barriers, high innovation and quality level, intensive rivalry and entrepreneurial attitude, and level of cooperation on the basis of the establishment of enterprise networks, this is, particular partnerships or associative/outourcing systems. (París, 2014, page. 15)

On the other hand, this factor also studies the advantages created by the same company when handling the principles of permanent innovation and total quality managing.

Finally, the third aspect refers to the location of a certain country or region and establishes the importance of using the competitive diamond proposed by Michael Porter in order to study this aspect. (París, 2014, page. 16)

Table 4

The competitiveness factor within enterprises and environment.

Theory	Principal characteristics.
Enterprise Competitiveness.	Establishes the importance of the fields of action such as managing, innovation, production and human resources.
Structural Competitiveness.	Seeks to consolidate teamwork within enterprises, governments, industries and innovative regions as a means to achieve a continuous improvement.
Systemic Competitiveness.	Considers that competitiveness between enterprises is related to the support from other entities who provide inputs and services for. Thus, the business sector is considered as a dependent variable from the National system of institutions that define incentives.
Issue of international competitiveness.	To be competitive, the business sector must be taken into account, the advantages created by the same company when handling principles of permanent innovation and total quality managing and the location of a certain country or region.

Sources: París, Universidad Nacional de Colombia.

Elaborated by: the authors.

1.2.5 Diamond model by Porter:

Once the importance of countries and governments on competitiveness between enterprises has been explained, the Diamond model must be studied. Porter analyzes competitiveness of nations from four perspectives, explaining in detail why some countries constitute incubators for multinational corporations, while others do not. These four perspectives are: conditions of factors, demand conditions, strategy, structure and rivalry within the company, and interpersonal relations.

The conditions of factors, this perspective refers to the abundant natural resources, keeping in mind that the amount of a specific resource in a certain country might support

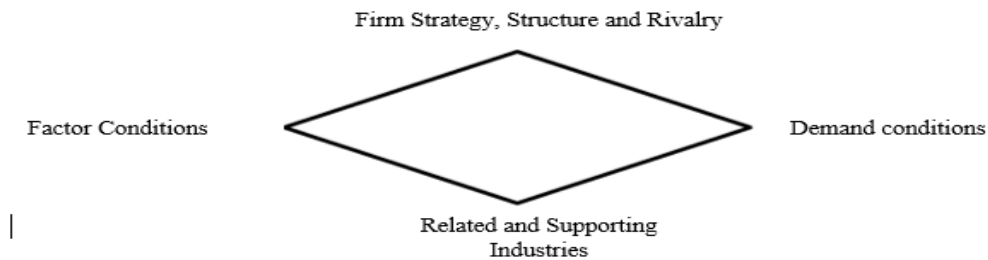
competitiveness within a specific industry. However, the human resources and training staff level are also considered, since this will influence some other aspect that involves the level of research and development of a country. (París, 2014, pg. 17-18)

The demand conditions perspective refers to the number of people who take part in the market of a certain product within a country, the greater demand the greater benefits for the companies of the said sector, will encourage their growth; on the other hand, a big demand will generate a variety of consumers who may look for a greater quality and innovation level. In conclusion, the existence of demanding consumers, besides encouraging enterprise growth, it allows to develop innovative and high-quality products which constitutes an advantage at international level. (París, 2014, pg. 17)

The perspective of strategy, structure and rivalry of a company, refers to the competitiveness achieved by companies who survived in an environment full of competitors, due to in their attempt to expand it is important to take into consideration the continuous advantage. Porter states that the intense local market competitiveness convert organizations into candidates to success in foreign markets. On the other hand, an intense competitiveness may contribute to saturate a market, since when going through such situations the companies begin to experience a slow and hard growth, which allows for an increase of the motivation to take risks and achieve diversification. (París, 2014, pg. 18)

To conclude, the interpersonal relations perspective refers to enterprise networks, determining a proper coexistence between individuals, which constitutes a fundamental factor in terms of competitiveness, due to some sectors are able to concentrate a big amount of companies that are inputs and services suppliers in a certain place and facilitate the well-functioning of enterprises. The existence of suppliers capable of providing high quality components at low costs facilitate the competitiveness of a sector and it represents a main factor in order to decide the location of a production plant. (París, 2014, pg. 20)

Figure 2



Source: París, 2014.

Elaborated by: the authors.

1.3 Theories of production.

Production first emerged through manufacturing. This production model is based on the knowledge acquired throughout life “the master” and according to which specific requirements of a market are aimed to be satisfied. The principal characteristics of this model, according to Eduardo Arnoletto, are: the slow technological innovation, few customer orders, low quantity of products and poor efficiency. However, the author concludes that even nowadays some principles from this model are still applied in rational organizations of processes, operations and distributors or workshops. (Arnoletto, 2009; pg. 13)

When the Industrial Revolution took power, the production model was transformed and paved the way for serial production through the use of new energies and the new scientific contributions which made it possible for the former model to achieve substantial progress. The incorporation of special machinery allows the increase both of the number of products and their efficiency, and that is how the switch from the use of primitive tools to hydropower, electric, mechanical energy, solar, and nuclear energy machinery occurred. On the other hand, in the XIX century many thinkers positively contributed for the creation of new techniques that promote productivity. (Bello; 2013; pg. 24-26)

It is important to analyze the post-WWII period since important scientific and technical inventions appear, including the computing industry, robotics, biotechnology, nanotechnology, telematics, among others that promote production. As early as the twenty first century, the production focuses on theories and techniques whose aim is the obtaining of competitive and high-quality products; the downsizing of the production plants allowing big corporations to operate with multi plants with easier transformation, assembly, and finishing processes; the constitution of specialized institutions that provide services to corporations, (Bello; 2013; page. 27) and the development of Information and Communication Technology. Nowadays, production is focused on efficiency, effectiveness, high quality systems, scope centralized in consumers, a broad communication, among others features. Since 1950, the growth and adaptation of American, Japanese, and German industry utilizing different administrative tools of revolutionary nature; on the other hand, since the early eighties some Asian countries have emerged can be noted with great verve and taking advantage of the former experiences of big developed countries which has allowed Asian countries to handle affordable levels of costs, high quality technology and opportunities to compete in international markets making quick and direct consumer responses. Currently the world is facing economic, technological, social and political changes: events like the collapse of the Soviet Union, the consolidation of capitalism, globalization and economy's internationalization, the creation of economic blocs, boundary treaties, and tariff reductions. All of these involve a revision of the production system scheme that promotes competitiveness maintaining high levels of productivity. (Bello; 2013; page. 27).

Location of the plant in relation to competitiveness:

The location of a productive plant is a decision that has significant influence on a company in terms of profitability and competitiveness within a market. According to Bello (2013): "the design of the system is influenced by factor related to location", those factors are the following:

Market conditions: whether a market is dispersed or concentrated, the conditions of the national or international competence, distribution channels and product features. Sources of supply: raw materials, distance, suppliers, transport, costs and capacity,

reliability, packaging and handling systems. Human resources: level of preparation, costs, stability and productivity. Energy: reliability, capacity, availability of surpluses, regulations, water, costs, sources, channels, availability and proximity, environment conditions, weather, temperature, terrain, height, environment, pollution, waste processing. Characteristics of the site: social level and space availability; and finally, legislation, taxes, provisions and laws.

The main motives that influence a specific location or a plant relocation are: the expansion of the productive capacity as a result of a greater demand, the implementation and development of new processes, products or services, keeping in mind those factors or resources that can reduce their costs, a favorable or unfavorable legislation in certain areas, unexplored markets through the internationalization process, changes in the economic environment generate a response from consumers regarding their most immediate needs, alliances, merges, purchases, or constitution of networks, a cut off of the sources of raw materials and commodities. (2013, page. 29)

1.3.1 Deming Management Method

This method allows the use of techniques of production and interpretation of data, formulating theories and finally establishing communication and negotiation techniques; in other words, to being able to manage the organizational structure supported by the information systems.

It is worth stressing that Deming states two questions occur before a crisis; the symptoms and causes. Then, it is important to review in detail how the organization acts within the market. The symptoms are the result of various actions that have been dangerously weakened such as: sales decrease, permanent complaints from consumers with regard to the product, reliability, product life cycle, high prices, distribution system, which may generate lack of improvement in the market position. On the other hand, the causes are the result of the functioning of the organization and some factors like badly-planned objectives, deficient managing, deficient communication networks, lack of forecasting, low quality levels, lack of market research, total absence of linkages between the different areas within the organization. (Bello, 2013, pages. 365-372)

Deming also establishes the following points in order to correct the failures that arise in an organization and thus bring it up to the highest levels of productivity and

competitiveness:

1. The establishment of new purposes to enhance products and services.
2. Dependency on massive inspection in order to achieve high quality.
3. Implementation of the purchasing strategy based on the lowest price.
4. Steady improvement of the production and services system.
5. Institution of leadership.
6. Elimination of ideas about unfair competition.
7. Elimination of production quotas.
8. Developing programs of effective work.
9. Establishment of educational programs and constant improvement.
10. Engagement of all the employees.

1.3.2 Kaizen Theory: Constant Improvement theory

According to Carlos Bello (2013, pages. 365-372) this theory allows the implementation of a strong control from the supplier to the potential consumer, identifying the failures and applying the necessary corrections that allow their elimination through the improvements of the process, based on the following points:

1. Defining and determining as accurately as possible the necessities and expectations from both external and internal clients.
2. Identifying and designing every process, procedure, activity, task or established assignment.
3. Carrying out an assessment to workers and the development potential expected according to the organization's goals.
4. Identifying products and services that match the company's mission.
5. Establishing action rates and degree of interaction of each one of the areas within the organization.
6. Defining quality standards that the system requires in order to satisfy external and internal clients and products or services as well.
7. Identifying active and potential suppliers including the corresponding technology and quality level.
8. Defining the necessary mechanisms required by a feedback system.
9. Decision making: establishing parameters of continuous improvement:

- Waste: time, operations, processes, materials, machinery, information, documentation, etc.
- Fluctuations: losses caused by irregular operations, deficient planning, deficient use of the capacity level's equipment, machinery, staff, etc.
- To overcome the limits: avoiding overruns of the machinery capacity, tools, equipment or people who represent serious consequences at any level within the organization.

1.3.3 Total Quality.

According to Bello (2013, pages 365-372) the Total Quality Concept seeks to meet the expectations of quality, incorporating quality circles in which both the personnel and the processes are related. Total Quality is applied in different countries and industries delivering favorable results. The final objective is to reach the top-quality standard through the following steps:

1. Revision of managing procedures: knowledge level, capacity of adaptation to change, time availability, interest and responsibility on choosing the best technique and developing it inside and outside the company.
2. To carry out an inventory of raw materials and inputs necessary to the process and possible substitutes.
3. To carry out an inventory of real and potential suppliers with which the company can negotiate including the level of technology used.
4. To carry out a verification of the existing staff, with emphasis on the readiness, skills, specialization, leadership, and decision-making level.
5. To develop diagrams of the general process, operations analysis, provenance, multiple activity of the said operating system, work method, tools, templates, devices, machinery, and technology level.
6. To carry out a value analysis of the process operations which allow to reduce the costs of the same, enhancing the work methods, the technology shift, the machinery and tools design.
7. To make a risks map of the infrastructure, raw materials and others that may affect the human resources performance.
8. To determine the company's mission in order to direct efforts which allow to meet the organization's general goal.
9. To establish the difference between quality of the desired product and quality of the

required product.

10. To prioritize the attention span to assess the development of total quality, the failures, flaws or mistakes presented in the quality normalization within a company.

11. To create working committees, both vertical and horizontal, with action plans that assess the developed management and its impact in the remaining areas from both a qualitative and quantitative perspective.

1.3.4 Just in time.

Just in time (JIT) is the best way to make things easier in a minimum time; it consists in analyzing those activities that not involve an added-value looking for ways to eliminating it, this is, to decrease the waste (time-cost). According to Bello (2013, page. 365-372) the objective is to identify the bottlenecks that hinder the levelling of burdens of production in every step of the process, these bottlenecks include: product design, raw materials selection, technological level, machinery selection, human, administrative and general resources selection and others.

The fundamental criteria of a company (Just in Time) focuses on reducing the manufacturing cycles by decreasing the size of the lots. It is also important to stress that this strategy tries to eliminate downtime.

Factors to take into consideration for JIT:

- Analysis of the demand history record.
- Analysis of our potential clients.
- Analysis of the productive process.
- Analysis of the planning and production programs.
- Analysis of our suppliers.
- Analysis of the market.
- Revision of the plant's design.

Table 5*Quality theories.*

Theories.	Main Features.
Demin Method.	It states two questions before a crisis: the symptoms and causes. This method uses techniques to produce and interpret data, to formulate and apply theories and finally the establishment of communication and negotiation techniques.
Constant Improvement.	It implements control measures from the supplier to the potential consumer, identifying failures and applying the necessary corrections that allow the elimination of errors through the improvement measures during the process.
Total Quality.	It seeks to respond to the quality's expectations incorporating quality circles in which the staff and the process are related. After gathering information, a detailed analysis must be carried out which allows to determine the real situation of the company, its personnel, processes, environment and products.
Just in Time.	This theory focuses on making things easier in a minimum time. It analyses those activities which do not involve added-value to the products and, on the other hand, it looks for better ways to eliminate them, this is, to decrease the waste. Its objective is to identify de bottlenecks.

Source: Carlos Bello.
Elaborated by the authors.

1.4 Administration of MSMEs

The administration of MSMEs is strongly related to all aspects of a company, however, once certain topics have been analyzed, it is worth mentioning aspects such as the strategic planning and human resources.

From a strategic planning perspective, authors Guillermo Valencia and Marco Erazo state the MSMEs generally use as subject of analysis and comparison measure, the large enterprises which is not a good model for them due to the lack of compression in certain areas, the nature of their decision-making process and on the factors driving development. This is not considered as a serious problem since from a conceptual point of view the strategic planning is a continuous process used in order to make current decisions based on minor knowledge of the future. Therefore, the basic question is not

about the importance of the strategic planning but which are the factors that make this process difficult for MSMEs. (Valencia & Erazo, 2016, págs.337-340)

On the other hand, from a scientific administration point of view, the managing of human resources is going to be aligned from the type of production model that is taking place in an enterprise; however, this theory focuses in timing the movements of workers with the objective of increasing productivity. According to this perspective, four principles are stated: the development of a true administration science, scientific selection of workers, the employee's development and a friendly cooperation between employers and employees. (Carro & Caló, 2012, pág. 9-14)

1.4.1 Theory of Constraints

According to Eliyahu Goldratt (1995, page.200) the Theory of constraints (TOC) is a set of reflection processes that uses the cause/effect method to understand what is happening and thus identifying ways to get an improvement. The limiting factors are known as constraints. The TOC is a comprehensive methodology of managing and improvement. In short, it is based on the following idea: The main goal of any company is to earn money, but it is not possible because of the constraints.

This theory allows the identification of obstacles to achieving objectives and allow to make the necessary changes to eliminate them. This theory acknowledges that the production of a system consists in multiple steps, where the outcome of each one of them depends on the result of prior stages. The outcome, or the production of a system, is limited (or restricted) by this or by the less productive steps.

The theory of constraints is summarized as follows:

1. IDENTIFYING constraints.
2. EXPLOITING the company's restrictions.
3. SUBORDINATING the others to the previous decision.
4. RAISING constraints.

Thus, the company will obtain:

- Assurance in future: the continuous improvement of the system constantly strengthens the strategic position of a company and it ensures the future in a

sustainable way.

- Increased profits: thanks to the optimal utilization of resources and the implementation of investment measures focused on key points, the competitiveness is significantly enhanced and so the capacity to generate profit.
- Enhancement of liquidity: an enhancement of liquidity is achieved through the reduction of unnecessary inventory of finished and unfinished products, rapid payment flows and the intelligent utilization of financial resources.
- Social responsibility: based on the priority strategy of increasing profits by reducing costs, the working places are typically maintained or even increased. Hence, it is about a managing system that incorporates social responsibility.
- Resource and environment conservation: thanks to the logistics and production methods oriented towards a real demand, only the strictly necessary materials and resources are used for the manufacturing of products or delivery of services. In this respect, the waste of raw materials and energy is minimized and contributes to the preservation of the environment.

1.4.2 Inventory Control.

Sometimes, it is a challenge to implement an optimum and efficient control on the inventory, any careless action may affect many aspects within a company and cause a false expectation on the reality of an enterprise. According to Carlos Osorio, the main causes to maintain an available inventory are the random fluctuations of the demand and the delivery times of the orders. Being aware that the inventories result from the mismatch of the demand with regard to the production and supply of products, it proposes strategies in order to carry out the orders in a proper manner: the accurate obtaining of information on the demand at the consumption points, the consolidation of distribution centers and warehouses in order to increase the demand volumes per branch, the standardization of products in order to avoid the maintenance of inventories of a wide variety of items, the improvement of the demand forecasting systems through statistics, the enhancement of partnerships and communication systems with suppliers and clients for the reduction of delivery times, the issuance of joint orders for diverse groups of items with the aim of balancing the inventory, and the consolidation of dispatches from or towards localities, and lastly, the reduction of delays along the supply chain, including the transit times in the transport systems. (Osorio, 2013, page. 5)

1.4.3 Information and Communication Technologies.

Currently, the use of Information and Communication technologies is indispensable on the daily life of the MSMEs. First of all, the enterprises have adopted this technology in order to be more competitive, and on the other hand, consumers are increasingly demanding for the quickest and most efficient ways to make purchases. So, a direct communication to consumers that allows the understanding of specific needs regarding a certain product, as well as the post-sale satisfaction level and the type of recommendation is indispensable. However, the ICTs facilitate the relation client-enterprise to be quite close so its implementation is indispensable to carry out foreign trade activities, in some cases breaking down the cultural, linguistic, uncertainty, and other barriers. (Arciga; Muñoz; Saldivar; 2013; page. 3)

According to a study conducted by Sandra Saldivar, Gloria Muñoz and Erika Arciga, a direct correlation between ICTs and the competitiveness is demonstrated, stressing the improvement of two parameters: marketing strategy and quality service. First off, the increasing current importance of the internet may influence consumers behavior so the marketing is also modified, due to it is almost always customer-oriented.

In the words of the authors, the ICTs facilitate new business models, multiplying productivity and promoting growth within enterprises. Their application in daily life generates an extra value to the development of multiple activities, however, it is also stated that MSMEs generally have no budget or enough staff to carry out marketing activities, which disable them to generate incomes especially when MSMEs do not conceive the ICTs as a strong technology in terms of marketing. Nevertheless, the ICTs also influence the quality service, through the capacity to offer clients what they want, by using a proper communication. (Arciga; Muñoz; Saldivar; 2013; page. 3)

1.5 Creation of added-value in MSMEs

When it comes to internationalization, an entrepreneur must understand that there will be greater challenges in comparison to those from the local market, and he or she should be able to face them through continuous learning; although one must take into account that a company has to be competitive at an internal level in order for it to achieve a good level of development at an international market. Author José Antonio París recommends

four characteristics in order for any company to enter into foreign markets: international quality, international price, knowledge of external markets, as well as the productive capacity to stay in the market. (París; 2014, pages.114-117).

Globalization has changed the external market into a highly competitive scenario, that requires creativity and innovation fundamental aspects to generate value. If a company's main goal is to generate profits through the sale of its products; seeking for satisfaction and acceptance from the clients; this will be competitive. For that, an efficient value chain must be achieved where each one of the activities are carried out with lower costs than competitors, without compromising the client's satisfaction and always exceeding expectations, which also ensures the company's sustainability. The value chain is not about reducing costs by weakening the quality of final product, but to learn to manufacture them in an efficient manner. Thus, the creation of value in the chain would be defined by the set of activities that are conducted inside and outside the company, even after the sale. Michael Porter proposes a classification of the activities of the company during the value chain, classifying them in primary and support activities. (Bonmatí, 2011, pages.10-12).

The figure below explains the following

Figure 3

The value chain of Porter.

SUPPORT ACTIVITIES					MARGIN
	Provisioning. Technological development. Human resources. Company's infrastructure.				
INTERNAL LOGISTICS.	OPERATIONS.	EXTERNAL LOGISTICS.	MARKETING AND SALES.	SERVICES.	
PRIMARY ACTIVITIES					

Source: Bonmatí.

Elaborated by: the authors.

Competitiveness also plays a key role in this scenario. It is defined as the atmosphere in

which a company operates. After analyzing all of the stages that constitute the value chain, from the obtaining of commodities until the final product and the post-sale services, there is an interdependency relation between the different companies who take part in the chain.

Likewise, the public policies and resources, are elements that affect the company's environment and have a direct influence on costs and financing level, which allow for a further development and also affects the competitiveness. The generation of added-value, requires an efficient and proper managing of all the activities covered by the company and that includes, of course, the administrative area from where the planning to add value for the customer and company arises.

1.5. 1 Sales force vital in business competitiveness.

According to Polevnsky, the competitiveness of a company is measured based on its aptitude to increase the sales and participation in the market without compromising profits, wages or causing environmental or social damage. (Valbuena, Isabel, 2013, p. 388).

According to Valbuena, one of the ways to achieve competitiveness is that the product or service delivered might be perceived as something of major value; this means: “a good product at a low price, a superior product worth striving for or an offer with highest representative value of an attractive combination of price, quality features, services and sale; thus, creating a basis for differentiation”. The sales force allows the company to reach a greater competitiveness; the background of this method relies on the human resource, since is the individual who is in charge of distribution of a product or service, the sales managing and above all, keeps in constant touch with clients and their needs. For this reason, the company's personnel constitute a key point for the client's satisfaction and the fulfillment of business goals.

Any company, when hiring personnel, must not only focus on having a proper staff, but also not having to worry about maintaining those sellers committed to the company's success, through a good business environment. The sellers play a fundamental role when it comes to sales force due to they keep in touch with clients regularly so they are responsible for transmitting information received from senior management for the decision-making. On the other hand, the sales manager's principal job has a high degree of compromise and responsibility, taking active part in the sales force. The manager plays important roles such as:

“Sales, hiring, training, and motivation projections, supervision of sellers, establishment of sales and volume quotas, transmission of information, negotiations, intervention on the decisions relating marketed products and departmental chiefs, to solve situations concerning internal and external conflicts, to establish proper policies, decision-making, image of the company, and others”. (2013; pg. 380-389)

Furthermore, sales take part in the supply chain and, as mentioned before, these constitute the only activity that generates profit. One can generate value through advertising, consumer's loyalty to the branch, discovery of the need of a product. However, sales cannot be considered as the final stage within the value chain, but the initial step since once the good is in the consumer's hands the whole chain has to be fed back with the information obtained from sales, which allows to conduct projections that direct the production process. The sales forces era related to competitiveness, and this is also the result of the relation between the company and the environment, as Porter states. (2013; pg. 380-389)

A competitive company, not only achieves an economic growth but guarantees its permanence in the market. Finally, the absence of a good job in the sales force leads to a lack of production, not allowing to acquire raw materials, nor hiring personnel, resulting in an organization destined to disappear over time. (2013; pages. 380-389)

1.5.2 Relation price paid-perceived value.

At the time of entering the international market, competitiveness becomes much more aggressive; hence, there are minimum requirements like quality and international price, besides enough information about the place where the product or service is destined. (París, 2008, page. 148). The price is a fundamental factor in international commerce; its tariff is going to be defined by aspects such as the costs incurred in the export productive process, market, target, business goals, among others. Most of the times, prices determine the competitiveness level of an enterprise, however there are some issues regarding consumers that must be taken into account: “they not only buy products but also satisfaction which derives from the product’s attributes, different devices and various features.” (Vergara, Blanco & Quesada, 2012, page. 17).

So, there is a value perceived by the client which is decisive to know his purchase behavior in a certain market. Thus, the perceived value is defined as: “the global assessment carried out by the consumers profit of an exchange relation based on perceptions of what he/she gives and what he/she gets” or: “the judgment of a client above the delivered service, where all the benefits and sacrifices perceived with regard to the same are simultaneously processed in the consumer’s mind which leads to a global assessment as quoted in: (González, Gil, 2008, pages. 33-34).

Therefore, the value perceptions are given on the basis of both economic and psychological considerations obtained from consumers, and their study can distinguish attraction, selection and purchasers’ recidivism patterns that are going to change depending on the individuals and different realities. Lastly, the aim is to ensure that the value perceived by the client supersedes the expectations leading to a non-acceptance of other products at a lower cost by the consumer.

However, the highly changing environment in which we are involved, makes preferences and behaviors to evolve constantly in time; hence, companies find themselves battling against more and more demanding consumers who capable of making better decisions, considering the price and quality (economic element) and those complacency and social factors denominated as “psychological elements”. Subsequently, both perceived value and loyalty play an important role. If a client

considers that the acquired product is overvalued, he will consider other alternatives. Something similar happens when new products appear in the market since typically the consumer thinks of these products as better-quality products. The permanence and growth in the market, indicate the capacity of an enterprise to react and renew in the environment where this company operates. This situation intensifies at the time the organization decides to enter into an external market. (González, Gil, 20010, pág.12-15).

1.5.3 The product on the outside.

The most common activity for enterprises whose aim is to participate in the international commerce is, as mentioned before, the exports. In this context, the question is What should be exported? What makes a product competitive?

Considering that not every product is can be exported, it is imperative to determine whether there is any pending necessity to be satisfied within the target market. On the other hand, the product competitiveness's assessment should be carried out in accordance with the degree of the consumer's satisfaction, factors defining the purchase decision and the characteristics offered by competitors. Likewise, the compliance of normative requirements in the place of destination must be considered and to what extent the tax and non-tax barriers are surmountable. (Lerma, Márquez, 2010, p. 88-89). Finally, another issue for consideration is the tariff classification since, in addition to being a tool for the correct payment of taxes; it helps to know the client's preferences, to determine volumes for the packing and packaging, to define costs depending on the weight, among others. (Lerma, Márquez, 2010, p. 110-114)

1.5.4 Tariff Classification

This classification seeks to assign a certain product a category with the aim of setting the corresponding taxes to foreign trade and to implement a proper control in terms of clearance compliance, technical and health certifications, constraints, and others in accordance with public policies. The Harmonized System of Designation and Codification of Freight (SA) was created by the World Customs Organization in order to facilitate the recollection of statistical information relating to foreign trade but, above all, it is the foundation upon which the countries establish their respective customs tariffs. Ecuador joined this system in 2012. (Aduana del Ecuador, 2016, pg.2)

1.5.5 Product: General Reflexions

The product: “it is a set of attributes which satisfy the consumer’s demand. It can be offered as a tangible good, idea or service”. Before offering a product, it is necessary to analyse its potential for exports, acknowledging that: “the product not only includes an object or service, but also the package, transport, packaging, insurance and other services” (Vergara, Blanco & Quesada, 2012, pages. 18-20)

When it comes to evaluating the product intended to be offered to the client, it is necessary to consider elements such as:

- **Variability:** It points to the presentation of the product, the more offered variety, the more chances to reach market segments.
- **Adaptability:** It refers to the product’s capacity to be used in different situations by the same user, which prolongs its lifetime.
- **Duration:** It constitutes a fundamental factor, due to its effect on the consumer’s purchase-decision.
- **Description of lavish care and special treatment:** Depending on the market to which the product is destined, this factor is important since it helps to prevent lawsuits against the company and it is also a requirement.
- **Risk Information:** It is important that the product has the information necessary which specifies the damages or dangers that may arise from the misuse.
- **Information concerning technical specifications:** The compliance of the required specifications is a key element to enter into a target market; especially when it comes to industrial products. The information about the components allows to comply with health registries and also it may represent an opportunity to highlight those unique features of a certain product.

On the other hand, the product’s design is imperative when competing in a foreign market, and it influences directly on the client’s purchase decision, for example an ecological design. (Lerma, Márquez, 2010, p. 110-111).

1.5.6 Package and Packaging

According to Lerma and Márquez (2010, p. 113-114)

- Package:

When it comes to exports, must be taken into account that the company should choose the correct package for a specific product, since in addition to fulfilling the functions of preserving and agglutinating the product, this is related to the product's content, influencing directly on the consumer's decision. Therefore, it is important to consider the following aspects: the material has to be elaborated in accordance with the health provisions, convenient costs and the acceptance of the same in the target market. Furthermore, it is important to consider the type of package, being either the can, bottle, jar, and others, is consistent with the cultural and geographic characteristics.

In addition, the package is not harmful to the environment; the duration and shape of package play significant roles in terms of transport and costs; both its function, as the attractiveness and originality, are important aspects which cause a commercial effect on the client; features such as weight, resistance, texture, color, play a key role in marketing, transport, and storage; the norms related to package and packaging required by the target market must be previously revised since they allow to avoid unnecessary costs. Furthermore, the information of labels and tags of the product must be clear and precise, facilitating its use to the clients. Finally, the company must estimate correctly the package's costs so the final price might be competitive.

- Packaging:

The packaging seeks to set and agglomerate the goods in order for these to be transported to different places through distribution channels. Like the package, a good design ensures that the product complies not only with the provisions but it is protected from humidity, temperature, radiation, and others. Furthermore, packaging allows a good handling, transport and storage of the product. Resistance and durability of the packaging are going to depend on the components used and the costs incurred. Finally, the appearance will also affect the consumer's preferences. For both package and packaging, it is important to ensure the security and integrity of the product against any

damage that may arise from the distribution centers until the points of sale.

- Standardization or Adaptation

When a company is preparing the export process, it is important to decide whether to adapt or standardize its products. In case of goods elaborated without any kind of differentiation towards different markets, which do not get appropriate acceptance, these must be standardized. Furthermore, standardization applies when a product with a single image is destined to several markets, without being rejected by consumers. Then adaptation turns out to be favourable when a company discovers different features, traditions, and preferences between countries and regions. On the other hand, it is desirable to standardize when homogeneity between the markets can be observed, as well as the regulations.

1.6. Social Economy and the MSMEs

1.6.1 Theory of financial hierarchy and MSMEs.

The theory of financial hierarchy is based on the information asymmetry, which was proposed by Myers and Majluf in 1984 seeks to explain the enterprise behavior in terms of indebtedness. It is proposed that companies request external financing when internal resources have been exhausted. Assuming that senior management is aware of the different possibilities, risks, and the company's value with regard to potential external investors, the former will know when a share is overvalued or undervalued; hence, the executives shall comply with the pre-established guidelines, resorting to debt, before committing internal resources through the issue of shares considered undervalued.

From this perspective, a company always will seek financing through its own resources rather than seeking external financing. Therefore: "It is expected that highly profitable companies which generate high levels of cash flow will make less use of external financing, in comparison with the less profitable companies whose operations do not allow them to obtain greater volume of internal resources" (Myers , Majluf; 1984, p.68).

Myers states four guidelines to better understand the finance hierarchy's functioning: first, the enterprises place internal financing ahead of external financing. Secondly, dividends are distributed according to the investment opportunities. Third, in case of fixed dividends, both cash flows and investment opportunities may vary. Finally, if companies have to apply for external financing, these will opt for the safest securities such as the convertible bonds. Subsequently: "the leverage ratio varies depending on the imbalance between the internal cash flows, net investment earnings, and real investment opportunities." (Myers, Majluf; 1984, p.69). Lastly, in accordance with this Theory, it is worth mentioning that most enterprises have a preference for internal over external finance, and for debt over equity.

1.6.2 Model of the Financing Growth Cycle

The Financial Hierarchy Theory does not cover entirely the composition of the capital of the MSMEs due to their evolving nature. Nevertheless, it helps to justify at least the first stage of business development. This approach is reflected in the Model of the Financing Growth Cycle, proposed by Berger and Udell in 1998.

It is stated that MSMEs are in ongoing evolution in terms of size, period of years and access to information; these factors are decisive when conforming a financial structure. Hence, the greater expertise and knowledge, the greater capital needs. Different successive stages are established related to the financing growth cycle of small and medium enterprises. The former, with limited experience and size during the initial stages, apply for financing through their own resources, commercial loan or "business angels". During this period, the fledgling company starts the development process of its products, the production is not significant and has limited marketing. The second stage of the cycle takes place when a product has achieved success in the market; and the company uses venture capital in order to achieve a greater production. Generally, both bank and commercial institutions facilitate loans according to their production level. Lastly, once all sources of internal funding have been exhausted, the enterprises apply for external funding, before others take control of the company.

1.6.3 Asymmetric information Theory

This theoretical scope refers to the existing edge between entrepreneurs and external agents in terms of information availability regarding assets and business opportunities

of a certain company. The current asymmetry of information, according to this theory, has an influence on the capital structure. Different authors, state that within a market, there will be misinformed and well-informed clients. In any case, the first group shall have access to the most affordable prices in accordance with offers, while the second group shall not.

It is stated that the finance market behaves in a similar way, creditors do not know all the company's information, hence, they do not know exactly the ethics and performance level handled by the organization, which leads to mistruth in the long term. Any company applying for a loan must provide further information about the project since by compromising a percentage of the internal resources shows a greater commitment level with the compliance of the project. (Vaca, 2012, p.87-92).

According to the theory of the financing hierarchy, the decision most appropriate for enterprises, when conforming their capital, it is through obtaining credit before the equity issuance. Hence, access to credit will not be affected by the finance liabilities value, as long as the information of the project is not asymmetric. This theory contends that for those enterprises with high information levels, it is more convenient for them the equity issuance, due to liabilities acquire a higher relevancy. (Vaca, 2012, p.87-92)

1.6.4 Barriers to Access to credit for the MSMEs

Based on a research conducted in 2012 by “Universidad Politécnica de Valencia” regarding financing obstacles are faced by MSMEs at the time of getting a loan, through different theories proposed by authors, it is stated that the most relevant factors have to do with the access to information, interest rates, and certain particular conditions of this type of enterprises. Although MSMEs represent the largest percentage worldwide, in the case of Ecuador more than 90 % is represented by small and medium enterprises (INEC, 2012). However, getting a credit turns out to be very difficult, knowing that in order to achieve sustainable growth the leverage is inevitable. Recent studies suggest that the barriers for MSMEs vary depending on the situation of every country, being the legal certainty a fundamental issue.

The quality of the information presented before the credit institutions plays an important role; although, at the same time it could be a constraint. If the granting of a loan is made

only based on the financial statements, it is not possible that these are considered variables as for example the company's capacity to cover a debt or its commitment level. On the other hand, it might happen that enterprises are under disadvantageous conditions as a result of the necessity to obtain funding. The size of MSMEs represents another important constraint, the linkages and greater guarantees of bigger companies allow them to easily obtain financial support; however, the lack of money and contacts hinders the path for companies with simpler organisational structures such MSMEs. Subsequently, this factor makes these industries apply for external funding through relatives and friends, which affects their development. Likewise, when it comes to analyse risks, banks often consider in addition to the company's development the manager's capacity to deal with indebtedness through the assets of the company.

Having said this, the author highlights a key element that helps to reduce the lack of access to financing of MSMEs; which is the sharing and high quality of information. Thus: "there is a precise risk assessment and an efficient allocation of funding to MSMEs" (Vaca, Estrada; 2012, p.113-120). Yu Lee, (2016, p.23); establishes that 71% of the total number of jobs are generated by micro, small, and medium enterprises.

On the other hand, only 6% of the securities issued by the stock market of Quito corresponds to MSMEs, which determines that the vast majority of small and medium enterprises consider indebtedness as a financing source and the obtaining of credit is more difficult for Ecuadorian MSMEs. In accordance with statistical data, 13% of individuals who run a MSMEs have closed their businesses due to financing problems. (Vincent, 2016, p.27).

Furthermore, funding obstacles make impossible to achieve a technological development, as well as a proper workforce training necessary to the generation of added-value. There are also structural aspects such as the enhancement of administrative, productive and commercial capacities which are key elements in order to gain competitiveness in both local and global market. On the other hand, MSMEs have to face another challenge which associativity is. This involves the empowerment of this type of enterprises and it represents nowadays a big challenge for Ecuadorian companies. (Yu Lee, p.20-24).

Table 6

Summary.

Barriers to credit's Access for MSMEs.
1. Both simple access and high quality of information influence the decision of a bank institution.
2. The lack of money leads enterprises to undergo dramatic situations.
3. Size of MSMEs, as well as the lack of contacts disable them to offer better guarantees and access.
4. Structural problems such as the enhancement of the administrative, productive and commercial capacity.
5. Poor associativity with the environment.

Sources:

Elaborated by the authors

1.6.5 Networks Theory

This theory explains the internationalization of enterprises through the establishment of personal relations between organizations that facilitate the obtaining of information and, as a result, the entry into a foreign market. This scope is directly related to those MSMEs who face serious challenges when they go international. These companies are therefore immersed in a network which is the result of their operative activities with their environment; this stems from the relation with clients, suppliers, distributors, government, competitors, among others. Therefore: "the foreign market opportunities come up through the different members of the network." (Trujillo, Rodríguez, Guzmán, Becerra, 2006, p. 123).

However, the quality of the information is going to depend on the members of the network and the linkage that the entrepreneur has with them. The distribution channels represent an interesting way of accumulating valuable information when it comes to entering into foreign markets; on the other hand, if an entrepreneur has had some type of work experience, expertise or continuous trips abroad, he will be able to obtain contacts that are appropriate for the business environment making access to this market easier and reducing risks as well. (Trujillo, Rodríguez, Guzmán, Becerra, 2006, p 124). For MSMEs, attending trade fairs as well as the public sector support are fundamental for the organization at the time of building networks. In addition, based on the criteria contained in this research, the establishment of agreements with intermediaries constitute a good way to minimize risks within these enterprises.

As long as the company's environment, competitors or the different actors of the value chains are international, the shared information becomes so much more useful, presenting new advantages which provide competitiveness and a better response capacity in the external market. The development of networks through social and business relations represents a greater independence from the own resources, especially when it is a small or medium enterprise, which in many cases are the impediment to economic growth. Finally, the dynamism of the person who is heading the company is the essential element when establishing networks. (Trujillo, Rodríguez, Guzmán, Becerra, 2006, p 125-127).

Chapter 2: Environment and productive offer of the Food and beverage processing sector.

2.1 Introduction.

Nowadays, the world is ruled by a globalized environment which leads countries to undertake new competitiveness challenges, hence, their lag or inclusion is going to depend on their response and adaptation capacity. In Ecuador there are 843 644 enterprises. According to the information provided by CEPAL, provinces such as Pichincha, Guayas, Manabí, Azuay and Tungurahua cover 61.7% of the total number of companies. Likewise, these are the places where 78.2% of the jobs is generated, as well as 86,8% in terms of sales and covers 47.10% of MSMEs. At a local level, there are 514 enterprises per 10 000 inhabitants on average. Galápagos is the province with the largest number of companies (945) and Esmeraldas is the province with the least number of companies (294). Most MSMEs are based in Guayaquil and Quito these being the largest cities of Ecuador. (2016)

Ecuadorian SMEs generate workplaces for 37% of the total economically active population and according to the last census, 66% of MSMEs are engaged in activities related to commerce, 22% to services and finally only 11% to manufacturing. (INEC, 2010). It is also known that only 6% of Ecuadorian SMEs have introduced their products into foreign markets (INEC, 2016). Actually, this amount fell slightly during 2014 and 2015 as a result of the imposition of duties due to the measures implemented in order to protect national industry. (Zúñiga, Espinoza, Campos, Tapia & Muñoz, 2017).

Most of the Ecuadorian international offers are commodities, hence, the export of products that require technological processes is limited. The Foreign Trade Ministry (2014); states that only 8% of the total export non-oil offers have technological intervention at a middle and top level. This situation has meant that there are wide barriers for enterprises when entering appropriately into foreign markets, even when it comes to basic products. (Agenda para la Transformación Productiva, 2013, p.54). Ecuadorian SMEs operate around five days a week and eight hours a day, as stated by a study conducted by “Universidad Andina Simón Bolívar”; concluding that the use of the existing capacity is insufficient. Therefore, increasing their duties, according to the

university research center, would allow taking advantage in a better way of the productive capacity of each company, favoring costs and the offer of diversification. The World Economic Forum indicates that our country has ranked among the least competitive countries during the last years (Onofa, Burgos, p.132, 2012).

On the other hand, there is also a lack of juncture between the public and private sector, which offers better prospects of funding. Furthermore, the study points that a further promotion of certification and association programs is required in order to place this type of companies in the international market. (Gestión, 2012).

2.1.1 Commercial agreements

The commercial agreement recently implemented by the European Union opens a door to SMEs so these could take a significant advantage. The treaty began in 2008, as a negotiation between blocks (UE and CAN) and was known later as an agreement to be celebrated bilaterally between the European Union and each one of the countries of the Andean block. Ecuador signed its participation on November 11th, 2016 where the liberation of 99,7% of the Ecuadorian export agricultural offer was established and the full production of industrial products (Ministerio de Comercio Exterior; 2014).

This situation requires that enterprises increase their competitiveness level; a key issue for the permanence within the market in the long term and the exploitation of the benefits derived from the treaty. In the same way, SMEs could also be beneficiaries of the adherence of our country to CAN, which promotes and facilitates commerce at a local and inter regional level. One of the major benefits is the liberalization of levies for all goods labeled as originating from the member states (Bolivia, Colombia, Ecuador, Perú), based on the established norms. In case of MERCOSUR, as an associated member, Ecuador has signed partial agreements, in addition to treaties already established with the World Trade Organization (WTO) regarding antidumping measures, intellectual property, among others.

Next, a summary scheme with the current commercial agreements and the benefits for Ecuador is presented:

Table 7***Trade agreements signed by Ecuador***

Trade Agreements	What is it?	Benefits
Andean Community (CAN)	<ul style="list-style-type: none">- Regional integration between Ecuador, Colombia, Perú and Bolivia- It establishes a free trade zone between its members.- It covers a market of 103 million people	<ul style="list-style-type: none">- Absence of tariffs between the members, in accordance with the origin legislation.
Latin American Integration Association (ALADI)	<ul style="list-style-type: none">- It is formed by 13 countries: Argentina, Bolivia, Brasil, Chile, Colombia, Cuba, Ecuador, México, Panamá, Paraguay, Perú, Uruguay and Venezuela.- It covers a market of over 510 million people.- It represents the biggest regional initiative in Latin America.- The main objective is to establish a common market in the region.	<ul style="list-style-type: none">- It enables the creation of preferences areas, through two types of mechanisms that are: regional tariff preference and partial agreements.

<p>Partial Agreements N° 42: Ecuador-Guatemala</p>	<ul style="list-style-type: none"> - The partial agreements, in accordance with the provisions of ALADI allows agreements with the participation of two or more countries of the region. - This agreement was subscribed in 2011 and entered into force in 2013. 	<ul style="list-style-type: none"> - 600 tariff lines given by each country with full releasing. - The most benefitted sectors are: fishing, chocolate, Wood, flowers, industries, fruit juices, clothing, vegetables, drugs, etc.
<p>Multiparty Agreement: Ecuador-European Union</p>	<ul style="list-style-type: none"> - The agreement is currently concluded, and it is expected to enter into force. - It enables Access to the European Union by supply chain. 	<ul style="list-style-type: none"> - Immediate access to non-agriculture manufacturing, Food preparations, spirits drinks and tobacco is granted. - As well as the access to flowers, fruits, vegetables, cereals, coffee and cocoa (excepting those with high sugar content), confectionery, etc.

Source: Foreign Trade Ministry
Elaborated by the authors

2.1.2 Analysis of the Productive Matrix Change in Ecuador.

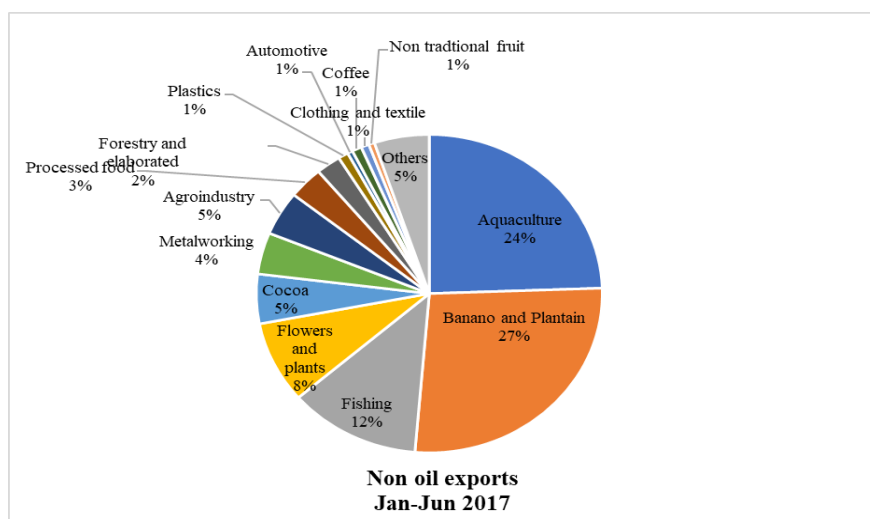
In the early years of Ecuador, the abundance of cocoa somehow set a trend regarding exports of primary products (commodities) and imports of goods with high added-value. According to Fander Falconí and Julio Oleas, the final decades of the XIX century defined this trend known as the cocoa boom, which was followed by the banana boom in the fifties and subsequently succeeded by oil production in 1972. At the end of the twentieth century, three primary products represented 70% of the total Ecuadorian export offer: oil, banana and shrimp (Falconí, Oleas; 2012, pages.32-35). This disadvantageous situation led to a great economic vulnerability; lack of trained labor force and alarming technological edges, which led to a low generation of added value and weak capacity to compete:

“The economic and political foundations that determine a social structure on the basis of which a country is involved in international trade are the result of a long term complex process, which has led countries to occupying a specific position in the international division of labor.” (Falconí, Oleas, 2012, p.28)

In Ecuador during 2017, the non-oil export offer is mostly composed by commodities, as shown in the table below:

Figure 4

Non-oil Ecuadorian exports divided in groups of products.



Source: Taken from Pro Ecuador. Main non-oil export products. Monthly bulletin Foreign Trade, 2017.

One of the most important objectives set by the National Plan for Well-Being refers to the Productive Matrix change in Ecuador. The Secretariat for Planning and Development (2012) defines productive matrix as: “The set of interactions between the different social actors who use the resources at their disposal in order to carry out the production activities.” In other words, it involves all products, productive processes, and the social relations that arise from these processes. Taking into account the typical behavior of the Ecuadorian offer, the productive transformation seeks to achieve:

An interaction with the scientific/technical frontier contributes to the production of structural changes that direct the traditional paths of the process and the current productive structure towards new forms of production that promote diversification within new sectors; with a greater intensity in terms of knowledge, under considerations of technological asymmetries between countries and a rapid internal and external demand growth promoting organized work. (Senplades, 2014, p. 79)

According to (Villena, 2015); there are four fundamental axes in order to achieve this objective, from which the implementation of public policies arises: productive matrix diversification, generation of added-value, import substitution and export promotion. At the same time, fourteen prioritizations and five strategic sectors are identified, in order to get a better approach and development of industry in which the processed food is one of the most important:

Table 8

Prioritized and strategic sectors for the transformation of the productive matrix.

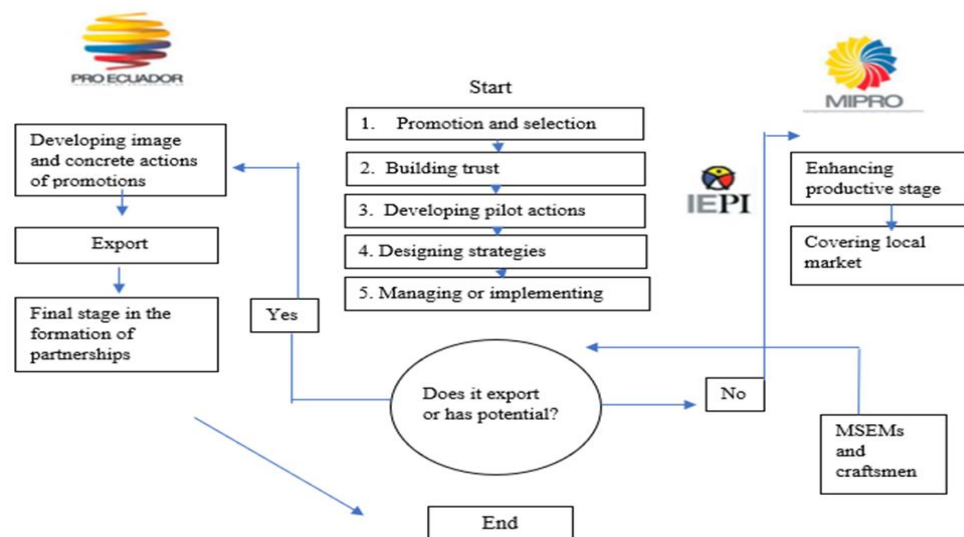
Prioritized industries	Strategic Industries
<ul style="list-style-type: none">• Fresh and processed foods• Biotechnology• Apparel and footwear• Renewable energy• Pharmaceutical industry• Metalworking• Petrochemistry• Wood forest products• Environmental services• Technology• Vehicles, cars and parts• Building• Transport and logistics• Tourism	<ul style="list-style-type: none">• Refinery• Shipyard• Petrochemistry• Metallurgy• Iron and steel industry

Source: National Secretariat of Planning and Development Newsletter. 2012.

Knowing that SMEs are a large part of Ecuador's economic fabric, their participation abroad is fundamental to gain competitiveness, both to achieve a greater generation of added value, and to enhance the competitiveness situation at a local and global level, in this respect, several institutions, programs and projects have been created which are aimed at accomplishing this purpose. The following figure presents the public operations, through institutions such as Proecuador, IEPI and MIPRO for subsequent building of consortiums that facilitate SMEs exports:

Creation of export Consortiums for MSMEs.

Figure 5



Source: El Telégrafo, obtained from the Economic National Census (2010).

Currently, there are many obstacles in Ecuador that must be overcome in order to reach a real diversification of the productive matrix. For this reason, the transformation of the matrix, in addition to being, it requires the convergence of policies aligned with objectives set, together with the continuing efforts both from public and private sector, in support of endogenous development.

2.1.2 Constraints on SMEs within Ecuador.

There are disadvantageous situations for Ecuadorian SMEs that reduce their competitive level, capacity to export and their growth. One of the major obstacles is the difficulty to access to credit due to the guarantees required that are difficult to meet for this type of enterprises, which in turn reduces their capacity to innovate and enhance the critical areas. Furthermore, the high costs of basic and necessary elements as the electricity represent a fundamental aspect. In 2010, this situation represented a serious problem for 37.9% of Latin American enterprises, being this a higher percentage than average at a global level. With respect to Ecuador, this percentage fits in 35.9%. According to a World Bank study “Doing Business” in 2016:

“During 2015, Ecuador was in a disadvantageous situation in relation to Mexico and the South American average regarding costs of electrical connections despite

their reliability of supply and tariff transparency is considered highly superior, since the former represents 60.1% of the per capita income and the latter is rated with 7/8, when the average is between 466.1% and 4, accordingly. In addition, their installation is real slow so the number of days required to obtain a connection is 74, which is higher than average in the region.” (Doing Business; 2016, page.52)

On the other hand, the low use and access to ICTs represents another problem for SMEs; according to a survey conducted by the Ministry of Telecommunications in 2014, 82% of Ecuadorian SMEs have access to internet; however, 99.1% of this group uses internet only for sending and receiving emails, and 80.6% to access information related to goods and services. The survey was directed to SMEs of the largest cities of the country, which concludes that further use of this technology would contribute to reduce costs, as well as improving communication. One example of this would be the training of employees through virtual platforms. The study also concluded that only half of medium enterprises have a website, this is because if any company wants to promote itself on social networks it is necessary for this to be continuously updated which leads to hire specialized personnel in that area, something that most companies do not prioritize. (Villena, 2015).

2.1.3 Access to credits

Although, on the one hand, the change of productive matrix is driven through different policies and institutions, the access to credits in Ecuador continues to be one of the biggest impediments in order to achieve a greater development, modernization and competitiveness. This issue, in accordance with a report issued by the Inter-American Development Bank, is a common reality for micro, small and medium enterprises in Latin America, despite their importance in the business fabric of these countries. (García, Galo, Villafuerte, 2015, p.50).

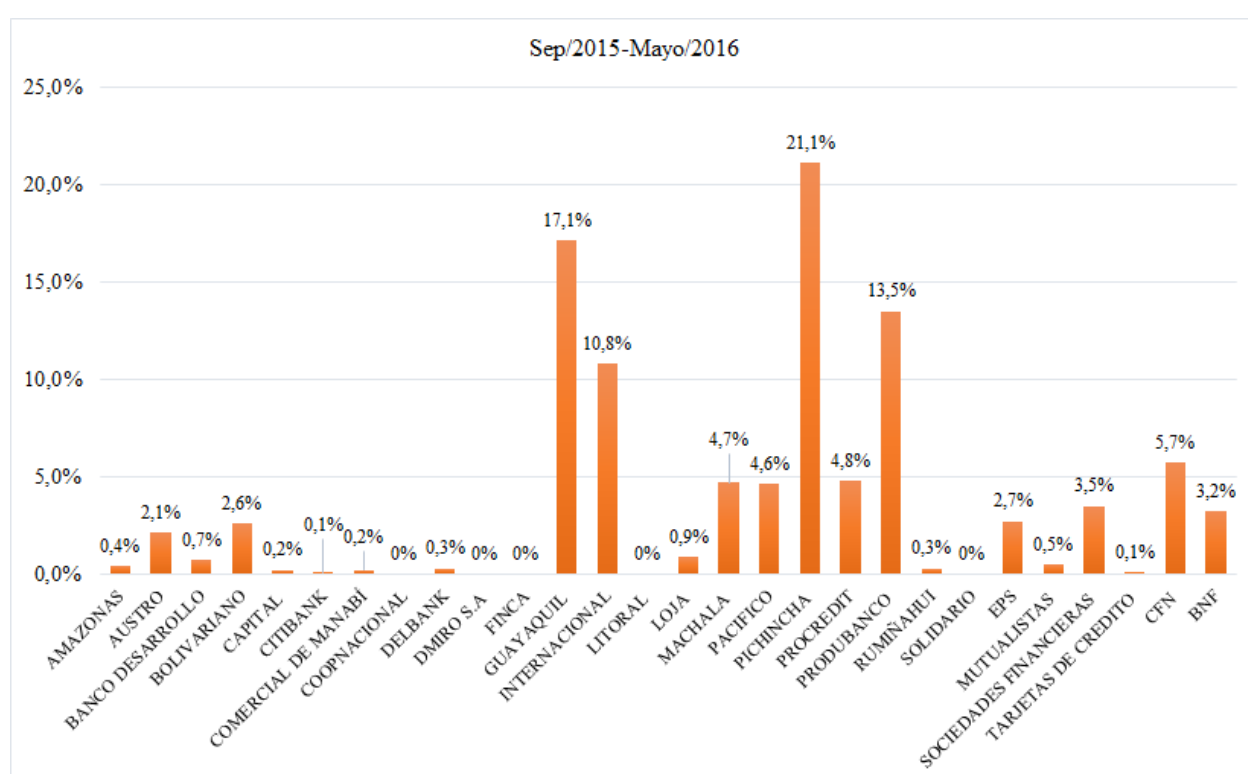
In Ecuador, banks provide loans to SMEs only when these can afford the guarantees required, which may be even mortgaged, thus restricting the access to a large number of this type of companies, which in turn causes them to resort to informal funding sources. (Estupiñan, 2015, p.26).

According to a report released by CEPAL; (2016, pág.46) on the funding for

development, in Ecuador, 80.6% of credit operations require the delivery off assurances. In Ecuador, there is a preference to obtain credits through the private banking rather than public banking. In accordance with the last Economic National Census, 69 % of SMEs choose financing through a private institution. The following table shows the credit distribution to SMEs according to this financial entity:

Distribution of credit volume to SMEs according to Financial Institution

Figure 6



Source: CEPAL, 2016

In addition, a study conducted in 2012 by the Under-secretariat of MSMEs and Handicrafts contends that the financing sources most used by SMEs are the business profits, through private stakeholders or investors and bank credits. The European Commission for Latin America and the Caribbean stress that, in Ecuador, there is a marginalization of SMEs within the financial system, due to lack of comprehensive policies and lack of appropriate goods supply. Despite policies such as the National Plan for Well-Being, Economic Sectorial Policy Agenda, and Productive Transformation Sectorial Agenda, were created for economic inclusion. It is worth noting that there is not yet a budget destined specifically to SMEs in the National Financial Corporation

(CFN), neither in the private banking sector.

The guarantee funds, whether for SMEs or factoring products which facilitate greater liquidity among enterprises known as “anchor”, have not been well received by these enterprises. There is a lack of financing training among SMEs, where the academy and government could play a key role, since it is a fundamental factor that has been limited access to different types of credit. In Ecuador, when it comes to access to credit, the informal SMEs have to deal with different constraints which are the result of the procedures set by both public and private financial entities. (CEPAL, 2016).

In addition to the currency market, there is another alternative that must be taken into consideration regarding the long-term funding for SMEs which is the capital market; nevertheless, this is not considered as a viable option due to the regulations hamper the participation of small and medium enterprises. (García, Galo, Villafuerte, 2014, p.53).

2.1.4. COPCI stablished benefits for SMEs.

The Organic Code of Production, Trade and Investment (COPCI, 2016); was driven as a strategy for the strengthening of the productive activities, which is in line with the transformation of the production matrix. This code considers SMEs as part of the popular and solidarity economy and presents several tax benefits for these companies. These benefits include the income tax exemption for a five-year period for those incorporated societies, from the entering into force of the COPCI, from the day on which SMEs start earning an income. This situation is established for those entities who develop businesses in the following sectors:

1. Production of fresh, frozen and canned food
2. Forestry and agroforestry chain and processed products
3. Metal-mechanic industry
4. Gas chemistry
5. Pharmaceutical
6. Tourism
7. Renewable energies
8. Foreign Trade Logistics Services
9. Biotechnology and Software applied
10. Strategic sectors for import substitution and export promotion

determined by the President.

Furthermore, there is a tax income exemption for those institutions considered as a part of the Popular and Solidarity Economy System in accordance with provisions, provided that their incomes have been reinvested within the same organization. On the other hand, there are also other incentives best known as deductible expenses, which are considered an instrument to decrease the payment of the income tax, being the hundred percent reduction charged to medium enterprises for the concept of training expenditures and technological acquisition applied to innovate production, when this is lower than 1% of those expenditures made to pay salaries. This situation also applies for those expenditures that have been carried for the concept of technical assistance related to market research for the creation of new products, as long as these do not exceed 1% of the total sales. Travel, living, and promotion expenses to facilitate market entry are also included provided these are less than 50% of the total costs and advertising expenditures carried out by the organization. The same occurs with machinery's depreciation and amortization in order to achieve a cleaner production with less environmental impact, this last must not exceed 5% of the total incomes of the company. (Alarcón, 2014, p.51-55).

On the other hand, besides tax incentives, COPCI establishes mechanisms for the inclusion of MSMEs such as the planning of formalities and appropriate counselling in order to obtain benefits through public competent entities with regard to local production, thus promoting exports through diverse programs.

2.2 Relevant aspects of Canton Cuenca.

Cuenca, located in the province of Azuay, is the third most populated city of Ecuador. According to the INCE, 2010; this city has 505,585 inhabitants from which 65% live in urban areas and the remaining percentage corresponds to people living in rural areas. Of the total number of Cuenca's inhabitants, 47.3% are male and the remaining 52.7% are women. The economically active population is 231,072 people, comprising of 45.7% of the total population. Based on the Land-use Management Plan, 2011 issued by the Municipality of Cuenca, it is divided into four zones: inter-Andean valley, in which 98% of the population is concentrated and it is the economic Centre of the city; the cold top of the western range, as the most valuable nature areas; the mountainside of the western range, the territory of which is characterized by having steep slopes, and lastly, Piedemonte known mainly to be the coastal zone of Cuenca and where there are various

cocoa plantations, as well as unique product associated with this type of climate. One of the biggest advantages when it comes to Cuenca's location is that this basically represents a strategic place for commerce, because it is connected to the coast, highland and amazon region.

In accordance with the last census carried out by IEC, 2010, Cuenca city is an area which presents the highest emigration rate (61% of the migrant population), due to the job search being the most common destinations United States, Spain and Italy.

On the other hand, when it comes to economics, Azuay province contribution accounts for 7.11% of the total number of national population, from which Cuenca represents 97% of the total economic activity at a provincial level. This way, the city has a total of 28,910 economic premises and its main activities are divided into productive, commercial, and services. The most important productive activities are the manufacturing of furniture and clothes; with regard to commercial activities it is worth mentioning the retail sale of food, drinks, tobacco and services; restaurants, mobiles fast food shops and medical and dental services. The sector with the highest income for the city was the manufacturing industry representing 48.66% of the total revenues, followed by wholesale and retail commerce and the repair of vehicles and motorcycles, which represent 31.52%. However, the latter generated the most jobs for people. (INEC, 2010).

With regard to small and medium local industries on the one hand, it is stated that these companies have low competitive level, as well as limited capacity to expand in terms of commerce and hence are unable to achieve a greater business development. Among the main causes of this situation are: lack of industrial soil with appropriate infrastructure and the lack of qualified personnel in the technical area. However, there is a positive aspect when it comes to MSMEs in Cuenca which refers to the diverse offer that includes timber, textile products, metal-mechanic and food goods, as well as well-known handicrafts. (Plan de Ordenamiento Territorial, 2011, p.10-32)

2.2.1 Analysis of the Land Management Plan of Cuenca.

The Plan for development and land management of Cuenca (PDOT) depends directly on the compliance of the National Plan for Well-Being which allows the strengthening of the capacity to solve specific problems based on the territory and thus achieving an endogenous development through a focused planning, in accordance with social specific

characteristics of each sector. At a local level and according to the zonal division 6 (Azuay, Cañar, Morona Santiago), the territorial plan revolves around three primary objectives, being these the increase of the income level generated by the city population, the second objective refers to the enhancement of the quality of life and well-being and lastly, the improvement of the environmental quality. Subsequently, in order to carry out a comprehensive analysis, the physical environment, population, infrastructure and the legal framework must be taken into account. (Plan de Ordenamiento Territorial; 2011, p.47-54).

Regarding the productive area, the PDOT seeks to achieve the inclusion of the local rural areas in the economic activities, leaving behind only their role as suppliers of commodities. In Cuenca city, the manufacturing industry concentrate 48.6% of the sales generated in the canton. Furthermore, this industry uses around 25,207 workers, being the economic activity with the highest added-value, and hence, the one who requires most additional personnel. The current situation of the canton shows positive indicators in terms of economics; however, according to PDOT, a proper public assistance is required in order to achieve an equitable development, but above all suitable infrastructure in order to avoid the stagnation of productive zones.

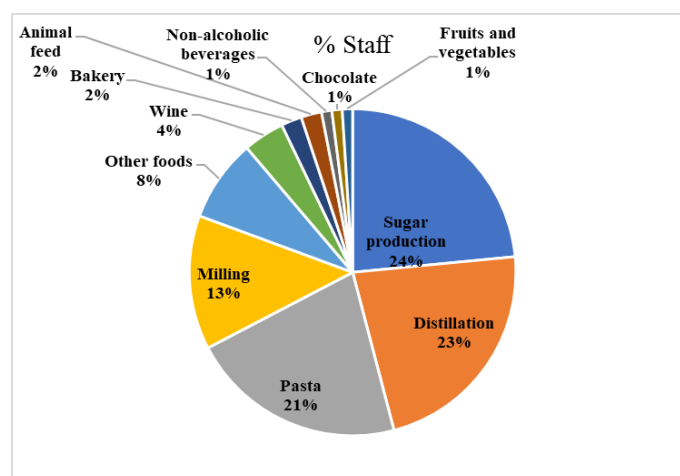
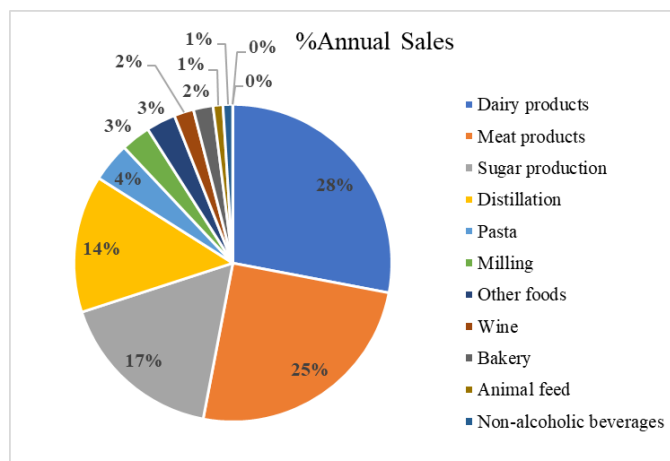
Currently, according to the study of the canton Cuenca, the recovery of the industrial sector is required to meet the objectives set by the land management based on the necessities demanded by globalization including ICTs. In accordance with this analysis, Cuenca has certain advantages like a diverse offer, its location enables it to be a connecting channel between the coast and West, and it is also the place where the highest investment is concentrated being less than four hours from Guayaquil and Machala. Although the canton has been historically excluded from the rest of the country, this has been able to develop its own industry, however, there is a lack of linkages and cooperation between the education and research sector and the business sector.

One of the biggest challenges for Cuenca is the lack of industrial soil which would allow to gain greater competitiveness and thus improving the industrial structure. Moreover, PDOT aims to set aside specific areas belonging to Sinincay, Valle, Tarqui and Sayausí parish for industrial purposes and thus taking a greater advantage of the potential of SMEs, however, there is not yet serious proposals that have boosted these strategies so far. (Plan de Ordenamiento Territorial; 2011, p. 90-104).

2.3 Food processing and beverage sector, general information.

In Ecuador, agroindustry is the most relevant sector due to the amount of jobs that it generates, its percentage participation within the GDP, exports percentage and the flow of imports required. According to a study conducted by Pacific Credit Rating in Ecuador, by December 2014 the processed food and beverage sector represents 7.70% of the gross added-value within the Gross Domestic Product (GDP). Furthermore, it represents 54.50% of the manufacturing sector, according to official figures from the Central Bank of Ecuador. From the total amount of premises that have disclosed paid employment, only the 36.90% represents activities related to food and beverages. Then, 5.40% is related to the preparation of food products. This economic activity represents the highest household's consumption being this 25.10% in accordance with its contribution to the IPC. This industry generates a great number of jobs which, according to 2010 census, were about 448 540 individuals, which represented 21.80% of the total population in Ecuador. Within the province of Azuay, the percentage of businesses engaged in this sector is 6%, which ranks fourth after Manabí (8%), Pichincha (20%) and Guayas (25%) (Uribe, 2014, p.2-3).

When analyzing the geographic zone, and according to a study conducted by the Ministry of Industries and Productivity in zone 6 (Azuay, Cañar y Morona Santiago), the processed food and beverage sector represented an estimated of 423 million dollars for total sales in 2014, the more relevant industries in terms of sales were the dairy industry with 28% of representativeness, meat processing industry with 25%, sugar production with 17%, distillation and titration with 14%, the remaining industries are underrepresented in terms of sales. On the other hand, this sector linked 5 772 people in the same year; in comparison with the sales percentage, there is a minor change in representativeness regarding the personnel's percentage that every industry requires. The four most representative industries remain between the five most important in terms of employability. However, the positions change and others are incorporated. This way: 23% of employability for meat industry, 22% for baking industry, 21% for sugar production, 13% for dairy industry and lastly 8% for distillation and titration, the rest of industries remain underrepresented. (Ministerio de Industrias y Productividad, 2015, p. 8)



Source: MIPRO
Elaborated by the authors.

Finally, when analyzing Cuenca's urban area, data was collected from the directory of companies 2016 issued by INEC. The food and beverage sector is categorized within the economic sector of manufacturing industries which represents 12.83% of the total number of enterprises in Cuenca. On the other hand, the representativeness percentage in terms of sales generated by the manufacturing sector in Cuenca was 21.76% from the total sales within the urban areas, from which 18.24% of that sales came from big companies, 1.95% from medium companies, 1.50% from small companies and 0.07% from micro companies. Hence, it can be concluded that the sales representativeness does not vary too much with regard to the type of enterprise.

On the other hand, when it comes to employability, this economic sector provided 24729 job positions in 2016, being this the second most relevant in the city, after the services sector. The total of number of jobs in urban Cuenca provided by all productive sectors was 132,310, from which the manufacturing sector represents 23.35%, this percentage

is divided into 9.35% of jobs generated by big industries, 2.08% by medium industry, 3.05% by the small industry and 6.35% by micro enterprises. As can be seen, surprisingly, despite the minimum representativeness of micro enterprises within the sector in terms of sales, this segment is the one who generated the vast majority of jobs in the city. (Redatam, 2017)

With the assistance of the System of Retailers of National goods (SBPN), which returns the VAT to foreigners in order for them to purchase products under this system, the domestic consumption of MSMEs who operate within this sector has been encouraged.

2.3.1 Regulations established for MSMEs of the sector

Regulation	Objective
<i>Regulation Advertising of Processed Food.</i>	To guarantee the constitutional right of people to access to accurate information but no misleading information about the content and features of the processed Food, which allows consumers to make a proper choice in acquiring and consuming them.
<i>Labelling of Food Products for human consumption (part 1,2,3).</i>	It establishes the requirements that must be met according to the nutritional labelling of processed.
<i>Good Practices related to Food hygiene.</i>	It establishes the requirements for obtaining the health registration of processed food, the operating permit, as well as the good hygiene practices within production, elaboration, bottling, storage, distribution, transport, and marketing of national goods for human consumption with the aim of protecting the health of the population, ensuring the food's hygiene.
<i>Resolution on Food Supplements.</i>	It establishes the requirements under which the Health Notification to the Food supplements shall be granted.

<i>Ecuadorian Technical Regulation. “Allowed Nutritious Additives”.</i>	It establishes the requirements that must be met by the Food supplements for human consumption with the aim of preventing risks for the health of the population.
<i>Unified Food Regulation.</i>	It establishes the hygiene and health conditions that must be met by the manufacturing, production, elaboration, preparation, bottling, packaging, transport process and marketing of products for human consumption, as well as the requirements to obtain the health notification of national and foreign processed food according to the risks profiler, with the aim of ensuring the health of the population, granting the supply of risk-free products.
<i>Regulation pertaining to the Labelling of Processed Food for human consumption.</i>	It regulates and controls the labelling of processed Food for human consumption, which allows consumers to make a proper choice when it comes to purchase and consumption.
<i>INEN Ecuadorian Technical Regulation 015 for the labelling of products.</i>	It establishes the requirements that must be met by the labelling of products, in order to protect the health and safety of the people.
<i>INEN Regulation No. 14 438.</i>	It establishes the requirements that must be met by gelatines and powder mixes to prepare drinks or instant powdered beverages, in order to protect the health and safety of the people.
<i>INEN Regulation No. 14 432.</i>	It establishes the requirements that must be met by the beverages, juices, powder drinks, nectars, fruit drinks and vegetables, in order to protect

	the health and safety of the people.
<i>INEN Regulation No. 14 465.</i>	It establishes the requirements that must be met by biscuits, in order to protect the health and safety of the people.
<i>INEN Regulation No. 14299.</i>	It establishes the requirements that must be met by the confectionary products, in order to protect the health and safety of the people.
<i>INEN Regulation No. 14 511.</i>	It establishes the requirements that must be met by processed, packaged and bottled food products, in order to protect the health and safety of the people.
<i>INEN Regulation No. 14 437.</i>	It establishes the requirements that must be met by canned fruits and vegetables, in order to protect the health and safety of the people.
<i>INEN Regulation No. 14301.</i>	It establishes the requirements that must be met by bakery ovens that use gaseous fuel, in order to protect the health and safety of the people.
<i>INEN Regulation No. 14 394</i>	It establishes the requirements that must be met by chocolates in order to protect the health and safety of the people.
<i>Ecuadorian Technical Regulation for Alcoholic Beverages.</i>	It establishes the requirements that must be met by food additives for human consumption, in order to protect the health and safety of the people.
<i>INEN 189 “Labelling of Alcoholic Beverages”</i>	It establishes the requirements that must be met by the labelling of alcoholic beverages, in order to protect the health and safety of the people.

<i>INEN 079 “Spices and Seasoning”</i>	It establishes the requirements that must be met by spices and seasoning in order to protect the health and safety of the people.
<i>INEN 076 “Milk and Dairy Products”</i>	It establishes the requirements that must be met by milk and dairy products from beef cattle and goat, in order to protect the health and safety of the people
<i>RTE INEN 070 “Ice Cream”</i>	It establishes the requirements that must be met by ice creams and ice-cream admixes, in order to protect the health and safety of the people.
<i>INEN 056 “Meat and Sausage products”</i>	It establishes the requirements that must be met by the Meat and Sausage products, in order to protect the health and safety of the people.
<i>INEN 068 “Coffee, Tea, Aromatic Herbs and Energy Drinks”</i>	It establishes the requirements that must be met by roasted and ground coffee, tea, aromatic herbs, and energy drinks, in order to protect the health and safety of the people.
<i>INEN 055 “Mineral and Sparkling Water”</i>	It establishes the requirements that must be met by mineral and sparkling water, in order to protect the health and safety of the people.

Source: INEN-ARCSA.
Elaborated by: The Authors.

2.3.2 Projects geared to foster the processed food and beverages sector in Cuenca

The minister of Industries and Productivity has developed a political proposal aimed at promoting development and generating impact since 2016 until 2025 within some industrial sectors, which include the agroindustry sector. This sector has great relevance in terms of exports, succeeding in becoming a sector with a surplus in the trade balance, however, a poor representativeness of some export industrial products represents an

important disadvantage due to most of agro industrial products are obtained through a extractivist method, and there is no incentive to innovate them and process them.

On the other hand, the poor diversification focused on a few export products and foreign markets somehow delays this sector in terms of dependency on raw materials. Furthermore, the low competitiveness of Ecuadorian raw materials and commodities also influences this tendency, because most of the foreign commodities are cheaper than national ones even if the current tariffs go up. Finally, the inadequate implementation of quality management systems has a negative impact in the sector due to the large need of this industry to prove safety and effectiveness of processes. Thus, the following projects have been disclosed:

<i>Project.</i>	<i>Summary.</i>
<i>Institutes of technical training and technical high school.</i>	<ul style="list-style-type: none"> • Need to hire specialized personnel within the sector. • Technical training carried out by institutions such as SECAP and SETEC. • Strengthening of technical high schools. • Support from the private sector through technical assistance to enterprises. • Involved Institutions: Ministry of Education and Culture (MEC) and MIPRO.
<i>Tripartite National Innovation Networks.</i>	<ul style="list-style-type: none"> • Promote a network of innovation and development services for food and beverages industry at a local level which will be linked to international innovation networks. • Implementation of ITCs and creation of new business products in order to achieve diversification. • Creation of the National Network of Innovation (public, industrial and academic sector) • Involved Institutions: SENESCYT, MIPRO, MAGAP and private sector.
<i>To reduce costs for inputs and promoting a technological updating.</i>	<ul style="list-style-type: none"> • Reduce the import tariffs to capital goods, raw materials and National inputs. • Identify those goods that cannot be

	<p>manufactured in Ecuador so, when determining tariff lines, effective policies can be applied.</p> <ul style="list-style-type: none"> Involved Institutions: Ministry of Coordination of the Economic Policy, MIPRO, Ministry of Foreign Trade (MCE), MAGAP and private sector.
<i>To reduce production costs through the introduction of transgenic seeds.</i>	<ul style="list-style-type: none"> Reduce production costs of raw materials so these have competitive prices in comparison with foreign products and therefore the profitability of the actors from the agro-industrial chain increases. Introduction of high-quality planting stock in order to use fewer pesticides. The re launching of the National Committee of Biosecurity, that regulates the entry of transgenics for commercial sale.
<i>To enhance the production capacity of influence zones from the multi-purpose projects.</i>	<ul style="list-style-type: none"> Complementing multi-purpose projects: Chongón – San Vicente Project: Increase the flow to 4.6 m³/s in order to sprinkle around 7,000 hectares. Daule – Vinces Project: Maintenance and cleaning in order to cover 170,000 hectares with irrigation water. Chone Project: The construction of channels to cover 2,000 hectares with irrigation water.
<i>Specialized training and Technological research.</i>	<ul style="list-style-type: none"> The strengthening of productive, administrative and commercial operations regarding MSMEs with high development potential both in local and global market. Technical Assistance Service or knowledge transfer with all related companies. Project conducted by MIPRO, MCE and private sector.
<i>Attraction of Investment in those chains with identified potential</i>	<ul style="list-style-type: none"> The added value in industrial products is minimum in terms of the current possibility of transformation, so five chains requiring foreign investment in order to expand the offer have been defined: Cocoa: Investment in Premium chocolate plants Coffee: The adoption of new technologies in order to obtain instant coffee. Dairy Products: To promote the promotion of the industry of protein concentrate from

	<p>the milk whey.</p> <ul style="list-style-type: none"> • Palm Oil: To promote oleo-chemical industry and the use of derivatives for energy production. • Fish: Infrastructure's development and efficient logistic managing.
<i>To apply Differentiation Mechanisms</i>	<ul style="list-style-type: none"> • Acquiring added-value through mechanisms that ensure differentiation of National products. • As a result of the genetic diversity, there are products with flavors and smells that represent non-exploited advantages, hence, it is necessary to carry out an organoleptic analysis for the production zones • The strategy is conducted by MAGAP, MCE, MIPRO and the private sector.
<i>Drawback for processed products and preferential Access to markets.</i>	<ul style="list-style-type: none"> • To promote exports generating instruments that enhance competitiveness at a global level. • As an incentive, 5% of drawback is set for all agro industrial exports. • Future negotiations regarding products and markets are proposed to improve the current condition of the following products: <ul style="list-style-type: none"> • Cocoa: Mexico, Japan, Brazil and the EU • Coffee: Russia, South Korea and the EU. • Tuna: U.S.A • Canned fruits and vegetables: the European Union, U.S.A and Japan.
<i>First Ecuador Campaign.</i>	<ul style="list-style-type: none"> • To increase the consumption of the National agro industrial production. • To improve the consumption habits and strengthen the image of national production. • The government contribution represents the donation of public media spaces to strengthen the whole National industry. • Project in coordination with MIPRO, SECOM and other public media.
<i>To guarantee international certifications implementing traceability.</i>	<ul style="list-style-type: none"> • To align the National requirements to the corresponding international standards in order to enter into demanding markets. • To strengthen institutionalization, the legal

framework and the operative processes in order to correctly implement this system.

- Project developed by MIPRO, Agrocalidad, MAGAP, ARCSA, INEN, Public and Private Sector.

Source: Ministerio de Industrias y Productividad.

Elaborated by: The Authors.

2.3.3 Determination and analysis of the main products of the sector.

Industry	Number of enterprises	Percent of sales per type of enterprise.	Employments	Issues regarding the product
<i>Dairy products.</i>	Artisans: 100. Micro enterprises: 15. Small: 6. Medium: 3. Big: 2.	Microenterprise: 0% Small: 4% Medium: 14% Big: 82% (Percentage in terms of total sales of the industry within zone 6)	427 people working within this sector during 2014.	Raw milk of poor quality. Sector lacks exports. Illegal commerce of derivatives. Lack of innovation and research. Lack of investment opportunities. Lack of producers of qualified inputs. Public policies that that increase production costs. Training courses within the sector.
<i>Meat-based products.</i>	Artisans: 1. Microenterprise: 0. Small: 4. Medium: 2. Big: 2.	Microenterprise: 0% Small: 2% Medium: 9% Big: 89% (Percentage in terms of total sales of the industry within zone 6)	1079 personas working within this sector in 2014.	Imported raw materials. Import quotas for pork fat and skin due to the lack of National production. Taxes that increase the Price of the products. Competence from low quality products. Precarious systems of skinning.

Source: Ministerio de Industrias y Productividad.

Elaborated by: The authors.

Chapter 3: The reality of the food and beverage processing sector in Cuenca.

3.1 Introduction

This chapter presents the field research carried out, which aims to study the critical processes of the different companies in order to understand their reality. The chapter also explains the methodology used in the investigation, both for the selection of the universe, and the structuring of the export audit. Furthermore, it explains the qualities and parameters for the establishment of quantitative and qualitative meters.

3.1.1 Procedure for the selection of companies.

The research development is divided into two stages; the first one refers to the search of institutional support in order to gather information about the enterprises belonging to the processed food and beverages processing sector of the Canton of Cuenca; the second stage is related to the selection of companies for research and approach for the conduct of interviews.

Thus, during first stage, the support from institutions such as Ministry of Industries and Productivity (MIPRO), Chamber of Small Industries of Azuay (CAPIA) and the Public Municipal Entity for Economic Development of Cuenca (EDEC). Different meetings with each one of the entities were held, in which the purpose of the research and the objectives to be attained through the project were explained. These institutions showed their support and interest, through the provision of different data sources regarding the companies belonging to the sector mentioned above. Furthermore, these entities maintained a high level of involvement in the process of rapprochement to enterprises. Hence, during second stage, based on the information provided by the different entities; a total of 46 companies belonging to the processed food and beverages sector in Cuenca was obtained when putting the data sources together. However, from this group, only 29 of those companies met the criteria to be considered a MSMEs in accordance with the provisions stated by CAN.

The Ministry of Industries and Productivity (MIPRO), through the speaker Román Carabajo, provided a data source than included micro, small and medium companies belonging to zone 6 (Azuay, Cañar y Morona Santiago). Micro enterprises were not

taken into account in this study. The information was first filtered in accordance with those companies who comply with the principle to be a SMEs, then by their location (Azuay, Cuenca) and finally by their performed activities, dismissing all those who do not belong to the food and beverages industry, thus obtaining a total of 19 companies. The Chamber of Small Industries of Azuay, through its spokeswoman Economist Tania Suquinagua, provided a data source of the associated enterprises with greater openness which contained a total of ten enterprises, from which only eight were taken into consideration due to two of them were ranked as micro enterprises. The Public Entity for Economic Development of Cuenca (EDEC), through its executive director, Edgar Orellana, provided a data source of about 15 companies from which only two enterprises were ranked as SMEs.

One of the biggest challenges during this research stage was to start the construction of a unified data source that may contain all enterprises provided by the three data sources because each entity carries out a different processing of the data. Thus, the information provided by MIPRO differs from the information provided from CAPIA and EDEC. In order to know if an enterprise is found in a certain group, it is important to know the number of employees, sales or assets. The data source of the Ministry of Industries and Productivity included two groups of companies, the first covered micro, small and medium enterprises. However, the second one did not include this classification nor either the list of companies provided by EDEC.

To solve the problem, it is necessary to visit the SRI website, in which the commercial name, RUC or business name must be entered, and through this the type of enterprise to which the company belongs appears on the screen. This way the final list could be obtained in order to carry out the quali-quantitative research. From this database, the information was ordered from the largest to the smallest, based on the income tax which is obtained by averaging the three last years. Next, the following table shows the ten more important companies of this group.

Table 9

Representative SMEs from the studied sector ordered according to caused Income tax.

Company	Business activity	2014	2015	2016	Total average
Licores San Miguel	Alcoholic beverages	46,338.38	81,177.20	68,175.98	65.230,52
Chontalac.	Dairy goods.	58,248.99	58,248.99	58,248.99	58,248.99
CIAL.	Seasoning	16,526.86	41,141.51	36,103.79	31,257.39
Helados La Tienda.	Ice Cream	20,657.98	25,425.26	37,423.89	27,835.71
Fideos Paraíso.	Pasta	18,961.04	37,466.52	14,382.39	23,603.32
Erboindustrias.	Cereals	17,480.64	15,701.55	24,567.53	19,249.91
Pastificio Nilo	Pasta.	11,972.91	15,777.61	5,302.25	11,017.59
Fruveca.	Seasoning	3,063.79	6,240.71	16,578.76	8,627.75
Buenaño Caicedo	Pasta	0	0	24,328.99	8,109.66
El Horno	Bread and Cakes	17,737.59	3,835.64	754.81	7,442.68

Source: SRI.

Elaborated by the authors.

On the other hand, when it comes to rapprochement to the enterprises, the Ministry of Industries and Productivity issued a statement addressed to the 29 enterprises extending them an invitation to participate in the research project. CAPIA, on their behalf, provided similar help to those companies associated with the chamber, in addition to facilitate premises to do the companies monitoring. One of the biggest challenges that emerged during this stage was the location of companies. However, the vast majority of them did not have this information or specific indicators despite being located in Cuenca's urban area. Furthermore, the lack of openness of many of these enterprises was a huge obstacle for the research process.

During the interview process, the San Miguel company did not want to take part in the investigation. In the same way, Chontalac, represented by its manager, did not accept collaborating with the project. Erboindustrias Company also refused to participate, despite the request from the CAPIA. In the case of IKO dairy company, an appointment was not possible because the manager was out of town. Milka's manager did not answer the invitation, despite the monitoring was carried out for several weeks, both through phone calls and personal visits to the company.

Mosmed's manager said he was not interested in being involved in the project and refused to give an interview. Likewise, it was not possible to find the location of "Dulcería Royal" company, so its manager Ana Arévalo was contacted by phone but she refused to share detailed information regarding her company, as well as INDUPAN and 3B companies. Furthermore, during the research process, it was determined that "Embutidos San Jorge" is part of Azende, whose headquarter is in Paute, next to the manager's offices, that is why it was dismissed from the investigation. Likewise, Disventas Company did not take part in the study since it was absorbed by "La Europea". In general, the statements delivered to these companies to carry out the interviews included several annexes. Finally, a total of 18 interviews were obtained from the different companies which were used as the basis for analysis and diagnosis of the sector, just as it is explained in the following figure:

Table 10

Group of interviewed companies.

RUC	NAME	PRODUCT
1891715621001	Buenaño Caicedo S.A.	Pasta.
0102091741001	CIAL.	Seasoning
0190399559001	Helados La Tienda.	Ice Cream
1900210053001	Fideos Paraíso.	Pasta
0190084361001	Pastificio Nilo.	Pasta
0190057666001	Fruveca.	Canned Food and Seasoning

0190170853001	El Horno.	Bakery
0190169340001	Mopalex.	Pasta
0101347938001	Frutilados.	Bakery Products
0102600830001	El Imperio del pan.	Bakery
0100131226001	Royal Bakery.	Bakery
0102972122001	Delmex.	Tortilla chips and Nachos
0190346927001	Tia Lucca.	Bakery
0103405940001	Ecuacofit.	Confectionery
0300115862001	Projasa.	Sausages
0101673028001	Flamingo.	Fried Snacks
0101893642001	Golosinas Dikaty	Chocolate

Elaborated by the authors.

Source: CAPIA, MIPRO, EDEC

3.2. Export audit conducting process.

The export audit is formed by four key areas within the company: administrative, production, sales and financial. The reason why the study focused on these areas is because a good structuring, the discovery of bottlenecks, the fulfillment of specific processes, expertise and development, appearing in such critical areas, will allow to reduce systematic risks in foreign markets, allowing the existence of good basis for a sustainable internationalization over the time. It is important to understand that each market has its own differences, both at a local and global level. The audit export model shows an objective that can overcome uncertainty of each market, due to this uncertainty will not be hampered through the expertise acquired in the local market, but the proper business structure accompanied by a reliable expertise, as analyzed in chapter one.

From the same perspective, when conducting the export audit, the scientific theory was

utilized which was explained in chapter one, and it was also based on a model proposed by MIPRO, defining this audit as a structure based on science and expertise. Once the questions are set, a model of possible answers was established as guidance, during the interviews to enterprises, for information needs to correctly carry out the study. These possible answers were assigned a previous score before establishing the approaches. It is worth mentioning that, when conducting the interview, the scores were not mentioned to the interviewees so their answers are not affected at all. The assigned scores were: 0 in case that the answer does not meet the minimum criteria; 3 in case that the answer partially meets the criteria; and 5 if the answer meets the criteria. After this, an overall average is calculated, which will be analyzed in chapter four. For example, the figure below is a reference form:

What type of Company it is?		
State	Possible Answers	Score
Meets	Shareholding Society	3
Meets	Family Society	3
Partially meets	Natural Person	2
Does not meet	Artisan	1
Does not meet	Informal	1

The ideal assessment score for any company is 315 points, this happens when the company meets all necessary parameters and is ready to enter into foreign markets. For this analysis, if the assessment result is between 75% and 100% of the ideal score, the company is considered to have a high export potential; if the result is between 50% and 74% of the ideal score, the company has an average export potential; if the result is between 1% and 24% of the ideal score, the company has no export potential.

There are three exceptional cases when obtaining the assessment of responses to some questions. In the first case, the exception consists in analyzing questions with multiple valid answers and that have a relevant application at export time. The following figure is a clear example of this:

¿Is the company going through an ongoing improvement in administrative, financial, productive and commercial processes?		
State	Possible Answers	Score
Depends on use	Ongoing improvement in administrative processes	0,3,5
Depends on use	Ongoing improvement in productive processes	0,3,5
Depends on use	Ongoing improvement in financial processes	0,3,5
Depends on use	Ongoing improvement in commercial processes	0,3,5
	Overall Average	/5

In this particular case, the question seeks to analyze if the company is undertaking processes of total continuous improvement. In practice, however, due to what the MSMEs have experienced and the costs associated with the continuous improvement process. The majority of enterprises carry out this type of process only in some areas. In order not to overvalue or underestimate the qualities of a certain company, the assessment of these kinds of questions is based on calculating a total average, depending on use; this is, if a company is applying continuous improvement processes at least in two of the four areas. Then, the first thing that becomes obvious is analyzing whether the criteria is met according to the expected criteria within the areas; for example, if continuous improvement processes are constantly applied within the administrative area a particular grade of 5 is assigned, and if these processes are applied within the production area a grade of 3 is assigned. In the case of the remaining areas where there is no continuous improvement, a grade of 0 is assigned. In order to obtain the final score of every question, an average must be calculating from each one of the standards, being in this case the score of 2.

As there are only three assessment standards in the audit and the total score from the

example does not meet the minimum criteria, the result is subsequently rounded-off towards one of the standards set as follows:

Situation	Overall Assessment	Ranges to be rounded-off
Fully complies	5	4-5
Partially Complies	3	2-3,9
Does not Comply	0	0-1,9

This is, considering the prior example, the final score was two, which means that the quality shall partially meet the expected criteria, hence, that result is rounded three quarters in the final table. The same thing would happen if the final score of this question would have been 3,6.

With regard to the second exception, different open and subjective questions that are going to depend on the manager's perception of the company are set. From this point of view, several questions are set, which are supposed to be answered within the range of 0, 3 or 5, as the following example:

On a 0 to 5 scale. Are you willing to commit the company's resources for an export process? (The weighting depends on the manager's perception)

By establishing this question, the participants are directly assigning a final score to every question. Furthermore, all questions are assessed in the same way due to these seek to measure the manager's objectives. For instance, in this particular case, if the participant gives a grade of 0, it may be observed that his rejection of taking risks becomes a constraint or bottleneck in order for the company to conduct export processes.

In other words, the execution of a certain project will always be subject to the manager's

decision-making. Therefore, if the participant is not willing to commit the company's resources to conduct an export project, it will be really hard for him to find a valid path that makes it possible.

To conclude, there is a type of questions that are not assessed and that were made to try to understand the company's policies. These questions were made in order for the participants to answer freely and fairly. The following is an example:

What is your flagship product? (Unrated question, however, it is useful for the development of the remaining questions)

To summarize and ensure the effective understanding of the present chapter a simplified table has been designed for assessment, which is presented later, however, for its complete understanding it is necessary to explain in detail all questions and an explanation of how the criteria is related to the possible answers. According to this perspective, the following questions are explained for each one of the critical areas that are subject of study.

3.2.1. Structured set of questions and answers regarding the administrative area

The analysis of this area seeks to establish aspects such as the business structure, expertise, personnel state, quality and improvement processes, objectives and aspirations, implementation of ICTs, among others. By structuring the questions in accordance with the concepts explained in chapter one, each one of the possible answers is graded with the aim of that every quality of the company is graded according to the criteria set by the international environment. Hence, some enterprises shall be successful with the structure currently handled, depending on the local market requirements.

For example, there are some companies where the manager might consider unnecessary to structure a strategic planning including mission, vision and core values. However, the absence of any of those on an international environment would be critical for the company, resulting in capital losses and bottlenecks. Hence, during the exports audit the fact that an Enterprise is implementing strategic planning from the local market is fully appreciated, through which the company gains experience and the way to internationalization is laid for the future.

It is important to take into account the way in which an Enterprise is constituted since it represents a clear example of this issue. From this perspective, if any company is incorporated as a stock company or limited company, there will be efficient, safest, profitable, cheaper and easier ways to fund an internationalization project before a natural person who will be limited to find financing sources only through credits. To further illustrate this qualification assignment logic, the manager's education level is important within an internationalization environment.

From a different point of view, this technique is indispensable since it allows to guide and focus the project in a proper manner. A well-educated manager in top and second-tier positions may be capable of ruling a company that he knows very well. However, when it comes to internationalization, where the uncertainty and risk often multiply, the expertise and knowledge turn out to be very important, especially because of the level of competition typical from international markets. On the other hand, the years of experience are a key factor so a good education level plus an extensive work experience will allow the manager to be more aligned with the internationalization project.

So far, only four of twenty-one questions have been explained in this critical area but, before explaining the rest of the questions, it is important to understand its logic. The better-qualified approaches are structuration, specialization, vision, technology use and training.

Table 11

Form Survey: Administrative Area.

ADMINISTRATIVE		
1. What type of enterprise it is?		
State	Possible Answers	Score
Complies	Stock Company	5
Complies	Family Society	5
Partially Complies	Natural Person	3

Does not Comply	Artisan company	0
Does not Comply	Informal	0
2. Is there a strategic plan when it comes to company's mission, vision and values?		
State	Possible Answers	Score
Depends on use	Mission	0,3,5
Depends on use	Vision	0,3,5
Depends on use	Values	0,3,5
Depends on use	Long, medium, and short-term objectives	0,3,5
	Overall Average.	/5
<p>3. On a 0, 3 or 5 scale. To what extent do you consider the objectives are being met, according to the management indicators?</p> <p>(The weighting depends directly on the scale set by the manager. In the event of lack of managing indicators, the answer would depend on the participant's perception.)</p>		
4. ¿Are exports considered within your strategic planning?		
State	Possible Answers	Score
	Yes, in the course of one year	5
Partially complies	Yes, in the course of three years	3
Partially complies	Yes, in the course of five years	3
Does not comply	No	0
5. Does your strategic plan consider the necessities of both local and export markets?		
State	Possible Answers	Score
Complies	National and international necessities	5
Partially complies	Only local necessities	3
Does not comply	Local necessities are not addressed	0
Does not comply	There is no strategic planning	0
6. How it differs from competitors?		

State	Possible Answers	Score
Complies	Strong and clear differentiation	5
Complies	Strong and weak differentiation	5
Partially complies	Unclear differentiation	3
Does not comply	There is no differentiation	0
8. Do you have procedure manuals within the organization?		
State	Possible Answers	Score
Complies	Yes, in all critical areas	5
Partially complies	Yes, in some areas	3
Partially complies	Yes, in some processes	3
Does not comply	No	0
9. Is procedures manual set within your company?		
State	Possible Answers	Score
Complies	Yes, to all personnel with specific, concrete and relevant functions.	5
Partially Complies	Yes, for the majority of recruited staff with specific, concrete and relevant functions.	3
Partially Complies	Yes, to few staff members with specific, concrete and relevant functions.	3
Partially Complies	Yes, but they are not efficient.	3
Does not comply	There are no specific functions.	0
10. What is the education level?		
State	Possible Answers	Score
Complies	Postgraduate	5
Partially complies	Graduate	3
Partially complies	High School	3
Does not comply	Primary school	0

11. How many years of professional experience within the industry?		
State	Possible Answers	Score
Complies	11-20	5
Partially complies	6-10	3
Does not comply	0-5	0
12. What is the education level required by the department heads within the company?		
State	Possible Answers	Score
Complies	Postgraduate	5
Complies	Graduate	5
Does not comply	High School	0
Does not comply	Primary School	0
13. Do you have a tool for the data and production management?		
State	Possible Answers	Score
Complies	Yes	5
Partially complies	Yes, but the data is processed by basic tools such as Microsoft Excel	3
Does not comply	No	0
14. Is the company in a continuous improvement process regarding administrative, financing, productive and commercial areas?		
State	Possible Answers	Score
Depending on use	Is the continuous improvement applied in administrative processes?	0,3,5
Depending on use	Is the continuous improvement applied in financing processes?	0,3,5
Depending on use	Is the continuous improvement applied in productive processes?	0,3,5
Depending on use	Is the continuous improvement applied in commercial processes?	0,3,5

	Overall average	/5
15. Do you have trained personnel in terms of foreign trade?		
State	Possible Answers	Score
Complies	Yes, trained professionals in that field.	5
Partially complies	Yes, trained professionals in related areas.	3
Partially complies	Yes, trained personnel with doctoral degrees in related areas.	3
Does not comply	No.	0
16. Does the trained personnel in the foreign trade department speak English?		
State	Possible Answers	Score
Complies	Yes	5
Does not comply	No	0
17. Do you have information (cultural, geographical, political, legal, and commercial) about the potential countries for your product?		
State	Possible Answers	Score
Complies	Yes, I have conducted a specialized market study	5
Partially complies	Yes, I have general information and guidelines.	3
Does not comply	No	0
18. How your purchase process is?		
State	Possible Answers	Score
Complies	It uses a reordering point	5
Complies	It uses a production projection	5
Complies	It uses demand estimates	5
Complies	Other	0,3,5
Partially complies	The sales are based on basic criteria (Price, quality)	3
Does not comply	Not used	0
19. Do you belong to any association or guild?		

State	Possible Answers	Score
Complies	Yes	5
Does not comply	No	0
20. In you chamber, guild or association, are the exports promoted?		
State	Possible Answers	Score
Complies	Steadfastly yes	5
Complies	Yes, but infrequently	3
Does not comply	Usually no	0
Does not comply	I do not belong to any type of association	0
21. Which is the mechanism used for the identification of potential markets that are suitable for export?		
State	Possible Answers	Score
Complies	My marketing team	5
Partially complies	The manager selects the market	3
Complies	A specialized enterprise	5
Does not comply	There is no strategic study, it is selected by other unspecified opportunities.	0
Does not comply	No potential market has been identified	0

3.2.2. Structured set of questions and answers regarding the production area

Regarding this critical area, it is important to establish the availability and the resources used, as well as understanding in general the productive process of the company, the productive structure, the capacity to expand, and others. The criteria were likewise identified through what studies determines as more suitable within the competitive environment, for example, the grade assigned to national suppliers in comparison to international suppliers. From an international point of view, it is important to have a great variety of raw materials and services suppliers who are close to the companies, as mentioned by Porter within his competitive diamond model.

Taking into account the point above mentioned, it is better to have a greater number of

local suppliers due to the lack of commodities provisioning risk decreases, the tax and prices do not increase, a greater negotiation power is achieved and the delivery times reduce significantly. On the other hand, by assessing different types of suppliers the process is simplified during provisioning crisis and this allows to maintain the quality of the manufactured products and thus the decision-making is relatively easier.

When analyzing the infrastructure and process structure, it is important to understand that every enterprise needs to have the opportunity to grow and improve in most of the areas. The internationalization will entail a rising demand hence the offer needs to be enhanced as well, this is, that there is productive capacity and an adequate storage space and also experience in inventory management and recycling policies. To conclude, the issuance of certifications from the local market which support productive quality allows the company to improve organizational structures and thus become more competitive at an international level.

Finally, the qualification logic regarding this area assigns a higher score if there is a good productive structure, efficient use of resources and proper procurement and inventory management.

Table 12

Survey form: Production Area

PRODUCTION.		
1. What is your flagship product? (Non-rated question but it is useful for the analysis of the remaining questions)		
2. How your productive process is? (Non-rated question but it is useful for the analysis of the remaining questions)		
3. On a 0, 3 or 5, scale, do you believe that the current design of your product would be well received in foreign markets. (The weighting depends on the manager's perception)		
4. ¿Do you use patents and industrial designs to protect your products, prototypes and renders?		
State	Possible Answers	Score
Complies	Yes	5

Does not comply	No	0
5. ¿Are your suppliers of raw materials National or from other countries?		
State	Possible Answers	Score
Complies	Domestic	5
Partially complies	Domestic and Foreign	3
Partially complies	Foreign	0
6. ¿Do you keep a record of supplier's qualification for the different inputs and services required by the company?		
State	Possible Answers	Score
Complies	Yes, I have a specialized manual.	5
Partially complies	Yes, I have them identified but not studied.	3
Does not comply	No.	0
7. ¿Does the company's infrastructure have spaces for the increase of machinery's amount?		
State	Possible Answers	Score
Complies	Yes	5
Does not comply	No	0
8. Which is your current production volume? (Non-rated question but it helps to analyze the remaining questions)		
9. Could you increase your production volume?		
State	Possible Answers	Score
Complies	Yes	5
Does not comply	No	0
10. In case your answer is positive. What is the percentage or volume to increase your production capacity?		

11. ¿Do you have production flow diagram already set?		
State	Possible Answers	Score
Complies	Yes, and they are efficient	5
Partially complies	Yes, but they are not efficient	3
Does not comply	I do not have	0
12. Do you have a procedure for reporting raw materials, inputs and specific products?		
State	Possible Answers	Score
Complies	Yes, I have it	5
Does not comply	I do not have it	0
13. Do you have any expertise in packaging processes for foreign markets?		
State	Possible Answers	Score
Complies	Yes	5
Does not comply	No	0
14. Do the production processes cause any negative impact on the neighbor environment?		
State	Possible Answers	Score
Complies	No	5
Does not comply	Yes	0
15. Do you meet the environment management requirements for your industry?		
State	Possible Answers	Score
Complies	Yes	5
Does not comply	No	0
16. Do you have a Clean Production System approved by any National or International Entity?		
State	Possible Answers	Score
Complies	Yes	5
Does not comply	No	0
17. Does the company have recycling programs in order to reduce waste?		

State	Possible Answers	Score
Complies	Yes	5
Does not comply	No	0
18. Does your company have any certification?		
State	Possible Answers	Score
Depending on use	Quality (ISO 9001).	0,3,5
Depending on use	Environmental (ISO 14000, clean production).	0,3,5
Depending on use	Good treatment of workers (ISO 18000, FAIR TRADE).	0,3,5
Depending on use	Health certificates (FDA, GLOBAL GAP).	0,3,5
Depending on use	Processes (BPMs).	0,3,5
Depending on use	Others (BASC).	0,3,5
	Overall Average	/5

3.2.3 Structured set of questions and answers regarding the financial area

The analysis of this critical area seeks to determine the planning capacity, risks, financial statement monitoring, financing and credit capacity, among others. From a qualitative point of view, some academic concepts from chapter one, are analyzed. The readiness to assume risks will always be necessary within an internationalization process, hence it is important to plan a budget and constant monitoring to financial statements, costs and cash flows, which constitutes the first step and the basis of good decisions in different markets. It is necessary to know the resources available to determine if an enterprise is capable of getting into debt and set a number of days to credits that client in foreign markets may need.

On the other hand, the manager's fear of involving the company's resources in an internationalization project is fundamental when carrying out the analysis, as well as the opening to different types of financing. Finally, the qualification logic of this area gives preference to the capacity of funding internationalization projects through cheap and safe tools such as shares. It is worth stressing the knowledge level available in the company in order to plan and distribute the resources in an efficient and equal manner, including the cash flow capacity to fund credits to new clients.

Table 13*Source form: Financial Area.*

FINANCIAL.		
1. Do you plan a Budget and how do you do it?		
State	Possible Answers	Score
Complies	Yes, I plan the Budget monthly and annually.	5
Partially complies	Yes, the Budget is planned annually.	3
Does not comply	I do not plan the budget.	0
2. How often do you request cash flow reports?		
State	Possible Answers	Score
Complies	Every month	5
Partially complies	3 months	3
Partially complies	6 months	3
Does not comply	Every year	0
Does not comply	Never	0
3. How often do you request financial reports?		
State	Possible Answers	Score
Complies	Every month	5
Partially complies	3 months	3
Partially complies	6 months	3
Does not comply	Every year	0
Does not comply	Never	0
State	Possible Answers	Score
Complies	Yes, often	5
Partially complies	Yes, sometimes	3
Does not comply	No	0

5. What are your financing sources?		
State	Possible Answers	Score
Complies	Shares	5
Complies	Investment	3
Partially complies	Commercial, pledge or mortgage credits	3
Does not comply	Informal credits	0
6. On a 0, 3 or 5, scale. How many resources you can use to carry out an export process? (Weightings depends manager's perception)		
7. What kind of mechanism will you use to finance an export Project?		
State	Possible Answers	Score
Complies	Letters of credit	5
Complies	Shares	5
Partially complies	Return of investment	3
Does not comply	Commercial credits	3
Partially complies	Informal credits	0
8. For how long you could provide credits to your foreign clients without being affected somehow?		
State	Possible Answers	Score
Complies	3-6 months	5
Partially complies	1 month	3
Does not comply	3 weeks or less	0
9. For how long you would be willing to get into debt in order to fund an export operation?		
State	Possible Answers	Score
Complies	6 months or more.	5
Partially complies	3 months.	3

Does not comply	No	0
10. Do you assign a certain Budget to the improvement of production for both products and processes?		
State	Possible Answers	Score
Complies	Yes	5
Does not comply	No	0
11. Do you assign a certain Budget to the improvement of production for both products and processes?		
State	Possible Answers	Score
Complies	Yes, and the deadlines set are met.	5
Partially complies	Yes, but sometimes the deadlines set are not met.	3
Does not comply	There is no available Budget for this field.	0
12. Do you have a defined Budget for marketing and sales activities?		
State	Possible Answers	Score
Complies	Yes, and the deadlines set are met.	5
Partially complies	Yes, but sometimes the deadlines set are not met.	3
Does not comply	There is no available Budget for this field.	0
13. Do you have trained personnel when it comes to sales force?		
State	Possible Answers	Score
Complies	Yes, one single trained employee with regard to sales force.	5
Does not comply	No trained personnel, but sales force.	0

3.2.4 Structured set of questions and answers regarding the sales area

This analysis seeks to measure the sales area structure, corporate image and branch force, as well as the design, packaging, logistic capacity, and the confidence on international media regarding the type of product handled by the company. The score of

the answers was made based on the theories explained in chapter one.

At this point, it is worth mentioning those features that seek to increase the sales number in a sustainable way keeping a registered branch, with a potential design of the product, market analysis in which a vision on how a company can be projected in foreign markets. On the other hand, it is important to consider the company's expertise when supporting advertising and identifying the strengths of the products and communicate them properly. Lastly, the applied logistics plays a key role, but not too much as the company's capacity of relying on third parties when transporting goods, and the knowledge of how logistics are handled at a global level.

Finally, the qualification logic of this area gives preference to a good structure and projection, to the market and product knowledge, and to the company's expertise when it comes to compete against similar products.

Survey form: Sales area.

SALES		
1. Do you have an export plan?		
State	Possible Answers	Score
Complies	Yes	5
Does not comply	No	0
¿How do you consider your product is perceived from the market, in terms of added-value? (On a 0, 3, or 5 scale) Why?		
2. Is your trademark registered in IEPI?		
State	Possible Answers	Score
Complies	Yes	5
Does not comply	No	0
3. Does your trademark have a slogan?		
State	Possible Answers	Score
Complies	Yes	5

Does not comply	No	0
4. Do you have an employee in charge of the marketing and sales department?		
State	Possible Answers	Score
Complies	Yes	5
Does not comply	No	0
5. Do you have an employee in charge of the mark and products design?		
State	Possible Answers	Score
Complies	Yes	5
Does not comply	No	0
6. Do you have information about the demand for your product in the target markets?		
State	Possible Answers	Score
Complies	Yes	5
Does not comply	No	0
7. What is the logistics chain to take your products to your clients?		
State	Possible Answers	Score
Complies	Own personnel	5
Does not comply	Hired personnel	3
8. Would you trust your product to an international logistics services enterprise? (Shipping companies, planes, trucks)		
State	Possible Answers	Weighting
Complies	Yes	5
Does not comply	No	0
9. Do you have information about the distribution channels in the target markets?		
State	Possible Answers	Weighting
Complies	Yes	5

Does not comply	No	0
10. ¿Do you have advertising material about your key product?		
State	Possible Answers	Weighting
Complies	Yes	5
Does not comply	No	0
11. What means do you employ to marketing your products?		
State	Possible Answers	Weighting
Depending on use	Social Networks/Internet.	0,3,5
Depending on use	National TV	0,3,5
Depending on use	International TV	0,3,5
Depending on use	Local Radio	0,3,5
Depending on use	Online Radio	0,3,5
Depending on use	Newspapers/magazines	0,3,5
Depending on use	Fairs	0,3,5
	Overall average	/5
12. Which is the company's image projected to the clients through advertising?		
State	Possible Answers	Weighting
Complies	Efficient in his management	5
Complies	Competitive prices	5
Complies	Innovative products	5
Complies	Socially responsible	5
Complies	Environmentally responsible	5
Complies/partially complies	Other	0,3, 5
Does not comply	None	0
13. ¿Do you have clear policies for the application of guarantees and product returns?		

State	Possible Answers	Weighting
Complies	Yes	5
Does not comply	No	0
14. Do you have a webpage or presence in social networks?		
State	Possible Answers	Weighting
Complies	Yes	5
Does not comply	No	0
15. ¿Are you familiar with the possible prices of your product in foreign markets?		
State	Possible Answers	Weighting
Complies	Yes, I know the prices in my target market	5
Partially complies	Yes, I know some of them	3
Does not comply	I do not know them	0
16. Do you manage 2010 Incoterms negotiations clearly?		
State	Possible Answers	Weighting
Complies	Yes	5
Does not comply	No	0

3.3 Surveys Implementation.

3.3.1 Productos Flamingo.

3.3.1.1 Profile

PROFILE	
	COMPANY NAME: PRODUCTOS FLAMINGO TYPE OF COMPANY: Natural person CATEGORY: Small. RUC: 0101673028001. INTERVIEW DATE: 23/10/2017. BUSINESS ACTIVITY: Fried snacks production. FLAGSHIP PRODUCT: Sweet plantain chips.
ADDRESS:	Calle del Duco y Camino del tejar.
COORDINATES:	-2.886594, -79.034263
CONTACT PERSON:	Pablo Enrique Barrera Bustos.
TELEPHONE NUMBERS:	072836628/ 0999506929
EMAIL:	proflamingo@hotmail.com

3.3.1.2 Administrative aspects.

Productos Flamingo is a family business, on behalf of a natural person, that has been in the local market for over forty years. Recently, the company went from being considered as a microenterprise to a small company. The company does have a strategic plan in which mission and vision are established. According to the manager's perspective,

objectives are being met in a 3 (based on a scale of 0, 3 and 5). Within this plan, export is not considered a priority because the company is focusing on the local and national markets through the chains Tía, Grupo Ortiz and Supermaxi. Thus, the product only considers local needs rather than international. According to the company manager, what differentiates them from rivalry is on one hand their brand, which has been established for a long time in the local market, and on the other hand, the offered product is natural and does not contain preservatives, chemicals or artificial flavors.

The organizational unit is made up of the owner, the sales manager, the production department and the accounting department. The company does not have a procedures manual, but it does have a functions manual which is applied efficiently.

The level of education of the top manager is third (higher education) and he has 38 years of work experience in the industry. A specific level of instruction is not required at the company's department heads positions, however work experience is taken into account. For data management, the accounting department uses Excel, and concerning the production part physical records are carried through the use of technical data sheets. The purchase process is carried out by a weekly call to suppliers, a relationship which has existed since the company's beginnings. The company is not affiliated to a syndicate or a chamber of commerce. Continuous improvement processes are focused only on production through performing machine renovation and maintenance. The company does not have foreign trade trained employees or staff who speak English. There is no information in the company about potential markets for the product, nor does it have a mechanism for identifying external markets.

3.3.1.3 Productive aspects.

The company's flagship product is sweet plantain chips. The product shelf life lasts two months and with a metallic packaging the product lifetime could reach three months. The production process begins with the control of raw material, then the plantains are peeled to go through a slicing machine that cuts them. In the next step, plantains are fried and finally cooled to be manually packaged. According to the manager's perception, the current product packaging would not be well received by a foreign market because it would require a metallic packaging. The manager's qualification for his food packaging design was 0, (on a scale of 0, 3 and 5). However, improvements have already been applied to the design and they have been well received in the local market.

Although the brand is patented, no industrial designs are used to protect the product. All the raw material suppliers are national companies. The company's requirements for its suppliers, especially for those whose products come in package, are that they need to have FDA approval.

The company's current infrastructure could only hold local production not international. The daily volume production approaches one ton and it could be increased to 150% of its current capacity. The company does not count with production flow charts. A physical control is used for raw materials records, inventories and finished products. The company does not have information or knowledge about packaging processes for external markets. The company's productive processes do not have any negative environmental impact and environmental management requirements are fulfilled. The company does not include with a clean production system, nor a program to reduce or reuse waste. The company does not have any type of certification.

3.3.1.4 Financial aspects.

The company plans its budget on an annual basis and performs a monthly control for monitoring the budget fulfillment on sales, expenses, machinery and spare parts. The manager requests cash flow reports weekly and financial statements are reviewed each year. Production costs and the break-even point are evaluated on a monthly basis as costs are not linear but cyclical, especially when referring to plantains. The company's financing sources are banks, and its manager claims Produbanco generally grants soft loans to SMEs who are members of Supermaxi suppliers chain, as they are shareholders of the financial institution. Currently, the company is not willing to commit its resources on a export project because of the high investment requirements 0 (on a scale 0, 3, 5). However, the owner does not rule out the future possibility. A loan through the CFN would be the company's financing mechanism for an export project. The manager explains it is the only financial institution that grants a two-year period of grace in terms of capital, so during this time only interest expenses are taking into account. Since the product's shelf life is short, payment deadline for foreign customers would be 30 days for the company to not be affected in any way. Finally, the company does have a budget allocated for continuous improvement process, but it is only destined for production improvements. They are not financed through suppliers.

3.3.1.5 Sales aspects.

The company does not have an export plan and its brand is registered in the Ecuadorian Institute of Intellectual Property (IEPI in Spanish). The company's slogan is: "go with everything and everywhere". There is no staff focused on marketing and there is also no allocated budget for these activities. The owner and sales manager are the ones in charge of the product design; no third-party services are hired. The logistic service through which the product arrives to the customer are carried out by own transport and contracted services.

The company has clear policies regarding returns and guarantees of its products. The company does not have presence on social networks or a website and there is no advertising material for the flagship product. The company intends to show the customers that their product is of good quality because there are no flavorings or preservatives added. The company does not have information about distribution channels, external market demand nor possible prices for its product overseas. The company would trust its product to an international logistics company if there would be any exports in the future. The enterprise does not have information or knowledge about INCOTERMS.

3.3.1.6 Evaluation.

ADMINISTRATIVE.	Evaluation.
1. Type of company.	3
2. Strategic business planning including mission, vision and values.	0
3. Achievement of business objectives.	3
4. Strategic business planning that includes exports.	0
5. Recognising local and international market needs.	3
6. Differentiation from competition.	3

7. Organizational chart efficiency	3
8. Procedures manual in operation	0
9. Functions manual in operation.	5
10. Managerial instruction level.	5
11. Manager's work experience in the industry.	5
12. Educational requirements for department heads.	0
13. Use of systems for production and data management.	3
14. Continuous improvement processes applied in all departments	3
15. Staff trained in Foreign Trade.	0
16. Staff trained in English.	0
17. Information on potential external markets.	0
18. Purchasing process.	3
19. Association or syndicates.	0
20. Export promotion within the association.	0
21. Use of a mechanism for identifying external markets.	0
ADMINISTRATIVE TOTAL	39/105
PRODUCTION	
1. Product design potential to internationalize.	0
2. Patent registration and use of industrial designs	5
3. National raw material suppliers	5


4. Application of a supplier qualification system	3
5. Infrastructure capacity to increase inventories and equipment.	0
6. Industry capacity to increase its production volume.	5
7. Efficient application of production flow charts.	0
8. Use of mechanisms for raw materials, supplies and finished products registration.	5
9. Knowledge about packaging processes for external markets.	0
10. Negative environmental impact.	5
11. Environmental management requirements.	5
12. Guaranteed clean production systems	0
13. Waste reuse and reduction systems.	0
14. Business certifications	0
PRODUCTIVE TOTAL	33/70
FINANCIAL.	
1. Budget planning.	3
2. Cash flows revision and analysis.	5
3. Financial reports revision and analysis.	0
4. Production costs and break-even point analysis.	5
5. Company's financing sources.	3

6. Disposition to compromise company's resources on an export project.	0
7. Type of mechanism used to finance an export project.	3
8. Credit offered for foreign customers in case of export.	3
9. Maximum time by which the company would be willing to get into debt for an export project	0
10. Allocated budget for production improvement, both product and process.	5
11. Marketing and sales budget	0
FINANCIAL TOTAL	<i>27/55</i>
SALES	
1. Export plan.	0
2. Perceived added value.	3
3. Trademark registration.	5
4. Slogan in use.	5
5. Marketing and sales staff.	0
6. Staff occupied on product design and brand.	0
7. Information about its product demand on external markets.	0
8. Company's logistic capacity	5
9. Reliability on international logistics companies	5
10. Information about distribution channels on target countries..	0

11. Advertising material of flagship product	0
12. Advertising material usage.	0
13. Corporate image.	0
14. Application of guarantees and returns policies.	5
15. Webpage.	0
16. Information about the possible prices of its product overseas.	0
17. INCOTERMS usage.	0
SALES TOTAL	28/85
TOTAL SCORE OBTAINED	127/315

3.3.2 El Horno panadería y pastelería.

3.3.2.1 Profile.

PROFILE	
	<p>COMPANY NAME: EL HORNO PANADERÍA Y PASTELERÍA</p> <p>TYPE OF COMPANY: Limited liability</p> <p>CATEGORY: Medium</p> <p>RUC: 0190170853001</p> <p>INTERVIEW DATE: 18/10/2017</p> <p>BUSINESS ACTIVITY: Pastries.</p> <p>FLAGSHIP PRODUCT: Cassava cheese bread</p>

ADDRESS:	Camino a Ricaurte 7-99
COORDINATES:	-2.875674, -78.966128
CONTACT PERSON:	Carlos Quizhpe Quizhpe
TELEPHONE NUMBERS:	072890364/072890155
EMAIL:	elhornocq@hotmail.com

3.3.2.2 Administrative aspects.

El Horno is a limited liability company that has a strategic plan that includes mission, vision and values, however, the plan has not been carried out in practice. According to the owner, objectives are being met in a 3 (on a scale of 0, 3 and 5). He does think that the company has a product that could have potential to be exported, although export is not considered within the strategic plan.

The company's owner thinks his products do take into account both local and international market needs, stating that they have made high marketing investments in recent years featuring changes in product and logo design. According to the manager's perspective, there are three aspects that differentiate the company from its competition: high investment in machinery, personnel training and physical structure improvements. This investment cost about half a million dollars in 2017. Although the company has an organization chart, in reality it is not applied because it has not been updated with the recent changes. A functions manual is partially applied and a procedures manual does not include the machinery renovation. The manager's level of instruction is post graduate and he has 37 years of work experience in this industry. It is required that the company's personnel have completed at least third level studies, especially for head positions. The company uses Excel as a tool for data management and it has created its own system for production control, however this system will require some adjustments. A committee within the organization meets every 15 days to achieve continuous improvement processes, set goals, ensure compliance and solve problems. The company does not have trained personnel in foreign trade, but it does have trained personnel in English. There is no information on potential countries for its product or a mechanism for the identification of external markets. The purchase process goes according to demand, cost and quality.

The company is a CAPIA member, however, the owner thinks there is no export promotion in the chamber.

3.3.2.3 Productive aspects.

The company's flagship product is cheese cassava bread. Its production process begins with the reception of raw material, which after going through an inspection is weighed, kneaded, leavened and baked. The product is manually packaged. According to the manager's perception, the current product design would not be well received abroad, 0 (on a scale of 0, 3 and 5), however, it is something that the company is already working on. No patents or industrial designs are used to protect the products. A qualification record for suppliers based on the company's requirements exists and raw material suppliers are nationally based. The company's current infrastructure does have capacity for equipment and inventories, although there is still a need for a new plant. The current production volume is 7,000 kilos of bread dough four days a week, with 3,500 kilos produced each of the remaining days. If a currently existing bottleneck in the machinery could be overcome, the production volume could increase by 20 or 30%. Production flow charts exist but they are not applied. The company does have a procedure for raw materials registration, inventories and finished products. The company does not have information or knowledge about packaging processes for external markets, however the company performs packaging activities for the regional market. The manager considers their production processes have a low environmental impact and environmental requirements are partially fulfilled. Clean production requirements established by the National Agency for Regulation, Control and Health Surveillance (ARCSA in Spanish) are met. There is no system or program available for waste reduction or reuse. The company does not have any type of business certification.

3.3.2.4 Financial aspects.

The company plans its budget on a monthly basis. The manager requests cash flow reports annually or when a loan is going to be made. On the other hand, financial reports are analyzed every two months. Cost production and break-even point are reviewed on a constant basis. The company's financing sources are banking and informal loans granted by family members. The company is willing to commit its resources in a 3 (based on a scale of 0, 3 and 5). The type of mechanism that would be used to finance an export project would be its own resources or through third parties. The manager indicates that

the time he would be willing to assume a debt for an export project would depend on its magnitude. The company counts with a budget for production improvement for both product and process, and it has already made large investments in infrastructure, marketing and plant development.

3.3.2.5 Sales aspects.

The company does not have an export plan. According to manager's perception, the product is perceived with a 3 in added value, (on a scale of 0, 3 and 5). Current sales are recorded above two million dollars. The brand is not registered in the IEPI. The company does have marketing and sales personnel, as well as an allocated budget for those activities.

For product design, contracted services from third parties are used. Logistics and transportation for product distribution are both contracted out and performed by staff. There is scarce information of its product demand in external markets or distribution channels overseas. There is advertising material available for the flagship product, but the company has paid more attention to the product design.

The company is in the process of creating a website and social networks. The company intends to show customers that they provide a good, quality service. The company has clear policies regarding returns and guarantees. The company would trust its product to an international logistics company if there would be any exports in the future. There is no clear information about possible prices of its product overseas, but according to the company's manager there is a very low chance for them to be competitive in the international arena. There is no knowledge or information on INCOTERMS usage.

3.3.2.6 Evaluation.

ADMINISTRATIVE.	Evaluation.
1. Type of company.	5
2. Strategic business planning including mission, vision and values.	0
3. Achievement of business objectives.	3

4. Strategic business planning that includes exports.	0
5. Recognizing local and international market needs.	3
6. Differentiation from competition.	5
7. Organizational chart efficiency	5
8. Procedures manual in operation	3
9. Functions manual in operation.	3
10. Managerial instruction level.	5
11. Manager's work experience in the industry.	5
12. Educational requirements for department heads.	5
13. Use of systems for production and data management.	3
14. Continuous improvement processes applied in all departments	5
15. Staff trained in Foreign Trade.	0
16. Staff trained in English.	0
17. Information on potential external markets.	0
18. Purchasing process.	5
19. Association or syndicates.	5
20. Export promotion within the association.	0
21. Use of a mechanism for identifying external markets.	0
ADMINISTRATIVE TOTAL	55/105
PRODUCTION	

1. Product design potential to internationalize.	0
2. Patent registration and use of industrial designs	0
3. National raw material suppliers	5
4. Application of a supplier qualification system	3
5. Infrastructure capacity to increase inventories and equipment.	5
6. Industry capacity to increase its production volume.	5
7. Efficient application of production flow charts.	3
8. Use of mechanisms for raw materials, supplies and finished products registration.	5
9. Knowledge about packaging processes for external markets.	0
10. Negative environmental impact.	3
11. Environmental management requirements.	3
12. Guaranteed clean production systems	0
13. Waste reuse and reduction systems.	0
14. Business certifications	0
PRODUCTIVE TOTAL	32/70
FINANCIAL.	
1. Budget planning.	5
2. Cash flows revision and analysis.	0
3. Financial reports revision and analysis.	3


4. Production costs and break even point analysis.	5
5. Company's financing sources.	3
6. Disposition to compromise company's resources on an export project.	3
7. Type of mechanism used to finance an export project.	3
8. Credit offered for foreign customers in case of export.	0
9. Maximum time by which the company would be willing to get into debt for an export project	5
10. Allocated budget for production improvement, both product and process.	5
11. Marketing and sales budget	5
FINANCIAL TOTAL	37/55
SALES	
2. Export plan.	0
2. Perceived added value.	3
3. Trademark registration.	0
4. Slogan in use.	0
5. Marketing and sales staff.	5
6. Staff occupied on product design and brand.	5
7. Information about its product demand on external markets.	0

8. Company's logistic capacity	3
9. Reliability on international logistics companies	5
10. Information about distribution channels on target countries.	0
11. Advertising material of flagship product	5
12. Advertising material usage.	0
13. Corporate image.	3
14. Application of guarantees and returns policies.	5
15. Webpage.	0
16. Information about the possible prices of its product overseas.	3
17. INCOTERMS usage.	0
SALES TOTAL	37/85
TOTAL SCORE OBTAINED	161/315

3.3.3 Panadería Royal.

3.3.3.1 Profile.

PROFILE.

	<p>COMPANY NAME: PANADERÍA Y PASTELERÍA ROYAL</p> <p>TYPE OF COMPANY: Natural person</p> <p>CATEGORY: Small</p> <p>RUC: 0100131226001</p> <p>INTERVIEW DATE: 18/10/17</p> <p>BUSINESS ACTIVITY: Pastries.</p> <p>FLAGSHIP PRODUCT: Whole wheat grain and puff pastry.</p>
<p>ADDRESS:</p>	<p>Gran Colombia 7-02 y Presidente Borrero.</p>
<p>COORDINATES:</p>	<p>-2.896209, -79.002774.</p>
<p>CONTACT PERSON:</p>	<p>Gerardo Rafael Arevalo Idrovo.</p>
<p>TELEPHONE NUMBERS:</p>	<p>072827306/ 072839342/ 072843380</p>
<p>EMAIL:</p>	<p>g_arevalo_idrovo@yahoo.com</p>

3.3.3.2 Administrative aspects.

Panadería Royal is a family business, on behalf of a natural person. Its owner considers that his main objective is customer service. The company does not have a strategic plan with mission, vision and values established nor an export plan. The company's owner believes his priority is always customer satisfaction without necessarily considering local or international needs. Quality and cost are the company's main differentiation from its competition. The company does not have an organizational chart or departmental division; therefore, the owner has been in charge of all activities since 1941. The company does not have a function manual nor a procedures manual. The owner has third level studies and there are no instruction requirements for employees. Excel is used for data management. There are no continuous improvement processes but machinery renovation is performed when it is necessary. The company does not have trained personnel in foreign trade nor anyone who knows English. Although there is information about its

product demand, it is not exact or based on a study. The purchase process for production is demand based. The company is affiliated to the Camera of the Small Industry of Azuay (CAPIA in Spanish) in which, according to the manager, there is indeed export promotion.

3.3.3.3 Productive aspects.

The company's flagship products are whole wheat bread and puff pastry. The whole wheat bread production process is the mix of ingredients such as flour, yeast, salt and butter. Once the leavened dough is obtained, it passes to the cutting machine that cuts the bread to uniform sizes. Finally, it is baked and sold to the public. The company does not have packaged products. The company's name is registered in the IEPI but patents and industrial designs are not used. Raw materials suppliers are national and include La Fabril, La Moderna, and La Favorita. There is not a supplier's qualification record. Currently, there is not enough infrastructure capacity for increasing inventories or machinery. The production volume is 6 flour quintals per day, its production volume could be increased by 10 or 12%. The company does not have production flow charts although each employee knows exactly his or her function and timing. The owner is responsible for raw materials registration, inventories and finished products. There is no knowledge about packaging processes for external markets. The productive process does not cause environmental impact and environmental requirements are met. The company does not have a clean production system, nor a reuse or reduction program for waste. The company's manager mentions there is usually no greater waste because everything produced is sold. The company does not have a certification of any kind.

3.3.3.4 Financial aspects.

The company's manager plans the budget related to raw materials, personnel, and equipment. It is usually planned on an annual basis but it is reviewed every six months. Since the company is not obliged to keep accounts by the authorities it only makes income, expenses and sales reports. Cost of production and break-even point analysis are made. The company does not have debts with any financial institution as it is financed by its own resources. The owner would be willing to commit their resources for an export project in a 5 (on a scale of 0, 3 and 5) depending on the project. The institution for financing an export project would be the CFN. The maximum credit that would be granted for foreign customers, will be 15 days, because that is what suppliers

give the company. There is no budget allocated for continuous production improvement. Five years would be the time limit for getting into debt for an export project in the future. There is no budget allocated for marketing and sales activities.

3.3.3.5 Sales aspects.

The company does not have an export plan. The company's products do not have any kind of packing because otherwise they would need preservatives, something the manager refuses to put in his products. The company does not have a brand or slogan registered in the IEPI. There is no staff or budget allocated for marketing and sales activities. No type of service is used externally or internally for the design of the product or brand. No information is available for target markets internationally.

The product distribution is only performed in house. There is no kind of flagship product advertising, web page nor social networks. There is no information about distribution channels overseas. The company's owner points out his product has not been publicized due to the great reception of his business in the city, however, he is thinking on starting to do so. There are no return or guarantees policies, and in all the years no person has returned or complained about the product. There is no information about the possible prices for its product in external markets. There is no knowledge about INCOTERMS.

3.3.3.6 Evaluation.

ADMINISTRATIVE.	Evaluation.
1. Type of company.	3
2. Strategic business planning including mission, vision and values.	0
3. Achievement of business objectives.	0
4. Strategic business planning that includes exports.	0
5. Recognizing local and international market needs.	0
6. Differentiation from competition.	3

7. Organizational chart efficiency	0
8. Procedures manual in operation	0
9. Functions manual in operation.	0
10. Managerial instruction level.	5
11. Manager's work experience in the industry.	5
12. Educational requirements for department heads.	0
13. Use of systems for production and data management.	3
14. Continuous improvement processes applied in all departments	0
15. Staff trained in Foreign Trade.	0
16. Staff trained in English.	0
17. Information on potential external markets.	0
18. Purchasing process.	5
19. Association or syndicates.	5
20. Export promotion within the association.	5
21. Use of a mechanism for identifying external markets.	0
ADMINISTRATIVE TOTAL	34/105
PRODUCTION	
1. Product design potential to internationalize.	0
2. Patent registration and use of industrial designs	0
3. National raw material suppliers	5


4. Application of a supplier qualification system	3
5. Infrastructure capacity to increase inventories and equipment.	0
6. Industry capacity to increase its production volume.	5
7. Efficient application of production flow charts.	0
8. Use of mechanisms for raw materials, supplies and finished products registration.	0
9. Knowledge about packaging processes for external markets.	0
10. Negative environmental impact.	5
11. Environmental management requirements.	5
12. Guaranteed clean production systems	0
13. Waste reuse and reduction systems.	0
14. Business certifications	0
PRODUCTIVE TOTAL	23/70
FINANCIAL.	
1. Budget planning.	3
2. Cash flows revision and analysis.	0
3. Financial reports revision and analysis.	0
4. Production costs and break-even point analysis.	5
5. Company's financing sources.	0

6. Disposition to compromise company's resources on an export project.	5
7. Type of mechanism used to finance an export project.	3
8. Credit offered for foreign customers in case of export.	0
9. Maximum time by which the company would be willing to get into debt for an export project	5
10. Allocated budget for production improvement, both product and process.	0
11. Marketing and sales budget	0
FINANCIAL TOTAL	24/55
SALES	
3. Export plan.	0
2. Perceived added value.	0
3. Trademark registration.	0
4. Slogan in use.	0
5. Marketing and sales staff.	0
6. Staff occupied on product design and brand.	0
7. Information about its product demand on external markets.	0
8. Company's logistic capacity	0
9. Reliability on international logistics companies	0
10. Information about distribution channels on target countries.	0

11. Advertising material of flagship product	0
12. Advertising material usage.	0
13. Corporate image.	0
14. Application of guarantees and returns policies.	0
15. Webpage.	0
16. Information about the possible prices of its product overseas.	0
17. INCOTERMS usage.	0
SALES TOTAL	0/85
TOTAL SCORE OBTAINED	78/315

3.3.4 El Imperio del pan.

3.3.4.1 Profile.

PROFILE	
	<p>COMPANY NAME: El imperio del Pan.</p> <p>TYPE OF COMPANY: Natural person.</p> <p>CATEGORY: Small</p> <p>RUC: 0102600830001.</p> <p>INTERVIEW DATE: 31/10/2017</p> <p>BUSINESS ACTIVITY: Pastries.</p> <p>FLAGSHIP PRODUCT: Bread.</p>
ADDRESS:	Unidad Nacional y Remigio Crespo

COORDINATES:	-2.89891, -79.020089
CONTACT PERSON:	Miguel Largo
TELEPHONE NUMBERS:	0997380944
EMAIL:	adry_gaby@hotmail.com

3.3.4.2 Administrative aspects.

El Imperio del Pan is a company on behalf of a natural person. It does not have a strategic plan that includes mission, vision or values. As their objectives are not established either, it is not clear if they are being met. On the other hand, the manager mentioned that he has not thought about exportation as he feels limited by all the procedures involved in doing so. There is not a clear idea about the needs of external markets and according to the manager quality is the local need, but he also mentions that his product is appreciated by migrants and their family members. The company's main differentiation from its competition is quality of both product and customer service. This company does not have an organization chart, nor function manuals. The procedures manuals are the recipes in which they are guided to make the products. The manager has elementary education, but 20 years of work experience in the industry. The company does not have a departmental division, and there is not a clear level of education required for its employees, however, it must be mentioned that the company has a low personnel rotation, which makes them remain trained and specialized. The company does not have a tool for data management, but the manager believes it is necessary to have it. The company does not have continuous improvement processes, its owner considers that its products and processes are fine. The company does not have trained personnel in foreign trade. There is no information about the product demand or markets overseas. The company is not affiliated to a chamber or syndicate.

3.3.4.3 Productive aspects.

The company's flagship product is bread. The productive process starts with buying the necessary material (flour, eggs, fat, sweeteners, among others). All ingredients are weighed and mixed and the dough is passed through the kneading machine for a

programmed time. After the process is finished, the dough goes to a dividing machine, which shapes and divides the dough to be finally baked. The manager considers his product design would be well received on foreign markets 5, (on a scale of 0, 3 and 5). On the other hand, the company's product is not protected by patents or industrial designs. The company's suppliers are national and there is no a qualification record for suppliers. The company's infrastructure could permit an increase of up to 20% of its capacity on inventories and equipment. The company would not be able to increase its current production volume (6 flour quintals). The company does not have production flowcharts and is does not have a clear inventory record. The manager does not have knowledge about packaging processes for external markets. On the other hand, the production process does not cause a negative environmental impact and environmental requirements are met. The company does not have a clean production system, or any business certification. Finally, the company also does not have programs to reduce or reuse waste.

3.3.4.4 Financial aspects.

The budget is planned on a monthly basis, on the other hand, the manager rarely requests cash flow reports and his secretary is the one who informs him about the financial statements. Cost of production is only analyzed when the price of the raw material has increased, but breakeven point is never revised.

The company is financed by the credit from suppliers and it does not have debts with financial institutions. The company would be willing to commit its resources on an export project in a 3, (on a scale of 0, 3 and 5) and it would be financed by only with the company resources, which means the manager would not be willing to get into debt. The company does not have an allocated budget for continuous improvement processes nor marketing activities.

3.3.4.5 Sales aspects.

According to the manager's perspective added value perceived by the market is 3 (on a scale of 0,3 and 5). The company has its brand registered in the IEPI. The company does not have marketing personnel or personnel for product design. The company does not have information about its product demand overseas. The product distribution is performed in house and through its subsidiaries. The manager does not trust external logistics companies.

The company does not have advertising for its flagship product, web page nor social networks. The owner believes his business is remembered by customers because of his years on the market. The company does not have clear return policies. There is no information about possible prices for its products overseas. There is no information or knowledge about INCOTERMS.

3.3.4.6 Evaluation.

ADMINISTRATIVE.	Evaluation.
1. Type of company.	3
2. Strategic business planning including mission, vision and values.	0
3. Achievement of business objectives.	0
4. Strategic business planning that includes exports.	0
5. Recognizing local and international market needs.	0
6. Differentiation from competition.	5
7. Organizational chart efficiency	0
8. Procedures manual in operation	0
9. Functions manual in operation.	0
10. Managerial instruction level.	3
11. Manager's work experience in the industry.	5
12. Educational requirements for department heads.	0
13. Use of systems for production and data management.	0
14. Continuous improvement processes applied in all departments	0


15. Staff trained in Foreign Trade.	0
16. Staff trained in English.	0
17. Information on potential external markets.	0
18. Purchasing process.	0
19. Association or syndicates.	0
20. Export promotion within the association.	0
21. Use of a mechanism for identifying external markets.	0
ADMINISTRATIVE TOTAL	19/105
PRODUCTION	
1. Product design potential to internationalize.	3
2. Patent registration and use of industrial designs	0
3. National raw material suppliers	5
4. Application of a supplier qualification system	0
5. Infrastructure capacity to increase inventories and equipment.	3
6. Industry capacity to increase its production volume.	3
7. Efficient application of production flow charts.	0
8. Use of mechanisms for raw materials, supplies and finished products registration.	0
9. Knowledge about packaging processes for external markets.	0
10. Negative environmental impact.	5

11. Environmental management requirements.	0
12. Guaranteed clean production systems	0
13. Waste reuse and reduction systems.	0
14. Business certifications	0
PRODUCTIVE TOTAL	23/70
FINANCIAL.	
1. Budget planning.	3
2. Cash flows revision and analysis.	5
3. Financial reports revision and analysis.	5
4. Production costs and break-even point analysis.	3
5. Company's financing sources.	3
6. Disposition to compromise company's resources on an export project.	3
7. Type of mechanism used to finance an export project.	0
8. Credit offered for foreign customers in case of export.	0
9. Maximum time by which the company would be willing to get into debt for an export project	0
10. Allocated budget for production improvement, both product and process.	0
11. Marketing and sales budget	0
FINANCIAL TOTAL	25/55

SALES	
4. Export plan.	0
2. Perceived added value.	3
3. Trademark registration.	5
4. Slogan in use.	0
5. Marketing and sales staff.	0
6. Staff occupied on product design and brand.	0
7. Information about its product demand on external markets.	0
8. Company's logistic capacity	0
9. Reliability on international logistics companies	3
10. Information about distribution channels on target countries.	0
11. Advertising material of flagship product	0
12. Advertising material usage.	0
13. Corporate image.	0
14. Application of guarantees and returns policies.	0
15. Webpage.	0
16. Information about the possible prices of its product overseas.	0
17. INCOTERMS usage.	0
SALES TOTAL	17/85
TOTAL SCORE OBTAINED	84/315

3.3.5 Golosinas Dikaty.

3.3.5.1 Profile.

PROFILE.	
	COMPANY NAME: GOLOSINAS DIKATY TYPE OF COMPANY: Natural Person CATEGORY: Small RUC: 0101893642001 INTERVIEW DATE: 17/10/2017 BUSINESS ACTIVITY: Chocolate and pastries. FLAGSHIP PRODUCT: Chocolate bar 100 grams.
ADDRESS:	Autopista a San Joaquín (poste nro. 109 a mano derecha)
COORDINATES:	-2.885126, -79.06173
CONTACT PERSON:	Juana Catalina Tamayo Saldaña
TELEPHONE NUMBERS:	074120156/072844320
EMAIL:	golosinasdika@yahoo.com

3.3.5.2 Administrative aspects.

Golosinas Dikaty is a family business on behalf of a natural person. The company has a strategic plan including mission, vision, values and objectives in the short, medium and long term. According to the manager's perception, their objectives have been achieved in a 5 (on a scale of 0, 3 and 5). Within the strategic plan, it was considered the export of its flagship product to the European market, therefore, the company has been working hard

for about a year and a half to obtain the Good Manufacturing Practices (GMP) certification. Thus, the company not only considers local needs, but also international.

According to the manager, the company differentiates itself from the competition mainly because of its quality. The company demands raw material suppliers must have certificates of quality. Raw material is also analyzed in a laboratory previous the productive process. Seven types of controls are carried out in total from the moment the raw material enters until obtaining the finished product. The organization chart, besides other departments, includes a digital marketing and sales department; but in practice it is still in the process of being implemented. The company operates under three types of procedure manuals: SOPs, general procedures and maintenance instructions.

Functions manual is applied efficiently and new personnel receive training and instructions for the different production lines. The owner's level of instruction is third level (university graduate) and he has 30 years of work experience in the industry. The company requires for departments heads to have third level of education, along with work experience. For data and production management, a contracted system is used that records revenues, expenses, sales and transfers. The company is always implementing continuous improvement processes along with personnel training, because it is a requirement for entering in the international arena. Although, there is no trained personnel in foreign trade, the company does have personnel who is proficient in English.

The company has participated through Proecuator on training programs to meet the requirements demanded by European, American and Canadian markets. In order to identify potential markets overseas, the company does invitations for possible buyers to visit the plant, in order to determine trends and preferences. The purchasing process is based on

the qualification record for suppliers. In order for a supplier to be qualified by the company, it must have any kind of certification such as ISO or BPM. In this way, the institution ensures that the product that leaves the plant complies with all the processes required overseas. Golosinas Dikaty is not a member of a commercial chamber or syndicate.

3.3.5.3 Productive aspects.

The company's flagship product is a chocolate bar of 100 grams. Its productive process starts with the cocoa reception then it enters the plant to be analyzed chemically and see if it meets the company's requirements, based on the production line that is being

manufactured, since each production line is independent one from another. The company's packaging process is both automatic and manual. Since the chocolate bar is a product meant for external markets, its design is very important that is why the company is still working on it. The company uses patents to protect its product but it does not use industrial designs. Raw material suppliers are national. Raw Material Release Control is used for raw material registration, inventories and finished products. The current company's infrastructure does not have capacity to increase its equipment or inventories. The company's current production volume is 100 kilos per day but its equipment capacity could reach 400 kilos per day. The company has efficient flowcharts. The company has knowledge about the packing procedures for its product overseas. The production process does not have a negative environmental impact and environmental requirements are met. The company does not have a program to reduce or reuse waste. The company does not have a clean production system, but it is mandatory for them to perform a wastewater analysis. The company is about to obtain a BPM certification, and then it will be able to apply for an organic seal.

3.3.5.4 Financial aspects.

The company plans its budget annually. Cash flows are requested on a daily basis, since it is a family business, the manager is the one in charge of the financial part, thus the financial statements are known on a regular basis. Cost of production and break-even point are analyzed. The company is currently financed by own sources. The company has already committed its resources on an export project in a 5 (on a scale of 0,3 and 5).

The manager is financing this project through sales and he believes that over time, the company will need a credit from a bank depending on the foreign market behavior. The credit time that would be offered to international clients would be established according to the situation. The company is willing to get into debt to export. There is budget allocated for continuous improvement in production, both product and process. The company is currently working on improving marketing and sales activities.

3.3.5.5 Sales aspects.

The company has an export plan. According to the manager's perception, the product is perceived by the market with a 5 in added value (on a scale of 0, 3 and 5). He indicates his product is completely natural because it does not have preservatives. The plant is self-sustaining, it means that no semi-finished product can be a part of the production process

with the exception of the cocoa butter. For example, when a passion fruit truffle is made, the fruit is completely natural, no flavorings are used.

The company's brand is registered in the IEPI and its slogan is "Sweet temptation". The company does not have staff for marketing and sales activities. The company contracts services for the product design. There is information about the product demand overseas, and it is expected to increase its demand both locally and internationally. Locally, the product distribution is performed in house and also through its subsidiaries and externally it is expected to work through sales agents.

The company has information about distribution channels and possible prices for its product overseas. The company does not have advertising material for its flagship product, however, once the digital marketing department is implemented, it is expected for all the production lines to be better promoted. The company has Facebook page and also a webpage. The company intends to show customers their product as natural and that it complies with all quality processes; it is not a product with just "chocolate flavor". The company has their returns policies clear. There is knowledge about INCOTERMS

3.3.5.6 Evaluation.

ADMINISTRATIVE.	Evaluation.
1. Type of company.	3
2. Strategic business planning including mission, vision and values.	5
3. Achievement of business objectives.	5
4. Strategic business planning that includes exports.	5
5. Recognizing local and international market needs.	5
6. Differentiation from competition.	5
7. Organizational chart efficiency	3

8. Procedures manual in operation	5
9. Functions manual in operation.	5
10. Managerial instruction level.	5
11. Manager's work experience in the industry.	5
12. Educational requirements for department heads.	5
13. Use of systems for production and data management.	5
14. Continuous improvement processes applied in all departments	5
15. Staff trained in Foreign Trade.	0
16. Staff trained in English.	5
17. Information on potential external markets.	5
18. Purchasing process.	5
19. Association or syndicates.	0
20. Export promotion within the association.	0
21. Use of a mechanism for identifying external markets.	3
ADMINISTRATIVE TOTAL	84/105
PRODUCTION	
1. Product design potential to internationalize.	5
2. Patent registration and use of industrial designs	5
3. National raw material suppliers	5
4. Application of a supplier qualification system	5


5. Infrastructure capacity to increase inventories and equipment.	5
6. Industry capacity to increase its production volume.	5
7. Efficient application of production flow charts.	5
8. Use of mechanisms for raw materials, supplies and finished products registration.	5
9. Knowledge about packaging processes for external markets.	5
10. Negative environmental impact.	5
11. Environmental management requirements.	5
12. Guaranteed clean production systems	0
13. Waste reuse and reduction systems.	0
14. Business certifications	5
PRODUCTIVE TOTAL	60/70
FINANCIAL.	
1. Budget planning.	5
2. Cash flows revision and analysis.	5
3. Financial reports revision and analysis.	5
4. Production costs and break-even point analysis.	5
5. Company's financing sources.	0
6. Disposition to compromise company's resources on an export project.	5

7. Type of mechanism used to finance an export project.	3
8. Credit offered for foreign customers in case of export.	5
9. Maximum time by which the company would be willing to get into debt for an export project	5
10. Allocated budget for production improvement, both product and process.	5
11. Marketing and sales budget	5
FINANCIAL TOTAL	51/55
SALES	
5. Export plan.	5
2. Perceived added value.	5
3. Trademark registration.	5
4. Slogan in use.	5
5. Marketing and sales staff.	0
6. Staff occupied on product design and brand.	5
7. Information about its product demand on external markets.	5
8. Company's logistic capacity	3
9. Reliability on international logistics companies	5
10. Information about distribution channels on target countries.	5
11. Advertising material of flagship product	0

12. Advertising material usage.	5
13. Corporate image.	5
14. Application of guarantees and returns policies.	5
15. Webpage.	5
16. Information about the possible prices of its product overseas.	5
17. INCOTERMS usage.	5
SALES TOTAL	73/85
TOTAL SCORE OBTAINED	265/315

3.3.6 Productos Tia Lucca

3.3.6.1 Profile.

PROFILE.	
	<p>COMPANY NAME: PRODUCTOS TIA LUCCA</p> <p>TYPE OF COMPANY: Limited Liability.</p> <p>CATEGORY: Small</p> <p>RUC: 0190346927001</p> <p>INTERVIEW DATE: 19/10/2017</p> <p>BUSINESS ACTIVITY: Pastries.</p> <p>FLAGSHIP PRODUCTO: Ham mini pizzas</p>
ADDRESS:	Av. Enrique Arizaga Toral s/n y Av. de las Américas

COORDINATES:	-2.903333, -70.032479
CONTACT PERSON:	Ricardo Escobedo Gianini
TELEPHONE NUMBERS:	074093986/072856074
EMAIL:	productostialucca@hotmail.com

3.3.6.2 Administrative aspects.

Productos Tia Lucca is a Limited Liability company. The company has a strategic plan in which mission and vision are established. According to the manager's perception, the objectives are being met in a 5, (on a scale of 0, 3 and 5). The manager is willing to export but it is not established within the strategic plan. According to the manager, the company's main differentiation is the quality of its product. The organization chart is efficient, as well as, the procedures and functions manual. The manager's level of education is fourth level, and he has 10 years of work experience in the industry. Since it is a family company a certain level of education is not required for the company's departments heads; however, they are all professionals. For data and production management, a contracted accounting system is used. The company has continuous improvement processes in all its departments.

For the purchasing process, employees make a record at the beginning and at the end of the day, in this way, inventories are verified and if the quantity is minimal, a notice is given to the plant manager. The company does not have trained personnel in foreign trade. There is little information about potential countries for its product. The company does not have a mechanism to identify markets overseas. The company has personnel proficient in English. The company is a CAPIA member and according to the manager, exports are not promoted in the chamber.

3.3.6.3 Productive aspects.

The company's flagship product are the mini ham pizzas. For its preparation, the doughs and sauces are made in house; while cheese and ham are purchased from third parties. The product packing is semi-automatic. According to the manager's perception, the current product design would be well received on external markets, 5 (on a scale of 0, 3, and 5). No patents or industrial designs are used to protect its products. Raw materials

suppliers are national, and they are evaluated according to its service, price and quality. Currently, the company's infrastructure does not have capacity to implement machinery, but there is capacity for increasing inventories. The production volume could be increased by 30 or 40%.

The company has flowcharts of production that work correctly. On the other hand, for registering inventories, raw materials and finished products, there is a physical control. There is no knowledge about product packaging for external markets. Productive processes do not cause a negative environmental impact and environmental management requirements are met. The company does not have a clean production system nor a program for waste reducing or reusing. According to the manager, the only waste comes from raw materials. The company has INEN certification, and tried to obtain BPM certification but due to financial issues the process could not be completed

3.3.6.4 Financial aspects.

The company plans its budget based on sales each two-months. The company's manager requests cash flow reports weekly and financial reports every month. The costs of production and break-even point are analyzed by the company's president who is the business's owner. The company is financed by its own sources and a percentage through suppliers' credit. In the case of investing in an export project, the company would be willing to commit its resources in a 5 (on a scale of 0, 3, and 5). However, the manager indicates that obtaining financing for small companies represents a problem, especially due to the high rates and requirements of guarantees by financial institutions in both public and private, which complicates the implementation of export projects.

The maximum credit for foreign clients that could be granted by the company would be three months. The company would be willing to get into debt for more than 5 years, for an export project depending on the financing capacity and the business turnaround. The company has a budget allocated for continuous improvement in production, both product and process.

3.3.6.5 Sales aspects.

The company does not have an export plan. According to the manager's perception, the company's product is well perceived by the market, in terms of added value it is attributed a 5 (on a scale of 0, 3 and 5). The company's brand is registered in the IEPI, but it does not have a slogan. There is no budget or personnel for marketing and sales activities. The

company has personnel in charge of product design. There is information about their product demand overseas; however, it is not something that is reviewed frequently. Logistics and transportation for product distribution are both contracted out and performed by staff. There is no information about distribution channels for its product overseas. According to the manager, since their product need to be frozen, reefer containers are needed and its price is unaffordable for the company, besides they would need to fill the whole container, something the company would not be able to cover. On the other hand, returns and guarantees policies are well established. The company has social networks and a webpage, but there is no exclusive advertising material for its flagship product. The company intends to show the customer the quality of its products. There is no proficient knowledge about INCOTERMS.

3.3.6.6 Evaluation.

ADMINISTRATIVE.	Evaluation.
1. Type of company.	5
2. Strategic business planning including mission, vision and values.	5
3. Achievement of business objectives.	5
4. Strategic business planning that includes exports.	0
5. Recognizing local and international market needs.	3
6. Differentiation from competition.	5
7. Organizational chart efficiency	5
8. Procedures manual in operation	5
9. Functions manual in operation.	5
10. Managerial instruction level.	5
11. Manager's work experience in the industry.	3

12. Educational requirements for department heads.	5
13. Use of systems for production and data management.	5
14. Continuous improvement processes applied in all departments	5
15. Staff trained in Foreign Trade.	0
16. Staff trained in English.	5
17. Information on potential external markets.	3
18. Purchasing process.	5
19. Association or syndicates.	5
20. Export promotion within the association.	0
21. Use of a mechanism for identifying external markets.	0
ADMINISTRATIVE TOTAL	79/105
PRODUCTION	
1. Product design potential to internationalize.	5
2. Patent registration and use of industrial designs	0
3. National raw material suppliers	5
4. Application of a supplier qualification system	5
5. Infrastructure capacity to increase inventories and equipment.	0
6. Industry capacity to increase its production volume.	5
7. Efficient application of production flow charts.	5

8. Use of mechanisms for raw materials, supplies and finished products registration.	5
9. Knowledge about packaging processes for external markets.	0
10. Negative environmental impact.	5
11. Environmental management requirements.	5
12. Guaranteed clean production systems	0
13. Waste reuse and reduction systems.	0
14. Business certifications	0
PRODUCTIVE TOTAL	40/70
FINANCIAL.	
1. Budget planning.	5
2. Cash flows revision and analysis.	5
3. Financial reports revision and analysis.	5
4. Production costs and break-even point analysis.	5
5. Company's financing sources.	3
6. Disposition to compromise company's resources on an export project.	5
7. Type of mechanism used to finance an export project.	3
8. Credit offered for foreign customers in case of export.	5

9. Maximum time by which the company would be willing to get into debt for an export project	5
10. Allocated budget for production improvement, both product and process.	5
11. Marketing and sales budget	0
FINANCIAL TOTAL	46/55
SALES	
6. Export plan.	0
2. Perceived added value.	5
3. Trademark registration.	5
4. Slogan in use.	0
5. Marketing and sales staff.	0
6. Staff occupied on product design and brand.	5
7. Information about its product demand on external markets.	0
8. Company's logistic capacity	3
9. Reliability on international logistics companies	5
10. Information about distribution channels on target countries.	5
11. Advertising material of flagship product	0
12. Advertising material usage.	5
13. Corporate image.	5
14. Application of guarantees and returns policies.	5

15. Webpage.	0
16. Information about the possible prices of its product overseas.	3
17. INCOTERMS usage.	0
SALES TOTAL	46/85
TOTAL SCORE OBTAINED	211/315

3.3.7 Frutilados

3.3.7.1 Profile.

PROFILE	
	<p>COMPANY NAME: FRUTILADOS</p> <p>TYPE OF COMPANY: Natural Person</p> <p>CATEGORY: Medium</p> <p>RUC: 0101347938001</p> <p>INTERVIEW DATE: 5/11/2017</p> <p>BUSINESS ACTIVITY: Pastries</p> <p>FLAGSHIP PRODUCT: Biscuits, moist chocolate cake</p>
ADDRESS:	Remigio Crespo 4-53 y Ricardo Muñoz
COORDINATES:	-2.903401, -79,013971
CONTACT PERSON:	Miriam Burbano
TELEPHONE NUMBERS:	072811111

EMAIL:	cecifrutilados@hotmail.com
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3.3.7.2 Administrative aspects.

Frutilados is a family business. The company has a strategic plan with long-term objectives, as well as mission and vision. The owner believes the company is fulfilling its objectives at a level of 3 (on a scale of 0, 3 and 5). Although, its owner would like to export, she emphasizes that due to the situation of the country, it has been difficult for them to grow, and the idea of exporting to short term is no longer tempting. The company's strategic plan only considers local needs. Frutilados manager thinks quality is their best reference between customers, which let its product stands out from the competition, the company do not avoid incurring costs that give the correct quality to its product. The company has an efficient organization chart, as well as procedures manual and functions manual for each area and personnel. The owner's level of education is elementary school, but she has 20 years of work experience in her business. The owner requires third level of education for the administrative department, but for the rest of departments there is no specific academic level required.

Software is used for data and production management, it includes processes on production improvement. There is no trained personnel in foreign trade nor English. The company does not have an export plan. The company has some information about United States market and it has already been sent its product via aerial through relatives. The purchasing of raw material is based on quality. The company is not a member of a syndicate or commerce chamber.

3.3.7.3 Productive aspects.

The company's flagship product are biscuits and moist chocolate cake. The production process is completely artisanal and it varies depending on the recipes for the different products. According to the manager, the product would be well received in foreign markets, 5 (on a scale of 0, 3 and 5) taking into account that the small shipments of its product to the USA, have increased lately. The company's name is patented. On the other hand, raw material suppliers are 100% national, and the company uses a supplier's qualification register based on the product's quality. The company's infrastructure has capacity to increase equipment and inventories. The production volume capacity could be increased by 40%. There are no production flow charts. An inventory record is kept

and it is divided into daily inventory for perishable products and a monthly inventory for non-perishable products. There is no clear knowledge for packaging processes overseas. The company only uses boxes for the small shipments to the USA. The company's production process does not cause negative environmental impact and environmental management requirements are met. The company counts with a clean production system based on an artisanal qualification granted to them on July 2016. The company does not have a business certification.

3.3.7.4 Financial aspects

The company plans its budget on an annual basis, based on previous sales volume periods. The company's manager requires cash flows daily and financial reports each month. Break-even point is constantly analyzed to know the monthly variations of the price. The company's financing sources are credits granted by financial institutions and also their own capital. The manager would be willing to commit the company's resources in a 3 (on a scale of 0, 3 and 5) to finance an export project. Since, the company only works with direct selling, the company does not offer credit to customers. The owner would be willing to get into debt from 3 to 5 years regarding export matters. There is a budget allocated for improvement production processes, which is not fulfilled because it always exceeds the budget ceilings. There is a budget allocated for marketing and sales activities.

3.3.7.5 Sales aspects.

Frutilados company does not have an export plan. The owner considers her product reaches a 5 (on a scale of 0, 3 and 5) in terms of added value. According to the manager's perspective the company's products are locally recognized because of their quality. The company's brand is registered in the IEPI and it also have a slogan. There is a budget allocated for marketing and sales, however there is no personnel for these activities. The production distribution is performed by the company's different points of sales through direct selling. The owner would trust the product to logistics services companies overseas. There is no information about target markets. There is advertising material for the company's flagship product.

The company has a Facebook page but it is not constantly updated. The company uses newspapers and magazines for advertisement. There are not clear return policies. There is a slight idea of the prices used by competition in foreign markets due to the information

given by relatives of the owners. There is no knowledge about INCOTERMS. The company sends its products to the US three times a month approximately.

3.3.7.6 Evaluation.

ADMINISTRATIVE.	Evaluation.
1. Type of company.	3
2. Strategic business planning including mission, vision and values.	3
3. Achievement of business objectives.	5
4. Strategic business planning that includes exports.	0
5. Recognizing local and international market needs.	3
6. Differentiation from competition.	5
7. Organizational chart efficiency	5
8. Procedures manual in operation	5
9. Functions manual in operation.	5
10. Managerial instruction level.	0
11. Manager's work experience in the industry.	3
12. Educational requirements for department heads.	5
13. Use of systems for production and data management.	3
14. Continuous improvement processes applied in all departments	0
15. Staff trained in Foreign Trade.	0
16. Staff trained in English.	0
17. Information on potential external markets.	0

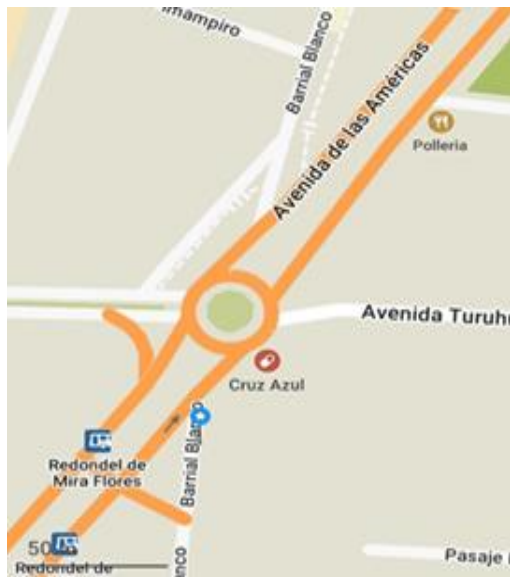
18. Purchasing process.	3
19. Association or syndicates.	0
20. Export promotion within the association.	0
21. Use of a mechanism for identifying external markets.	0
ADMINISTRATIVE TOTAL	48/105
PRODUCTION	
1. Product design potential to internationalize.	3
2. Patent registration and use of industrial designs	3
3. National raw material suppliers	5
4. Application of a supplier qualification system	5
5. Infrastructure capacity to increase inventories and equipment.	5
6. Industry capacity to increase its production volume.	3
7. Efficient application of production flow charts.	0
8. Use of mechanisms for raw materials, supplies and finished products registration.	3
9. Knowledge about packaging processes for external markets.	3
10. Negative environmental impact.	3
11. Environmental management requirements.	5
12. Guaranteed clean production systems	5
13. Waste reuse and reduction systems.	3

14. Business certifications	0
PRODUCTIVE TOTAL	45/70
FINANCIAL.	
1. Budget planning.	5
2. Cash flows revision and analysis.	5
3. Financial reports revision and analysis.	5
4. Production costs and break-even point analysis.	3
5. Company's financing sources.	5
6. Disposition to compromise company's resources on an export project.	3
7. Type of mechanism used to finance an export project.	0
8. Credit offered for foreign customers in case of export.	0
9. Maximum time by which the company would be willing to get into debt for an export project	5
10. Allocated budget for production improvement, both product and process.	3
11. Marketing and sales budget	3
FINANCIAL TOTAL	37/55
SALES	
7. Export plan.	0
2. Perceived added value.	5

3. Trademark registration.	5
4. Slogan in use.	5
5. Marketing and sales staff.	0
6. Staff occupied on product design and brand.	3
7. Information about its product demand on external markets.	0
8. Company's logistic capacity	0
9. Reliability on international logistics companies	5
10. Information about distribution channels on target countries.	0
11. Advertising material of flagship product	5
12. Advertising material usage.	3
13. Corporate image.	0
14. Application of guarantees and returns policies.	0
15. Webpage.	3
16. Information about the possible prices of its product overseas.	0
17. INCOTERMS usage.	0
SALES TOTAL	34/85
TOTAL SCORE OBTAINED	164/315

3.8 Fideos Paraíso.

3.3.8.1 Profile.

PROFILE	
	COMPANY NAME: FIDEOS PARAÍSO TYPE OF COMPANY: Natural Person CATEGORY: Medium RUC: 1900210053001 INTERVIEW DATE: 13/10/2017 BUSINESS ACTIVITY: Pasta manufacturing. FLAGSHIP PRODUCT: Fideos Paraíso/400 grams.
	ADDRESS: Av. de las Américas s/n y Barrial Blanco
	COORDINATES: -2.883645, -78.990239
	CONTACT PERSON: Genaro Patricio Torres Orellana
	TELEPHONE NUMBERS: 0999514364/072340066
	EMAIL: pastaparaíso@hotmail.com

3.3.8.2 Administrative aspects.

Fideos Paraíso is a food manufacturing company on behalf of a Natural Person. The company has a strategic plan including Mission, Vision, Values and short and long-term objectives. The strategic plan also includes exports. Since the company is already exporting, both local and international needs are considered. According to the supervisor, the main characteristic which differentiates them from competition nationally, is the quality of both product and service. The company offers a personalized service through

sales agents who cover certain routes and explain their catalogue of products directly to the customer.

The company is recently applying its organizational charts. The procedure manuals work correctly and they are applied in all the company's departments, as well as the functions manual. The supervisor's level of instruction is third level (university) and he has 15 years of work experience in the industry. The company's departments head should have at least high school level of education, however, once they are working at the company, they are encouraged to finish their university studies as well as taking courses and training. For data and production management is used Avago, but it is also required a physical control due to quality requirements. That is why the company has also a laboratory for error correction in the production process. There are constant meetings to apply continuous improvement processes in all departments and solving bottlenecks.

The company is currently instructing its personnel in foreign trade. However, the company has also external advisers on this matter. The company does not have personnel who speaks English. The company does not have cultural, geographical, political, legal or commercial information about their target markets. The company has been exporting a year and a half and it was achieved through a contact. The company's flagship product is exported to United States. The company tries to reach those states or localities with the greatest influx of Latinos, especially Ecuadorians. According to the supervisor, the reason they chose US as the destination for their product was because it gives them a good reference of quality, even locally.

The person in charge of identifying markets is the company's supervisor who makes recommendations to the owner for the decision making. On the other hand, the purchasing process is based on the demand and cost. Fideos Paraíso is a CAPIA member, according to the supervisor exports are frequently promoted in the chamber.

3.3.8.3 Productive aspects.

The company's flagship product is "Paraiso" pasta of 400 grams. The production process starts with mixing the flour and water, then the dough is taken to molds and finally to the oven. The oven's temperature is observed, then the pasta is cooled on sieves so that the noodles will not stick and could be finally packaged. The packaging process is semi-automatic. According to the manager's perception, the current product design is well received by the external market, 5 (on a scale of 0, 3 and 5). Both patents and industrial designs are used.

Raw material suppliers are national and there is no qualification record for suppliers, only an internal control is carried out to maintain quality. The company has no infrastructure to increase equipment or inventories. The company's production volume of its flagship product is 120,000 units per day. The company expects to increase its production volume by 10% but there is still a remaining 40% of installed capacity to be used. Production flowcharts are used efficiently, which are constantly adjusted to the process and the organization chart.

Raw material registration, inventories and finished product are managed based on maximum and minimum stock level. There is knowledge about packing processes for external markets. There is no negative environmental impact and environmental management requirements are met. The company does not have a clean production system or a program to reuse or reduce waste. Fideos Paraíso has INEN and FDA certifications.

3.3.8.4 Financial aspects.

The company plans its budget according to the market demand. The owner manager requests cash flow reports and financial reports on a monthly basis. Cost of production and break-even point are analyzed frequently. The company's financing sources are sales, loans granted by financial institutions and the owner's capital. The company would be willing to commit its resources on an export project in a 5 (on a scale of 0, 3 and 5). The supervisor explains that a high financial support is needed when exporting.

The company would finance an export project with a loan from the "Banco de Fomento" and with a public financial institution. The company gives 35 days of credit for foreign customers which is the same for local customers. The company would be willing to get into debt from 5 to 20 years, depending on the export project. The company has an allocated budget for continuous improvement in production both processes and products.

3.3.8.5 Sales aspects.

The company has an export plan. According to the manager's perception, its product has a 5 on added value (in a scale of 0, 3 and 5) because of its quality and packaging. The company's brand is registered in the IEPI and they also have a slogan. There is no budget allocated for marketing and sales, nor is there personnel who work in these activities, external services are contracted for product design. Product distribution and logistics are performed by both external and internal services. There is advertising material for the flagship product. The company does not have web page or social networks.

The company has clear return and guarantees policies. There is no information about its product demand overseas, but there is about its channels of distribution. There is knowledge about the prices of its product internationally but only on those of interest. The company trust in international logistics companies. There is no knowledge about INCOTERMS.

3.3.8.6 Evaluation.

ADMINISTRATIVE.	Evaluation.
1. Type of company.	3
2. Strategic business planning including mission, vision and values.	5
3. Achievement of business objectives.	5
4. Strategic business planning that includes exports.	5
5. Recognizing local and international market needs.	5
6. Differentiation from competition.	5
7. Organizational chart efficiency	3
8. Procedures manual in operation	5
9. Functions manual in operation.	5
10. Managerial instruction level.	5
11. Manager's work experience in the industry.	0
12. Educational requirements for department heads.	5
13. Use of systems for production and data management.	5
14. Continuous improvement processes applied in all departments	5


15. Staff trained in Foreign Trade.	3
16. Staff trained in English.	0
17. Information on potential external markets.	3
18. Purchasing process.	5
19. Association or syndicates.	5
20. Export promotion within the association.	5
21. Use of a mechanism for identifying external markets.	3
ADMINISTRATIVE TOTAL	85/105
PRODUCTION	
1. Product design potential to internationalize.	5
2. Patent registration and use of industrial designs	5
3. National raw material suppliers	5
4. Application of a supplier qualification system	3
5. Infrastructure capacity to increase inventories and equipment.	0
6. Industry capacity to increase its production volume.	5
7. Efficient application of production flow charts.	5
8. Use of mechanisms for raw materials, supplies and finished products registration.	5
9. Knowledge about packaging processes for external markets.	5
10. Negative environmental impact.	5

11. Environmental management requirements.	5
12. Guaranteed clean production systems	0
13. Waste reuse and reduction systems.	0
14. Business certifications	5
PRODUCTIVE TOTAL	53/70
FINANCIAL.	
1. Budget planning.	5
2. Cash flows revision and analysis.	5
3. Financial reports revision and analysis.	5
4. Production costs and break-even point analysis.	5
5. Company's financing sources.	3
6. Disposition to compromise company's resources on an export project.	5
7. Type of mechanism used to finance an export project.	3
8. Credit offered for foreign customers in case of export.	3
9. Maximum time by which the company would be willing to get into debt for an export project	5
10. Allocated budget for production improvement, both product and process.	5
11. Marketing and sales budget	0
FINANCIAL TOTAL	44/55

SALES	
8. Export plan.	5
2. Perceived added value.	5
3. Trademark registration.	5
4. Slogan in use.	5
5. Marketing and sales staff.	0
6. Staff occupied on product design and brand.	5
7. Information about its product demand on external markets.	5
8. Company's logistic capacity	3
9. Reliability on international logistics companies	5
10. Information about distribution channels on target countries.	5
11. Advertising material of flagship product	5
12. Advertising material usage.	5
13. Corporate image.	5
14. Application of guarantees and returns policies.	5
15. Webpage.	0
16. Information about the possible prices of its product overseas.	5
17. INCOTERMS usage.	0
SALES TOTAL	68/85
TOTAL SCORE OBTAINED	250/315

3.3.9 Fruveca.

3.3.9.1 Profile.

PROFILE.	
	COMPANY NAME: FRUVECA TIPO DE EMPRESA: Limited Liability CATEGORY: Small RUC: 0190057666001 INTERVIEW DATE: 20/10/2017 BUSINESS ACTIVITY: Production of vinegars and preserves. FLAGSHIP PRODUCT: Apple vinegar
ADDRESS:	Camino viejo a baños 2-70 y Avenida de las Américas (next to Indurama)
COORDINATES:	-2.912754, -79.034406
CONTACT PERSON:	José Simón Astudillo Quintanilla
TELEPHONE NUMBERS:	072811097/ 0994484337
EMAIL:	fruveca@gmail.com

3.3.9.2 Administrative aspects.

Fruveca is a limited liability company. The company does not have a strategic plan with mission, vision and values. According to the manager, objectives have been met in a 5 (on a scale of 0, 3, and 5) The company does not have an export plan, although the idea is not ruled out. Only local needs are considered. The company applies its organization chart efficiently, as well as, its function manual. There is no procedures manual.

Continuous improvement processes are applied in all departments. The owner has a university level of instruction and 40 years of work experience in the industry. A university level of education is required for departments heads, however work experience is key. Excel is used as a tool for data management and production. The purchase process is based first on quality and in second place the price. The company does not have information about external markets (geographical, cultural, legal, commercial). Therefore, there is also no mechanism to identify target markets abroad.

According to the manager, there is a need for the company to have publicity, that is why the company is going to have a web page soon. There are no trained personnel in Foreign Trade nor English. The company is a CAPIA member, and according to the manager export are promoted in the chamber but not in a frequent basis.

3.3.9.3 Productive aspects.

The company's flagship product is the apple cider vinegar. The production process starts with the fermentation that takes a very long time and for this reason the product is considered natural because no preservatives and artificial flavors are added. According to the manager's perspective, the current product design would be well received in international markets, 5 (on a scale of 0, 3 and 5). Both patents and industrial designs are used to protect its products.

Raw materials suppliers are all national and they are qualified based on quality requirements. "First in, first out" is used for raw materials registration, inputs and finished products. The company's infrastructure has capacity to increase equipment and inventories. Currently, a 20% of its installed capacity is used, so the production volume could be increased by 80%. Production flow charts work efficiently. There is no information on packaging processes for external markets. Production processes do not cause environmental negative impact and environmental management requirements are met. The company does not have a clean production system nor a program to reduce or reuse waste. The company does not have a business certification.

3.3.9.4 Financial aspects.

The company does not plan its budget. Cash flows reports are reviewed monthly and financial reports, twice a year. Currently, sales are the company's financing source. The company analyzes cost of production and break-even point. The company would be willing to commit its resources on an export project in a 3 (on a scale of 0, 3 and 5).

The company would not be able to grant credit to external customers because direct sales is the line of business. The company would finance an export project with its own resources and it would be willing to get into debt only for a year. There is no budget allocated for improvement processes in production.

3.3.9.5 Sales aspects.

The company does not have an export plan. The company's main differentiation from its competition is the quality of its flagship product. It does not have preservatives or artificial flavors added. According to the manager's perspective, his product is widely accepted by the market, 5 (on a scale of 0.3.5), and it is even used for cosmetics besides of the kitchen purposes for which it was created. The company's brand is registered in the IEPI, and its slogan is "Give flavor to life with Parish in the food".

The company does not have personnel for marketing and sales nor an allocated budget for these activities. External services are hired by the company for product design. Currently, the company is immersed in corporate image changes, redesigning of labels and creation of social networks and a website. The company wants to show their customers that its product is natural. There is no advertising material for the flagship product. Product distribution and logistics are performed by the company. The company has clear policies regarding returns and guarantees.

The company does not have an export plan. There is no information about distribution channels, demand nor the possible prices for its product overseas. The company would trust international logistics services if they are solid companies. There is no knowledge about INCOTERMS.

3.3.9.6 Evaluation.

ADMINISTRATIVE.	Evaluation.
1. Type of company.	3
2. Strategic business planning including mission, vision and values.	3
3. Achievement of business objectives.	5
4. Strategic business planning that includes exports.	0

5. Recognizing local and international market needs.	3
6. Differentiation from competition.	3
7. Organizational chart efficiency	5
8. Procedures manual in operation	0
9. Functions manual in operation.	5
10. Managerial instruction level.	5
11. Manager's work experience in the industry.	5
12. Educational requirements for department heads.	5
13. Use of systems for production and data management.	3
14. Continuous improvement processes applied in all departments	5
15. Staff trained in Foreign Trade.	0
16. Staff trained in English.	0
17. Information on potential external markets.	0
18. Purchasing process.	3
19. Association or syndicates.	5
20. Export promotion within the association.	3
21. Use of a mechanism for identifying external markets.	0
ADMINISTRATIVE TOTAL	61/105
PRODUCTION	
1. Product design potential to internationalize.	5

2. Patent registration and use of industrial designs	5
3. National raw material suppliers	5
4. Application of a supplier qualification system	3
5. Infrastructure capacity to increase inventories and equipment.	5
6. Industry capacity to increase its production volume.	5
7. Efficient application of production flow charts.	5
8. Use of mechanisms for raw materials, supplies and finished products registration.	5
9. Knowledge about packaging processes for external markets.	0
10. Negative environmental impact.	5
11. Environmental management requirements.	5
12. Guaranteed clean production systems	0
13. Waste reuse and reduction systems.	0
14. Business certifications	0
PRODUCTIVE TOTAL	48/70
FINANCIAL.	
1. Budget planning.	0
2. Cash flows revision and analysis.	5
3. Financial reports revision and analysis.	3

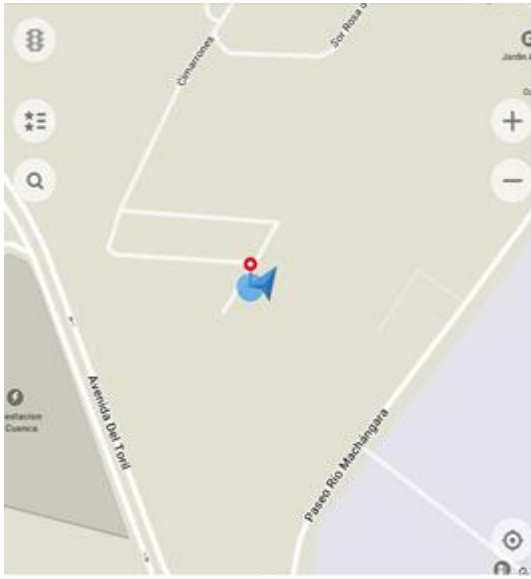
4. Production costs and break-even point analysis.	5
5. Company's financing sources.	3
6. Disposition to compromise company's resources on an export project.	3
7. Type of mechanism used to finance an export project.	3
8. Credit offered for foreign customers in case of export.	0
9. Maximum time by which the company would be willing to get into debt for an export project	3
10. Allocated budget for production improvement, both product and process.	0
11. Marketing and sales budget	0
FINANCIAL TOTAL	25/55
SALES	
9. Export plan.	0
2. Perceived added value.	5
3. Trademark registration.	5
4. Slogan in use.	5
5. Marketing and sales staff.	0
6. Staff occupied on product design and brand.	5
7. Information about its product demand on external markets.	0
8. Company's logistic capacity	5

9. Reliability on international logistics companies	5
10. Information about distribution channels on target countries.	0
11. Advertising material of flagship product	0
12. Advertising material usage.	0
13. Corporate image.	5
14. Application of guarantees and returns policies.	5
15. Webpage.	0
16. Information about the possible prices of its product overseas.	0
17. INCOTERMS usage.	0
SALES TOTAL	40/85
TOTAL SCORE OBTAINED	174/315

3.3.10 Centro de Insumos Alimenticios (CIAL).

3.4.10.1 Profile.

PROFILE.

	<p>COMPANY NAME: Centro de Insumos Alimenticios (CIAL)</p> <p>TYPE OF COMPANY: Natural Person.</p> <p>CATEGORY: Medium.</p> <p>RUC: 0102091741001</p> <p>INTERVIEW DATE: 16/10/2017</p> <p>BUSINESS ACTIVITY: Seasoning and Sauce Production.</p> <p>FLAGSHIP PRODUCT: All kinds of seasoning</p>
<p>ADDRESS:</p>	<p>Cimarrones s/n y camino a Patamarca.</p>
<p>COORDINATES:</p>	<p>-2.874897, -78.98213</p>
<p>CONTACT PERSON:</p>	<p>José Escandón.</p>
<p>TELEPHONE NUMBERS:</p>	<p>72860453</p>
<p>EMAIL:</p>	<p>jescandon@cial.com.ec</p>

3.3.10.2 Administrative aspects.

Cial is a food supplier company with 11 years in Cuenca. The company produces seasonings and sauces which are distributed nationally. Cial is expecting to have their own line of products in the future. The company does not have a strategic plan with mission and vision, however their long-term objectives are evident. The company's most important objective is to sell in the future to the final consumer and produce healthier, new flavored and low in salt condiments. The company plans to fulfill their objectives in 2020. According to the manager, their objectives are currently being met in a 3 (on a scale of 0, 3 and 5). The company has been growing constantly since 2013 through the opening of new lines to the customer. Currently, the manager is interested on covering the national market only, so exporting would be in the long term. The company would like to export in order to reach Ecuadorians consumers abroad. There is no export plan

yet. The company's main differentiation from its competition is the service they provide to customers through technical advisory on the treatment of seasonings in different products.

The company does not have an organizational chart. There is a functions manual with detailed activities of each employee. The company's procedures manual is not clear. The company is already working on getting a BPM certification. The manager has university studies and 27 years of work experience in the meat industry. The company's departments heads are chemical and food production engineers. The company has given the opportunity for young people to work and complete their studies while working in the company. The company does not have trained personnel in foreign trade, however there is some knowledge about it since the company imports its raw material.

The company does not have an export plan; however, they would be interested in getting their product to United States and Spain due to Ecuadorian afflux in those countries. There is a contracted software for data management, cost of production and inventories. The company has a very low of personnel turnover. The company's purchasing process is based on sales, price and quality. A 95% of the company's raw material is imported. The company does the mixtures and processing to obtain the seasonings. There is no mechanism to identify markets overseas.

3.3.10.3 Productive aspects.

There is no type of seasoning that sells more than another, therefore there is no flagship product. The condiments production process consists only of making the mixture which takes around 40 minutes, then the product is packaged and distributed. The company only works by orders so they have no stock. According to the manager, the current product design should be improved for external markets, 0 (on a scale of 0, 3 and 5).

The company does not use patents or industrial designs to protect their products. The 90% of the company's raw material comes from foreign suppliers. The company keeps a qualification record for its suppliers based on services and product. The current's company infrastructure has capacity to increase equipment and inventories. The current production volume is 12 tons a year and it could be increased by 50%. The company has established production flow charts and different controls.

A stock control is used for raw material registration, inputs and finished products. There is no knowledge about packaging processes for external markets. There is no negative environmental impact, however, environmental management requirements are not being

met. The company does not have a clean production system. Since the company does not have waste, there is no program for reusing or reducing it. The company is currently working to obtain the BPM certification.

3.3.10.4 Financial aspects.

The company plans its budget several times a year. The budget is planned based on sales volume. Since the company makes imports it cannot run out of liquidity, therefore, cash flows and financial reports are reviewed every week depending on the situation. The company does not analyze costs of production nor breakeven point. The company's financing sources are bank loans. At the moment, the company is not willing to commit its resources on an export project but in the future, they would finance it with a letter of credit, since that is the current mechanism used for imports.

The maximum credit that could be offered to foreign customers would be 30 days without the company being affected in some way. The company would be willing to get into debt during 3 years for financing an export project. There is no allocated budget for improvements in production processes. Although, there are continuous investments on equipment. There is no allocated budget for marketing and sales activities. Most of the company's customers are sausage companies.

3.3.10.5 Sales aspects.

The company does not use industrial designs nor patents to protect its products. According to the manager, its product added value is the customer advice they provide and it is also what keeps them ahead from its competition, 5 (on a scale of 0, 3 and 5). The company's brand is registered in the IEPI, but it does not have a slogan. There is only sales trained personnel not marketing. The company does not have internal personnel or external companies contracted for product design or branding. There is no budget allocated for marketing and sales activities. Logistics and production distribution are performed by the company personnel.

The company would trust its product to an international logistics company. There is no information about distribution channels abroad. The company does not have advertising material for its flagship product nor the company. The company publicizes its products through visits and calls, but they will create a page in social networks (Facebook). According to the manager, its corporate image is presented in the quality of the product.

There are no clear returns policies due to the company's products are rarely returned.
There is no information about the possible prices for its products overseas.

3.3.10.6 Evaluation.

ADMINISTRATIVE.	Evaluation.
1. Type of company.	3
2. Strategic business planning including mission, vision and values.	3
3. Achievement of business objectives.	3
4. Strategic business planning that includes exports.	0
5. Recognizing local and international market needs.	3
6. Differentiation from competition.	0
7. Organizational chart efficiency	0
8. Procedures manual in operation	3
9. Functions manual in operation.	5
10. Managerial instruction level.	5
11. Manager's work experience in the industry.	5
12. Educational requirements for department heads.	3
13. Use of systems for production and data management.	5
14. Continuous improvement processes applied in all departments	3
15. Staff trained in Foreign Trade.	3
16. Staff trained in English.	0

17. Information on potential external markets.	3
18. Purchasing process.	5
19. Association or syndicates.	5
20. Export promotion within the association.	0
21. Use of a mechanism for identifying external markets.	0
ADMINISTRATIVE TOTAL	57/105
PRODUCTION	
1. Product design potential to internationalize.	3
2. Patent registration and use of industrial designs	0
3. National raw material suppliers	0
4. Application of a supplier qualification system	5
5. Infrastructure capacity to increase inventories and equipment.	5
6. Industry capacity to increase its production volume.	3
7. Efficient application of production flow charts.	5
8. Use of mechanisms for raw materials, supplies and finished products registration.	3
9. Knowledge about packaging processes for external markets.	0
10. Negative environmental impact.	5
11. Environmental management requirements.	5
12. Guaranteed clean production systems	0

13. Waste reuse and reduction systems.	0
14. Business certifications	5
PRODUCTIVE TOTAL	39/70
FINANCIAL.	
1. Budget planning.	5
2. Cash flows revision and analysis.	5
3. Financial reports revision and analysis.	3
4. Production costs and break-even point analysis.	0
5. Company's financing sources.	3
6. Disposition to compromise company's resources on an export project.	3
7. Type of mechanism used to finance an export project.	5
8. Credit offered for foreign customers in case of export.	3
9. Maximum time by which the company would be willing to get into debt for an export project	5
10. Allocated budget for production improvement, both product and process.	0
11. Marketing and sales budget	0
FINANCIAL TOTAL	32/55
SALES	
10. Export plan.	0

2. Perceived added value.	3
3. Trademark registration.	5
4. Slogan in use.	0
5. Marketing and sales staff.	3
6. Staff occupied on product design and brand.	0
7. Information about its product demand on external markets.	0
8. Company's logistic capacity	5
9. Reliability on international logistics companies	5
10. Information about distribution channels on target countries.	0
11. Advertising material of flagship product	0
12. Advertising material usage.	3
13. Corporate image.	3
14. Application of guarantees and returns policies.	0
15. Webpage.	3
16. Information about the possible prices of its product overseas.	0
17. INCOTERMS usage.	0
SALES TOTAL	30/85
TOTAL SCORE OBTAINED	158/315

3.3.11 Projasa.

3.3.11.1 Profile.

PROFILE.	
	COMPANY NAME: PROJASA TYPE OF COMPANY: Natural Person CATEGORY: Medium RUC: 0300115862001. INTERVIEW DATE: 21/10/2017 BUSINESS ACTIVITY: Food processing, sausages FLAGSHIP PRODUCT: Sausage
ADDRESS:	Cdra. Católica y Calle Antonio Machado
COORDINATES:	-2.88093, -78.98537
CONTACT PERSON:	Jaime Calle.
TELEPHONE NUMBERS:	072341414
EMAIL:	projasaem@hotmail.com

3.3.11.2 Administrative aspects.

Projasa is a food processing company. The company has a strategic plan and its objectives are being met in a 3 (on a scale of 0, 3, and 5) The company plans to export within its strategic plan once it has obtained all the certifications required, which is expected by December 2017. For the moment, the company is focusing on attending the local needs. The company's main differentiation from competition is the quality from its raw material, finished product and especially its production process which is artisanal with no use of chemical substances. The company have an organizational chart and it works efficiently.

According to the manager, since it is a family business all the administrative part is conducted by family members which facilitates the work. The company is divided in 3 departments: production, administration and sales. All the departments count with procedures manuals and functions manuals. The manager has post graduate studies and 33 years of work experience. The company requires university level of education for all departments heads.

The company has continuous improvement processes for all its departments to achieve a better quality each time. There are no trained personnel in foreign trade but there is personnel who knows English. External services are contracted for imports. Although, there is no export plan, the company has general information on external markets.

The purchase process is based on a planning carried out by the purchasing department. The company is a CAPIA member and it also is part of the Chamber of Commerce of Cuenca. According to the manager, both chambers promote exports. Potential markets are chosen based on demand, price and quality.

3.3.11.3 Productive Aspects.

The company's flagship product is sausage. The production process starts with the arrival of raw material, which is ground and followed by an analysis of critical points and finally the paste goes to the cooking area. The final product has a resting time before being packaged. According to the manager, the company needs a better packing process, equipment renovation and a more attractive product design to be accepted and more competitive in the foreign markets. The company uses patents to protect its products. Most of the raw materials come from foreign suppliers especially when it comes to condiments and packaging. The company has a qualification record for its suppliers, ranging from the most efficient to the most deficient. The company's infrastructure has capacity to expand in equipment and inventories. The company's current production volume is 150000 lb. per month, and it could be increased by 60%. The company has flowcharts that work efficiently.

Excel is used as a tool for data and production management. There is no knowledge about packing process for external markets. There is no negative environmental impact and environmental management requirements are met. The company has certifications granted because of using clean production systems and there is also a program for reducing and reusing waste approved by MIPRO. The company has a BPM certification.

3.3.11.4 Financial aspects.

The company plans its budget based on the previous year's financial statement and country economic condition. The company has had budget cuts in advertising due to economic conditions during the last four years. Cash flow and financial reports are reviewed once a month. Costs of production and break-even point are not reviewed on a constant basis. The company's financial sources are bank loans and own resources. The company is willing to commit its resources in an export project in a 3 (on a scale of 0, 3 and 5). An export project would be financed with private financial institutions and the company would be willing to get into debt for three years.

Since the company's flagship product has a shelf life that lasts 45 days, the company would be willing to give a maximum credit of 30 days to foreign customers. The company is currently planning a budget for improvement in production, both processes and products. The company has an allocated budget for marketing activities, however it has had some cuts.

3.3.11.5 Sales aspects.

The company does not have export plan. According to the manager, its product is perceived in added value as a 5 (on a scale of 0, 3 and 5). However, the owner considers they have been affected by the competition in terms of prices. The company's brand is registered in the IEPI, and its slogan is "quality has a name". There is no trained personnel on sales and marketing, but external services are contracted for branding and products design. An air shipping company would be in charge of carrying the company's product abroad, therefore the company trusts international logistics services.

There is no information about target markets overseas. There is advertising material for its flagship product. The company also uses cars, catalogs, fairs, tents, for advertising all its lines. According to the manager, the company needs to use its advertising more efficiently in order to reach the whole market. The company has analyzed the prices offered by their competition in foreign markets. There is no knowledge about INCOTERMS.

3.3.11.6 Evaluation.

ADMINISTRATIVE.	Evaluation.
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1. Type of company.	5
2. Strategic business planning including mission, vision and values.	5
3. Achievement of business objectives.	3
4. Strategic business planning that includes exports.	5
5. Recognizing local and international market needs.	3
6. Differentiation from competition.	5
7. Organizational chart efficiency	5
8. Procedures manual in operation	3
9. Functions manual in operation.	3
10. Managerial instruction level.	5
11. Manager's work experience in the industry.	5
12. Educational requirements for department heads.	3
13. Use of systems for production and data management.	5
14. Continuous improvement processes applied in all departments	5
15. Staff trained in Foreign Trade.	0
16. Staff trained in English.	3
17. Information on potential external markets.	0
18. Purchasing process.	3
19. Association or syndicates.	5

20. Export promotion within the association.	5
21. Use of a mechanism for identifying external markets.	3
ADMINISTRATIVE TOTAL	76/105
PRODUCTION	
1. Product design potential to internationalize.	3
2. Patent registration and use of industrial designs	5
3. National raw material suppliers	3
4. Application of a supplier qualification system	5
5. Infrastructure capacity to increase inventories and equipment.	3
6. Industry capacity to increase its production volume.	5
7. Efficient application of production flow charts.	5
8. Use of mechanisms for raw materials, supplies and finished products registration.	5
9. Knowledge about packaging processes for external markets.	0
10. Negative environmental impact.	5
11. Environmental management requirements.	5
12. Guaranteed clean production systems	5
13. Waste reuse and reduction systems.	5
14. Business certifications	5
PRODUCTIVE TOTAL	61/70

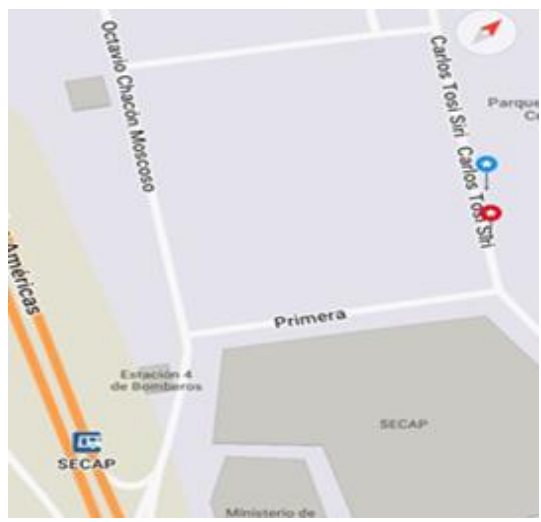
FINANCIAL.	
1. Budget planning.	5
2. Cash flows revision and analysis.	3
3. Financial reports revision and analysis.	3
4. Production costs and break-even point analysis.	3
5. Company's financing sources.	3
6. Disposition to compromise company's resources on an export project.	3
7. Type of mechanism used to finance an export project.	3
8. Credit offered for foreign customers in case of export.	3
9. Maximum time by which the company would be willing to get into debt for an export project	5
10. Allocated budget for production improvement, both product and process.	5
11. Marketing and sales budget	3
FINANCIAL TOTAL	43/55
SALES	
11. Export plan.	0
2. Perceived added value.	3
3. Trademark registration.	3
4. Slogan in use.	5

5. Marketing and sales staff.	0
6. Staff occupied on product design and brand.	3
7. Information about its product demand on external markets.	5
8. Company's logistic capacity	3
9. Reliability on international logistics companies	5
10. Information about distribution channels on target countries.	5
11. Advertising material of flagship product	3
12. Advertising material usage.	5
13. Corporate image.	5
14. Application of guarantees and returns policies.	0
15. Webpage.	5
16. Information about the possible prices of its product overseas.	3
17. INCOTERMS usage.	0
SALES TOTAL	50/85
TOTAL SCORE OBTAINED	230/315

3.3.12 Pastificio Nilo.

3.3.12.1 Profile.

PROFILE.

	<p>COMPANY NAME: PASTIFICIO NILO</p> <p>TYPE OF COMPANY: Limited Liability</p> <p>CATEGORY: Medium</p> <p>RUC: 0190084361001</p> <p>INTERVIEW DATE: 12/10/2017</p> <p>BUSINESS ACTIVITY: Pasta manufacturing.</p> <p>FLAGSHIP PRODUCT: Noodles (Nilo/500 gr).</p>
<p>ADDRESS:</p>	<p>Carlos Tosi Siri 2-62 y Primera Convención (Parque Industrial)</p>
<p>COORDINATES:</p>	<p>-2.87775, -78.975273</p>
<p>CONTACT PERSON:</p>	<p>Washington Ñauta</p>
<p>TELEPHONE NUMBERS:</p>	<p>072863575/072863576/072863515</p>
<p>EMAIL:</p>	<p>pastificionilo@etapanet.net</p>

3.3.12.2 Administrative aspects.

Pastificio Nilo is a Liability Limited company. It is a family company in which the father and sons are the shareholders, 14 in total. Although the company has a strategic plan with mission, vision and values, it never was applied in practice. The company has an organization chart with the father as the president and largest shareholder, followed by the manager and its 5 departments: warehouse, sales, financial, human resources and accounting. According to the manager, his main objective is making the company grow economically. The company does not have a manual of functions but there is a procedures manual. The manager has university studies and 20 years of work experience in the industry. There is no level of education required for the departments heads. The company uses Adviser (software) as a tool for data and production management. Continuous improvement processes are only applied in production. The company's purchasing process is based on historical sales, every time there is a minimum stock.

The company is a CAPIA member, and according to the manager, exports are promoted on a frequent basis. There are no trained personnel in foreign trade nor personnel who knows English.

3.3.12.3 Productive aspects.

The company's flagship product are noodles (Nilo/500gr). The production process is still artisanal because the company's machinery is not completely automatized. According to the manager, even though the company's competition has the adequate machinery, customers still prefer their product. The production process starts with mixing water and flour. A paste is obtained and it is transferred to a machine that converts it into sheets. The next step is to transfer the sheets to molds that gives them the shape of noodles. After the pasta is dried, it is manually packed.

The packaging material is made from polypropylene. Since international needs are not considered, the current product design would not be well received overseas. The company does not have production flow charts. The company does not have industrial designs or patents to protect its product. The production volume is 65 quintals per day and it could be increased by 50%, however, to do so it would require to increase its personnel and equipment, something the company cannot currently afford. Raw material suppliers are national and the company does not have a qualification record for them. LIFO and FIFO systems are used for raw material registration, inputs and finished products. There is no negative environmental impact and environmental management requirements are met. There is no program to reuse or reduce waste. The company does not have information on packaging processes for external markets. Nilo does not have certifications.

3.3.12.4 Financial aspects.

The company's financing sources are their own resources. The accounting department plans the company's budget based on projected revenues and sales. There are constant adjustments in costs of production due to changes in the productive process. A portion of the budget is allocated for machinery renovation. The company's manager requests cash flow reports on a weekly basis and financial reports are reviewed each three months.

Currently, the company would not be willing to commit its resources on an export project, 0 (on a scale of 0, 3 and 5). According to the manager, the company is first

interested on being more competitive locally. The company would finance an export project with the CFN and would be willing to get into debt for five years. The maximum credit the company would give to foreign customers would be 3 months.

3.3.12.5 Sales aspects.

The company sells its product through direct contact with the customer in order to understand better the market. The company's sales agents are usually family members therefore there is a low sales personnel turnover. According to the manager, since the product is very traditional it has been generally accepted, without considering local or international needs. The company does not have an export plan.

The company's brand is registered in the IEPI but it does not have a slogan. The product design was updated about a year ago, by contracting external services. There is no allocated budget for marketing and sales activities nor trained staff. Product distribution is performed by staff. There is no advertising material for the flagship product.

Regarding returns policies, the product is changed only when it has expired or it is in poor condition. The company does not have a web page or social networks. The company does not have information about distribution channels nor possible prices for its product overseas. There is no knowledge about INCOTERMS.

3.3.12.6 Evaluation.

ADMINISTRATIVE.	Evaluation.
1. Type of company.	5
2. Strategic business planning including mission, vision and values.	0
3. Achievement of business objectives.	3
4. Strategic business planning that includes exports.	0
5. Recognizing local and international market needs.	0
6. Differentiation from competition.	3

7. Organizational chart efficiency	3
8. Procedures manual in operation	3
9. Functions manual in operation.	0
10. Managerial instruction level.	5
11. Manager's work experience in the industry.	5
12. Educational requirements for department heads.	0
13. Use of systems for production and data management.	5
14. Continuous improvement processes applied in all departments	0
15. Staff trained in Foreign Trade.	0
16. Staff trained in English.	0
17. Information on potential external markets.	0
18. Purchasing process.	5
19. Association or syndicates.	5
20. Export promotion within the association.	5
21. Use of a mechanism for identifying external markets.	0
ADMINISTRATIVE TOTAL	47/105
PRODUCTION	
1. Product design potential to internationalize.	0
2. Patent registration and use of industrial designs	5
3. National raw material suppliers	5


4. Application of a supplier qualification system	3
5. Infrastructure capacity to increase inventories and equipment.	5
6. Industry capacity to increase its production volume.	0
7. Efficient application of production flow charts.	0
8. Use of mechanisms for raw materials, supplies and finished products registration.	5
9. Knowledge about packaging processes for external markets.	0
10. Negative environmental impact.	5
11. Environmental management requirements.	5
12. Guaranteed clean production systems	0
13. Waste reuse and reduction systems.	0
14. Business certifications	0
PRODUCTIVE TOTAL	33/70
FINANCIAL.	
1. Budget planning.	5
2. Cash flows revision and analysis.	5
3. Financial reports revision and analysis.	5
4. Production costs and break-even point analysis.	5
5. Company's financing sources.	3

6. Disposition to compromise company's resources on an export project.	0
7. Type of mechanism used to finance an export project.	3
8. Credit offered for foreign customers in case of export.	0
9. Maximum time by which the company would be willing to get into debt for an export project	0
10. Allocated budget for production improvement, both product and process.	5
11. Marketing and sales budget	0
FINANCIAL TOTAL	31/55
SALES	
12. Export plan.	0
2. Perceived added value.	3
3. Trademark registration.	5
4. Slogan in use.	0
5. Marketing and sales staff.	0
6. Staff occupied on product design and brand.	5
7. Information about its product demand on external markets.	0
8. Company's logistic capacity	5
9. Reliability on international logistics companies	5
10. Information about distribution channels on target countries.	0

11. Advertising material of flagship product	0
12. Advertising material usage.	0
13. Corporate image.	3
14. Application of guarantees and returns policies.	5
15. Webpage.	0
16. Information about the possible prices of its product overseas.	0
17. INCOTERMS usage.	0
SALES TOTAL	31/85
TOTAL SCORE OBTAINED	142/315

3.3.13 Molino y Pastificio Alexandra MOPALEX.

3.3.13.1 Profile.

PROFILE.	
	<p>COMPANY NAME: MOLINO Y PASTIFICIO ALEXANDRA MOPALEX</p> <p>TYPE OF COMPANY: Limited Liability</p> <p>CATEGORY: Small</p> <p>RUC: 0190169340001</p> <p>INTERVIEW DATE: 27/10/2017</p> <p>BUSINESS ACTIVITY: Pasta manufacturing.</p> <p>FLAGSHIP PRODUCT: Pasta (Ficorini)</p>
ADDRESS:	Carlos Tosi Siri 2-80 y Primera Convención

COORDINATES:	-2.877443, -78.975587
CONTACT PERSON:	Rómulo Ñauta
TELEPHONE NUMBERS:	072806237
EMAIL:	federico.nauta@hotmail.com

3.3.13.2 Administrative aspects.

MOPALEX is a limited liability pasta manufacturing company. The company has a strategic plan with mission and vision. According to the manager, objectives are being met in a 3 (on a scale of 0, 3 and 5). There is no export plan, the company only considers local needs. Quality and price are the company's main differentiation from its competition. The company has an organizational chart and it is applied in a 80%. The company has procedures and functions manuals. The company's owner is the president and also the production manager.

The owner has high school level of education. However, his son who is the company's administrator has university studies and worked together with his father for 18 years. The company's administrator has two years of work experience in terms of administrative management. Regarding production, there are no studies requirements. However, work experience is essential and for the administrative department both university studies and work experience are taken into account.

The company has continuous improvement processes for all departments. Adviser (software) is used for the data and production management. There are no trained personnel in foreign trade, but there is a person who knows English. There is no information about potential markets for its product overseas. The company's purchase process is based on quality and demand. The company is a CAPIA member and according to the manager, exports are promoted frequently. The mechanism for identifying markets locally is through market investigations however, there is no mechanism for identifying markets abroad.

3.3.13.3 Productive aspects.

The company's flagship product is the Ficorini noodles (500 grams). Its production process begins with the raw material reception, which is the flour. Once it is verified if

quality requirements are met, it goes to the mixer. A dough is obtained from mixing water and flour that came from different flows. Next the dough is sent to the chopper machine and rolls are sent to different molds. Then the product is brought to a P-500 machine which is in charge of the preheating, heating and killing the bacteria.

Once the time is up, noodles are packed and weighted. The packaging process is manual and the product's shelf life is one year. Both patents and industrial designs are used to protect the product. Raw materials suppliers are national and there is no supplier's qualification record, but there is an internal control for quality. The current company's infrastructure has capacity to increase inventories and equipment. The company's production volume is 150 quintals per day and it could be increased by 30%, provided that there is demand.

The company has production flowcharts. The production manager is the person who takes control with all related to raw material registration, inventories and finished products. There is no knowledge about packaging processes for external markets. There is no negative environmental impact and environmental management requirements are met. There is no clean production system. The company has a program to reduce waste. This program sends raw material not apt for human consumption to a different treatment intended for animal consumption. The company does not have certifications.

3.3.13.4 Financial aspects.

The company plans economic, sales and production budgets annually. The company does not have an administration department but there is an accountant who visits the company on a regular basis. Cash flows are analyzed each six-months; and financial reports are reviewed annually. Costs of production and break-even point are constantly analyzed. The financing sources are the company's assets and loans from financial institutions such as Banco del Pichincha, Banco del Austro and Cooperativa JEP.

The company would be willing to commit its resources to an export project, as long as it would be viable for the company. The company would finance an export project through commercial loans. The maximum time that could be offered to foreign customers would be one month. The company would be willing to get into debt for 5 years in case of export. There is an allocated budget for production improvement both process and product.

3.3.13.5 Sales aspects.

The company does not have an export plan. According to the manager, the product is perceived in added value by a 3 (on a scale of 0, 3 and 5). The company's brand is registered in the IEPI, and its slogan is "Ficorini Noodles, how delicious they are!". There are no trained personnel in marketing and sales nor an allocated budget for these activities. The company has an employee for product design. There is no information about demand markets nor possible prices of its product overseas.

Company's logistics and product distribution are performed by company's personnel. There is no information about distribution channels abroad. The company would trust international logistics services to deliver its product. The company does not have social networks or website, nor advertising material for its flagship product. Return policies are well established. There is no knowledge or information about INCOTERMS.

3.3.13.6 Evaluation.

ADMINISTRATIVE.	Evaluation.
1. Type of company.	5
2. Strategic business planning including mission, vision and values.	3
3. Achievement of business objectives.	3
4. Strategic business planning that includes exports.	3
5. Recognizing local and international market needs.	0
6. Differentiation from competition.	5
7. Organizational chart efficiency	3
8. Procedures manual in operation	3
9. Functions manual in operation.	3
10. Managerial instruction level.	5

11. Manager's work experience in the industry.	3
12. Educational requirements for department heads.	5
13. Use of systems for production and data management.	5
14. Continuous improvement processes applied in all departments	3
15. Staff trained in Foreign Trade.	0
16. Staff trained in English.	5
17. Information on potential external markets.	0
18. Purchasing process.	5
19. Association or syndicates.	5
20. Export promotion within the association.	3
21. Use of a mechanism for identifying external markets.	0
ADMINISTRATIVE TOTAL	67/105
PRODUCTION	
1. Product design potential to internationalize.	3
2. Patent registration and use of industrial designs	5
3. National raw material suppliers	5
4. Application of a supplier qualification system	3
5. Infrastructure capacity to increase inventories and equipment.	5
6. Industry capacity to increase its production volume.	0
7. Efficient application of production flow charts.	5

8. Use of mechanisms for raw materials, supplies and finished products registration.	5
9. Knowledge about packaging processes for external markets.	0
10. Negative environmental impact.	5
11. Environmental management requirements.	5
12. Guaranteed clean production systems	0
13. Waste reuse and reduction systems.	5
14. Business certifications	0
PRODUCTIVE TOTAL	46/70
FINANCIAL.	
1. Budget planning.	3
2. Cash flows revision and analysis.	3
3. Financial reports revision and analysis.	0
4. Production costs and break-even point analysis.	5
5. Company's financing sources.	3
6. Disposition to compromise company's resources on an export project.	0
7. Type of mechanism used to finance an export project.	3
8. Credit offered for foreign customers in case of export.	3

9. Maximum time by which the company would be willing to get into debt for an export project	0
10. Allocated budget for production improvement, both product and process.	5
11. Marketing and sales budget	0
FINANCIAL TOTAL	25/55
SALES	
13. Export plan.	0
2. Perceived added value.	5
3. Trademark registration.	5
4. Slogan in use.	5
5. Marketing and sales staff.	0
6. Staff occupied on product design and brand.	5
7. Information about its product demand on external markets.	0
8. Company's logistic capacity	5
9. Reliability on international logistics companies	5
10. Information about distribution channels on target countries.	0
11. Advertising material of flagship product	0
12. Advertising material usage.	0
13. Corporate image.	3
14. Application of guarantees and returns policies.	5

15. Webpage.	0
16. Information about the possible prices of its product overseas.	0
17. INCOTERMS usage.	0
SALES TOTAL	33/85
TOTAL SCORE OBTAINED	171/315

3.3.14 Helados de la tienda.

3.4.14.1 Profile.

PROFILE.	
	<p>COMPANY NAME: Helados la Tienda Helatienda CIA. Ltda.</p> <p>TYPE OF COMPANY: Limited Liability</p> <p>CATEGORY: Small</p> <p>RUC: 0190399559001</p> <p>INTERVIEW DATE: 20/10/2017</p> <p>BUSINESS ACTIVITY: Production and sale of ice cream, pastries.</p> <p>FLAGSHIP PRODCUT Ice cream.</p>
ADDRESS:	Medardo Ángel Silva y Demetrio Aguilera Malta.
COORDINATES:	-2.906321, -78.988719
CONTACT PERSON:	Enrique Solano.

TELEPHONE NUMBERS:	0998804051
EMAIL:	helados-la-tienda@hotmail.com

3.3.14.2 Administrative aspects.

Helados La Tienda is a company that began as a grocery store 35 years ago in which ice cream was sold along with other products but over the years ice cream became their core business. This familiar business only has 3 years as a constituted company. The company has strategic plan with mission, vision and values. According to the manager, objectives are met in 3 (on a scale of 0, 3 and 5). The company's manager thinks on exporting as a long-term goal which is why it is not considered within its strategic plan. At the moment, only local needs are considered.

According to the manager, also maintaining cold chain for its products is a great difficulty when planning to export and he feels there is no governmental support in this matter.

Quality is the company's main differentiation from its competition. The company has an organization chart which is applied efficiently, as well as, its functions manual. The company's manager has a high school level of education and 22 years of work experience in the industry. The company applies continuous improvement processes in all departments.

The company does not have trained personnel in foreign trade. The company has some foreign customers interested on buying its product in the United States. There is some general knowledge about reefers containers to transport the product. The purchase process is based on price and quality. The company is not part of any guild.

3.3.14.3 Productive aspects.

The company's flagship product is ice cream. The production process starts with the arrival of raw material that is transformed into syrups or "mixes". These are then turned into ice cream that can be sold. According to the manager, the current product design is not going to be well accepted in external markets since the tradition is having ice cream at the store. The company does not use industrial designs to protect its products. However, some flavors made by the company are getting patented except for those with generic names like "naranjilla" which is a well-known fruit. All company's suppliers are national, however, there is no supplier's qualification record.

The company's infrastructure has capacity to increase inventories and equipment. The production are 350 000 units of ice cream. The company could increase its production volume by three times the current capacity. According to the manager, the company is acquiring new equipment that "industrializes" the ice cream production, maintaining the quality. The company's ice cream production is according the weather, this it is planned on a weekly basis. There are no production flowcharts.

Raw materials are kept during 5 days as maximum due to a high rotation of the product, the material that is not used is discharged, in this way, the company meets the BPM certification established standards. The company does not have a registration for raw materials, inventories and finished products, however, there is an intern control after the purchase process. The company keeps another inventory for molds and popsicles sticks. There is no knowledge about the product packaging for foreign markets. According to the manager, the production process tries to be as environmental friendly as possible. The company is very careful with water use, electric power and package. Environmental management requirements are met demanded by the National Agency of Regulation and Control and Sanitary Vigilance (ARCSA in Spanish). There are no programs to reduce or reuse waste. Currently, the company does not have certifications, however, they are working to obtain a BPM.

3.3.14.4 Financial aspects.

The company plans its budget on a weekly basis and pays his tax obligations monthly. According to the manager, there is no long-term budget planning because sales depend on climate, therefore costs change constantly. Cash flows are reviewed each week and financial reports annually. The costs of production and break-even point are analyzed frequently. The company's financing sources are shares. The company would be willing to commit its resources on a 25% in an export project and it would be willing to finance it through a bank loan. The company would be willing to get into debt for maximum 2 years. The company would be given 30 days of credit to foreign customers. There is an allocated budget for improvement in production both product and process and also for marketing and sales activities.

3.3.14.5 Sales aspects.

According to the manager, the company's product is perceived with a 3 in added value (on a scale of 0, 3 or 5). However, the product has a great acceptance between the public

since the company sells everything they produce. The company's brand is registered in the IEPI. There is no slogan, trained personnel in marketing nor product design personnel. The company does not have information on product demand nor information about distribution channels abroad. Product distribution locally and nationally is performed by company's personnel. The company would trust international logistics companies with its product.

The company uses only its logo as advertising material on the retails that distribute the product. The company has Facebook; however, word of mouth has been their best advertising material. The company wants to show its customers they have quality and innovation. Since the product has a high rotation, the company has not established its returns policies. According to the manager, it is also because there has not happened a case yet because local and national orders are made on a weekly basis and the shelf life of the product is 30 days. The company does not have a website nor information about its product possible prices overseas. Nationally, the company lets its distributors decide on the ice cream price.

3.3.14.6 Evaluation.

ADMINISTRATIVE.	Evaluation.
1. Type of company.	3
2. Strategic business planning including mission, vision and values.	3
3. Achievement of business objectives.	3
4. Strategic business planning that includes exports.	0
5. Recognizing local and international market needs.	3
6. Differentiation from competition.	5
7. Organizational chart efficiency	5
8. Procedures manual in operation	5

9. Functions manual in operation.	5
10. Managerial instruction level.	3
11. Manager's work experience in the industry.	5
12. Educational requirements for department heads.	3
13. Use of systems for production and data management.	3
14. Continuous improvement processes applied in all departments	3
15. Staff trained in Foreign Trade.	0
16. Staff trained in English.	0
17. Information on potential external markets.	0
18. Purchasing process.	5
19. Association or syndicates.	5
20. Export promotion within the association.	0
21. Use of a mechanism for identifying external markets.	0
ADMINISTRATIVE TOTAL	59/105
PRODUCTION	
1. Product design potential to internationalize.	0
2. Patent registration and use of industrial designs	5
3. National raw material suppliers	5
4. Application of a supplier qualification system	5
5. Infrastructure capacity to increase inventories and equipment.	5

6. Industry capacity to increase its production volume.	5
7. Efficient application of production flow charts.	5
8. Use of mechanisms for raw materials, supplies and finished products registration.	3
9. Knowledge about packaging processes for external markets.	0
10. Negative environmental impact.	5
11. Environmental management requirements.	5
12. Guaranteed clean production systems	0
13. Waste reuse and reduction systems.	0
14. Business certifications	5
PRODUCTIVE TOTAL	48/70
FINANCIAL.	
1. Budget planning.	5
2. Cash flows revision and analysis.	3
3. Financial reports revision and analysis.	3
4. Production costs and break-even point analysis.	3
5. Company's financing sources.	3
6. Disposition to compromise company's resources on an export project.	3
7. Type of mechanism used to finance an export project.	3

8. Credit offered for foreign customers in case of export.	3
9. Maximum time by which the company would be willing to get into debt for an export project	5
10. Allocated budget for production improvement, both product and process.	3
11. Marketing and sales budget	3
FINANCIAL TOTAL	37/55
SALES	
14. Export plan.	0
2. Perceived added value.	5
3. Trademark registration.	5
4. Slogan in use.	0
5. Marketing and sales staff.	0
6. Staff occupied on product design and brand.	0
7. Information about its product demand on external markets.	0
8. Company's logistic capacity	5
9. Reliability on international logistics companies	5
10. Information about distribution channels on target countries.	0
11. Advertising material of flagship product	3
12. Advertising material usage.	3
13. Corporate image.	5

14. Application of guarantees and returns policies.	0
15. Webpage.	0
16. Information about the possible prices of its product overseas.	0
17. INCOTERMS usage.	0
SALES TOTAL	34/85
TOTAL SCORE OBTAINED	178/315

3.3.15 Empresa Buenaño y Caicedo.

3.4.15.1 Profile.

PROFILE.	
	<p>COMPANY NAME: Buen año Caicedo Compañía de Negocios</p> <p>TYPE OF COMPANY: Limited company.</p> <p>CATEGORY: Medium.</p> <p>RUC: 0190399559001</p> <p>INTERVIEW DATE: 17/10/2017</p> <p>BUSINESS ACTIVITY: Pasta manufacturing.</p> <p>FLAGSHIP PRODUCT: “Estrella de oro” (flour), “La delicia” (noodles).</p>
ADDRESS:	Obispo Miguel León 3-01 y Arzobispo Serrano Abad.
COORDINATES:	-2.880016, -78.985956

CONTACT PERSON:	Ricardo Caicedo.
TELEPHONE NUMBERS:	2341015
EMAIL:	josebuenanio@yahoo.es

3.3.15.2 Administrative aspects.

Buenaño y Caicedo is a pasta manufacturing limited company. The company does not have a strategic plan with mission, vision and values. According to the manager, the company has not renewed its strategic plan because of the instability they are experiencing. The company has a high personnel turnover due to people decide to leave its position or do not meet the established profile. The company has met their objectives in 3 (on a scale of 0, 3 and 5). The manager has always considered to export; however, the company's prices are not competitive abroad due to the dollar and also the high costs of production in the country.

The company only considers local needs and there is no a clear differentiation in relation to its competition. According to the manager, the product is of popular consumption. The company has an organization chart, as well as, functions and procedures manuals. The manager has university studies and has 30 years of work experience. The company requires university studies for its departments heads.

The company has software for data and production management. There is no continuous improvement process applied in any departments due to high costs involved and lack of governmental support in these matters. The company does not have trained personnel in foreign trade, however, there is bilingual staff who has some knowledge about this matter. The company does not have an export plan, but it is planning to do it in the future when the company gets to cover the national demand. The company had already begun to export sporadically but they stopped because of high costs and unfavorable policies. The company's manager considers Ecuador is a country in which it is too expensive to produce, labor costs have increased without taking into account costs of production. Plus, safeguards and increased tariffs, have elevated the price of raw materials, capital goods and spare parts. Besides, the excess of bureaucracy forces the company to spend money contracting people for paperwork asked by the multiple public companies. Thus, there is no real support for production or exports.

The company has general information about target markets for its product abroad. According to the manager, Ecuador has an inherent competitive advantage for being small, since for us it is closer to get to the north of Peru or to the south of Colombia than for them from their own capitals to get their products to these places. Besides, these countries have similar consumption habits to ours. The company has already met sanitary and brand requirements for these markets. The company imports its raw material from Canada since not enough is produced within the country. The company is part of the Chamber of Industries and ASEMOL. According to the manager, exports are promoted in these chambers. The company would identify a foreign market according to added value and costs.

3.3.15.3 Productive aspects.

The company's flagship products are flour "Estrella de oro" and noodles "La delicia". The flour is obtained by processing wheat through mills. The company offers three different types of flour for bakeries, pasta manufacturing and a commercial one. According to the manager, its current product design needs to be improved in case of export. The company does not use patents or industrial designs to protect its products. Company's suppliers are 90% foreign. There is a qualification record for suppliers according to quality, delivery time and credit offered. The company has only a 10% of infrastructure left to increase equipment and inventories.

The company's production volume are 500 tons of ground wheat and 180 tons of pasta as a finished product, per year. The company's production volume could be increased only by 15%. The company has production flow charts that are efficient in most lines of production. The company has trained personnel for raw material registration, inventories and finished products. There is no negative environmental impact and environmental management requirements are met. The company has a program to reduce waste generating as a result only a 0.1% of non-polluting waste. There is no a clean production system. The company's manager has general knowledge about packaging processes for external markets.

3.3.15.4 Financial aspects.

The company plans its budget on a monthly basis based on projected sales in order to allocate the corresponding budget for the purchasing process. Cash flows and financial reports are reviewed monthly, as well as, costs of production and break-even point. The

company's financing sources are own (40%) and from bank loans (60%). The company is willing to commit its resources in a 3 (on a scale of 0, 3 and 5) for an export project. The company would finance an export project through a commercial loan. The company would be able to offer two months of credit to foreign clients and it would be willing to get into debt from 5 to 10 years for an export project. There is a budget allocated for improvements processes in production, which is 2% of total sales. There is no allocated budget for marketing activities, but there is for sales

3.3.15.5 Sales aspects

According to the manager, the product has been well received in the south part of the country. The company's brand is registered in the IEPI and its slogan is "the good taste of pasta". The company does not have trained personnel on marketing and sales, although, next year they are planning to hire personnel for corporate image, product design and branding. There is information about product demand but only nationally not overseas. Logistics and product distribution are performed by staff and external services. The company would trust international logistics companies in case of export. There is only basic information about distribution channels for its product overseas. The only advertisement for the company's flagship product is through tasting campaigns. The company has a website. There are clear return policies and knowledge about possible prices for its product abroad. There is no knowledge about INCOTERMS.

3.3.15.6 Evaluation.

ADMINISTRATIVE.	Evaluation.
1. Type of company.	5
2. Strategic business planning including mission, vision and values.	3
3. Achievement of business objectives.	3
4. Strategic business planning that includes exports.	0
5. Recognizing local and international market needs.	3

6. Differentiation from competition.	5
7. Organizational chart efficiency	5
8. Procedures manual in operation	5
9. Functions manual in operation.	5
10. Managerial instruction level.	3
11. Manager's work experience in the industry.	5
12. Educational requirements for department heads.	3
13. Use of systems for production and data management.	5
14. Continuous improvement processes applied in all departments	5
15. Staff trained in Foreign Trade.	3
16. Staff trained in English.	3
17. Information on potential external markets.	3
18. Purchasing process.	5
19. Association or syndicates.	5
20. Export promotion within the association.	0
21. Use of a mechanism for identifying external markets.	0
ADMINISTRATIVE TOTAL	76/105
PRODUCTION	
1. Product design potential to internationalize.	3
2. Patent registration and use of industrial designs	0

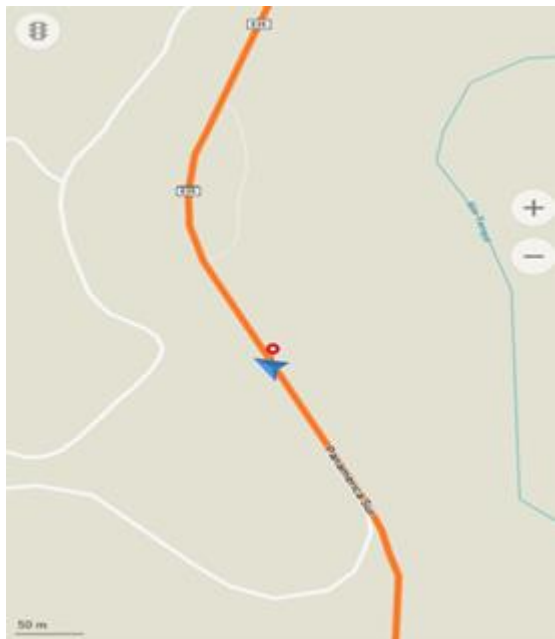
3. National raw material suppliers	0
4. Application of a supplier qualification system	5
5. Infrastructure capacity to increase inventories and equipment.	0
6. Industry capacity to increase its production volume.	0
7. Efficient application of production flow charts.	5
8. Use of mechanisms for raw materials, supplies and finished products registration.	5
9. Knowledge about packaging processes for external markets.	5
10. Negative environmental impact.	5
11. Environmental management requirements.	5
12. Guaranteed clean production systems	0
13. Waste reuse and reduction systems.	0
14. Business certifications	5
PRODUCTIVE TOTAL	38/70
FINANCIAL.	
1. Budget planning.	5
2. Cash flows revision and analysis.	5
3. Financial reports revision and analysis.	5
4. Production costs and break-even point analysis.	3
5. Company's financing sources.	3

6. Disposition to compromise company's resources on an export project.	5
7. Type of mechanism used to finance an export project.	0
8. Credit offered for foreign customers in case of export.	3
9. Maximum time by which the company would be willing to get into debt for an export project	5
10. Allocated budget for production improvement, both product and process.	3
11. Marketing and sales budget	3
FINANCIAL TOTAL	40/55
SALES	
15. Export plan.	3
2. Perceived added value.	5
3. Trademark registration.	5
4. Slogan in use.	5
5. Marketing and sales staff.	0
6. Staff occupied on product design and brand.	0
7. Information about its product demand on external markets.	0
8. Company's logistic capacity	3
9. Reliability on international logistics companies	3
10. Information about distribution channels on target countries.	0

11. Advertising material of flagship product	3
12. Advertising material usage.	5
13. Corporate image.	3
14. Application of guarantees and returns policies.	3
15. Webpage.	5
16. Information about the possible prices of its product overseas.	0
17. INCOTERMS usage.	0
SALES TOTAL	43/85
TOTAL SCORE OBTAINED	197/315

3.3.16 DELMEX Delicias mexicanas.

3.4.16.1 Profile.

PROFILE.	
	<p>COMPANY NAME: DELMEX DELICIAS MEXICANAS</p> <p>TYPE OF COMPANY: Natural Person</p> <p>CATEGORY: Small</p> <p>RUC: 0102972122001.</p> <p>INTERVIEW DATE: 06/11/2017</p> <p>BUSINESS ACTIVITY: Food processing.</p> <p>FLAGSHIP PRODUCT: Tortillas and nachos.</p>

ADDRESS:	Panamericana Sur KM 2.5
COORDINATES:	-2,940674, -79,0463969
CONTACT PERSON:	Tito Palacios.
TELEPHONE NUMBERS:	072387277
EMAIL:	<u>delmex@gmail.com</u>

3.3.16.2 Administrative aspects.

Delmex is a food processing company on behalf of Natural Person. The company belongs to a Mexican family that lives in Ecuador. Mother and son started the business. The company does not have a strategic plan, but it is on development. According to the manager, objectives are being met in a 3 (on a scale of 0, 3 and 5). The company is planning to export in two years. Although, the company only considers local needs they are currently looking for information about possible markets abroad since the company's manager considers Ecuadorian market as limited. The company's manager believes their main differentiation from competition because of its productive process that assures product quality. The company has made some contacts in Peru and other countries on export matters. The company has an organizational chart, functions and procedures manuals. The manager management has an MBA with 10 years of work experience in the industry. University studies are required for departments heads in the company. Excel is used as a tool for production and data management. The company applies continuous improvement processes in all its departments, which includes staff training and production improvements.

The company's manager has a specialty on foreign trade and also speaks fluent English. There is no export plan, however the company has been working with the vision of internationalization. There is already information about the Colombian and Peruvian market. The purchasing process is based on sales projection. The company is not part of any guild or association. Social networks are used by the company as a mechanism to identify potential markets to export.

3.3.16.3 Productive process.

The company's flagship products are tortillas and nachos. The production process starts with the purchasing of corn and flour from Canada. Once the raw material has arrived, it is cooked, ground, kneaded in order to get the tortillas. Finally, the product is packaged and refrigerated. According to the manager, the current product design would be well received in external markets, 5 (on a scale of 0, 3 and 5). The product has received positive reviews on social networks. The company uses patents and industrial designs to protect its products. Raw material suppliers are a 90% domestic and a 10% foreign. The company has a qualification record for suppliers.

The company's infrastructure has capacity to increase inventories and equipment. The production volume monthly is 10000 kilos of tortillas and 500 kilos of nachos. The company could increase its production volume by triple. The company has production flow charts. A control of inventories is carried out for raw material registration and finished products, in this way, there is a verification of production in all its phases. There is no knowledge about packaging processes for external markets. There is no negative environmental impact and environmental management requirements are met. The company does not have a clean production system but there is a program to reduce and reuse waste.

3.3.16.4 Financial aspects.

The company plans its budget on an annual basis. Cash flow reports are reviewed each week and its total at the end of the year. Financial reports are requested twice a year. Costs of production and break-even point are analyzed constantly. The company's financing sources are banks loans. The manager is willing to commit the company's resources for an export project, in a 3 (on a scale of 0, 3 and 5). The company would use bank or commercial loans to finance an export project. The maximum credit that the company could offer to foreign customers would be 90 days.

The manager would be willing to get into debt for an export project for 5 years. The company performs improves its production process each year. There is no allocated budget for marketing and sales activities, the company has only invested in advertising through social networks to save money.

3.3.16.5 Sales aspects.

The company does not have an export plan. According to the manager, the product has a good reception among the customers, 5 (on a scale of 0, 3 and 5). The company's brand is registered in the IEPI and its slogan is "The soul of Mexican food". The manager is the only one in charge of marketing and sales activities. External services are contracted for product design and branding. There is no allocated budget for marketing and sales activities.

Logistics and product distribution are performed by staff and external services. The manager would trust his product international logistics services. There is advertising material for the flagship product. Social networks are used as advertising material and they have improved corporate image in an excellent way, as a result, sales have increased. The company has clear return policies, same as demanded by a BPM certification. The company's manager has travelled to Colombia and Peru to know the markets and its prices. The company is competitive even including logistics costs. The manager has proficient knowledge of INCOTERMS. The company imports and has had sporadic export activities.

3.3.16.6 Evaluation.

ADMINISTRATIVE.	Evaluation.
1. Type of company.	3
2. Strategic business planning including mission, vision and values.	0
3. Achievement of business objectives.	3
4. Strategic business planning that includes exports.	3
5. Recognizing local and international market needs.	5
6. Differentiation from competition.	5
7. Organizational chart efficiency	5
8. Procedures manual in operation	5

9. Functions manual in operation.	5
10. Managerial instruction level.	5
11. Manager's work experience in the industry.	5
12. Educational requirements for department heads.	3
13. Use of systems for production and data management.	5
14. Continuous improvement processes applied in all departments	5
15. Staff trained in Foreign Trade.	3
16. Staff trained in English.	3
17. Information on potential external markets.	3
18. Purchasing process.	5
19. Association or syndicates.	0
20. Export promotion within the association.	0
21. Use of a mechanism for identifying external markets.	0
ADMINISTRATIVE TOTAL	71/105
PRODUCTION	
1. Product design potential to internationalize.	5
2. Patent registration and use of industrial designs	5
3. National raw material suppliers	3
4. Application of a supplier qualification system	5
5. Infrastructure capacity to increase inventories and equipment.	3


6. Industry capacity to increase its production volume.	3
7. Efficient application of production flow charts.	5
8. Use of mechanisms for raw materials, supplies and finished products registration.	5
9. Knowledge about packaging processes for external markets.	0
10. Negative environmental impact.	0
11. Environmental management requirements.	5
12. Guaranteed clean production systems	0
13. Waste reuse and reduction systems.	0
14. Business certifications	5
PRODUCTIVE TOTAL	44/70
FINANCIAL.	
1. Budget planning.	3
2. Cash flows revision and analysis.	5
3. Financial reports revision and analysis.	3
4. Production costs and break-even point analysis.	3
5. Company's financing sources.	3
6. Disposition to compromise company's resources on an export project.	5
7. Type of mechanism used to finance an export project.	3
8. Credit offered for foreign customers in case of export.	5

9. Maximum time by which the company would be willing to get into debt for an export project	5
10. Allocated budget for production improvement, both product and process.	3
11. Marketing and sales budget	5
FINANCIAL TOTAL	43/55
SALES	
16. Export plan.	0
2. Perceived added value.	5
3. Trademark registration.	5
4. Slogan in use.	5
5. Marketing and sales staff.	0
6. Staff occupied on product design and brand.	3
7. Information about its product demand on external markets.	0
8. Company's logistic capacity	3
9. Reliability on international logistics companies	5
10. Information about distribution channels on target countries.	5
11. Advertising material of flagship product	0
12. Advertising material usage.	3
13. Corporate image.	5
14. Application of guarantees and returns policies.	5

15. Webpage.	3
16. Information about the possible prices of its product overseas.	0
17. INCOTERMS usage.	5
SALES TOTAL	52/85
TOTAL SCORE OBTAINED	210/315

3.3.17 Ecuacofit

3.4.17.1 Profile.

PROFILE.	
	<p>COMPANY NAME: ECUACONFIT</p> <p>TYPE OF COMPANY: Natural Person</p> <p>CATEGORY: Small</p> <p>RUC: 0103405940001</p> <p>INTERVIEW DATE: 20/10/2017</p> <p>BUSINESS ACTIVITY: Confectionery products</p> <p>FLAGSHIP PRODUCT: Dragée</p>
ADDRESS:	Benigno Palacios 1-10 Y Av. de las Américas
COORDINATES:	-2,880935, -78984455
CONTACT PERSON:	Eduardo Rodríguez Salazar

TELEPHONE NUMBERS:	
EMAIL:	

3.3.17.2 Administrative aspects.

Ecuacofit is a company that sells confectionery products. The company does not have a strategic plan with mission, vision and values. According to the manager, objectives are being met in a 5 (on a scale of 0, 3 and 5). Only local needs are considered. The company used to be competitive in terms of price, however, with the removing of safeguards customers started preferring imported products. The company does not have procedures manuals or functions manuals.

There is no organizational chart. The company's manager has university studies and 20 years of work experience in the industry. There is no level of education required for departments heads. Excel is used for data and production management. The company only applies continuous improvement processes for the administrative department. There are no trained personnel in foreign trade and the company's manager is the only one who speaks English. The company does not have an export plan. Suppliers are chosen based on price. The company is part of a guild of master planning, but it does not promote exports.

3.3.17.3 Productive aspects.

The company's flagship product is colored dragees. The production process is 100% sugar, then coloring is added. In three days the dragees are ready to be packed and sold. According to the manager, the current product design would be well received in foreign markets. In case of export, the company would sell its product called coco fiesta, since it is new and the manager believes it has more potential abroad. The company tried to patent its products in the IEPI but they did not qualify. The company's suppliers are 90% national and 10% international (almonds are imported from Chile). The company does not keep a qualification record for suppliers, since it has 5 suppliers in total. Environmental management requirements are met. The company does not have a clean production system nor a program to reduce waste.

3.3.17.4 Financial aspects.

The company plans a production budget based on annual sales. Cash flows and financial reports are requested every six months. The costs of production and break-even point are not analyzed. The company's financing source is its own capital. The company would be willing to commit its resources for an export project in a 5 (on a scale of 0, 3 and 5). The company would finance an export project with bank or commercial loans. The maximum time that the company could offer credit to foreign clients are 30 days. The manager would be willing to get into debt from 5 to 10 years to finance an export project. An allocated budget for improvement in production would be projected in 2018 based on the results of 2017. There is no allocated budget for marketing and sales activities. The company has social networks.

3.3.17.5 Sales aspects.

The company does not have an export plan. According to the manager, the product is perceived with a 5 in added value (on a scale of 0, 3 and 5). There is no slogan usage. External services are contracted for the management of social networks, but there are no trained personnel in marketing and sales activities. The company has information about its product demand in Quito but not overseas. The company would trust its product to an international logistics company, in case of export. There are return policies well established. There is some information about the possible price of its product in external markets, specifically Colombia. There is no knowledge about INCOTERMS.

3.3.17.6 Evaluation.

ADMINISTRATIVE.	Evaluation.
1. Type of company.	3
2. Strategic business planning including mission, vision and values.	0
3. Achievement of business objectives.	5
4. Strategic business planning that includes exports.	0
5. Recognizing local and international market needs.	3

6. Differentiation from competition.	3
7. Organizational chart efficiency	0
8. Procedures manual in operation	0
9. Functions manual in operation.	0
10. Managerial instruction level.	5
11. Manager's work experience in the industry.	5
12. Educational requirements for department heads.	5
13. Use of systems for production and data management.	3
14. Continuous improvement processes applied in all departments	3
15. Staff trained in Foreign Trade.	0
16. Staff trained in English.	0
17. Information on potential external markets.	0
18. Purchasing process.	3
19. Association or syndicates.	3
20. Export promotion within the association.	0
21. Use of a mechanism for identifying external markets.	0
ADMINISTRATIVE TOTAL	41/105
PRODUCTION	
1. Product design potential to internationalize.	5
2. Patent registration and use of industrial designs	5

3. National raw material suppliers	5
4. Application of a supplier qualification system	3
5. Infrastructure capacity to increase inventories and equipment.	3
6. Industry capacity to increase its production volume.	3
7. Efficient application of production flow charts.	0
8. Use of mechanisms for raw materials, supplies and finished products registration.	5
9. Knowledge about packaging processes for external markets.	0
10. Negative environmental impact.	5
11. Environmental management requirements.	5
12. Guaranteed clean production systems	0
13. Waste reuse and reduction systems.	0
14. Business certifications	0
PRODUCTIVE TOTAL	34/70
FINANCIAL.	
1. Budget planning.	5
2. Cash flows revision and analysis.	3
3. Financial reports revision and analysis.	5
4. Production costs and break-even point analysis.	0
5. Company's financing sources.	5

6. Disposition to compromise company's resources on an export project.	5
7. Type of mechanism used to finance an export project.	3
8. Credit offered for foreign customers in case of export.	5
9. Maximum time by which the company would be willing to get into debt for an export project	5
10. Allocated budget for production improvement, both product and process.	0
11. Marketing and sales budget	0
FINANCIAL TOTAL	36/55
SALES	
17. Export plan.	0
2. Perceived added value.	5
3. Trademark registration.	5
4. Slogan in use.	0
5. Marketing and sales staff.	0
6. Staff occupied on product design and brand.	0
7. Information about its product demand on external markets.	3
8. Company's logistic capacity	3
9. Reliability on international logistics companies	3
10. Information about distribution channels on target countries.	0
11. Advertising material of flagship product	3

12. Advertising material usage.	0
13. Corporate image.	0
14. Application of guarantees and returns policies.	0
15. Webpage.	0
16. Information about the possible prices of its product overseas.	0
17. INCOTERMS usage.	0
SALES TOTAL	27/85
TOTAL SCORE OBTAINED	138/315

Chapter 4: Final evaluation.

4.1 Introduction.

This chapter is focused on the complete, coherent and integral analysis of the investigation carried out on previous chapters in order to determine concretely the principal objective of the thesis. SWOT (strengths, weaknesses, opportunities, and threats) matrix is the method used for synthesizing the most relevant aspects of each company and at the end the same tool will be used for a general analysis of the sector. On the other hand, since opportunities and threats are external elements that directly or indirectly affect the development of each business within the sector; they are analyzed in a general way to be incorporated later within the SWOT of the sector. Second chapter is used as a tool for the analysis and recognition of opportunities and threats. By putting together all the elements in a single table and be confronted with each other, it is possible to obtain coherent strategies that could be implemented in the sector. The ideal is finding measurable, concrete and achievable paths. Once strategies are completed: Strengths against Opportunities (SO), Weaknesses against Opportunities (WO), Strengths against Threats (ST) and Weaknesses against Threats (WT), they are all compared with the general average of the study carried out in the third chapter in order to determine whether or not the sector has export potential.

4.2 Opportunities and Threats analysis.

Opportunities.	Threats.
1. International agreements that facilitate the entry into new markets (CAN, ALADI, Partial Scope Agreement No. 42: Ecuador-Guatemala, Multiparty Agreement: Ecuador-European Union)	1. Guarantees demanded by financial institutions difficult to cover for a SME when requesting a loan.
2. Public institutions committed to the development of SMEs in the sector.	2. High cost of basic elements in production, such as electricity.

- | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| 3. Income tax exoneration for a 5 years period. | 3. Lack of incentives for ICT implementation in the private sector. |
| 4. Income tax deductible expenses for technical training and technological acquisition which applies to productive innovation; market studies, promotion of the product in foreign markets and acquisition of clean production equipment. | 4. No support from public financial institutions to SMEs despite of created policies to promote them. |
| 5. Project for promoting specialized technical training. | 5. High cost of commercial loans for companies. |
| 6. Project for national and international innovation networks. | 6. The dollar in front of other depreciated currencies. |
| 7. Project for reducing input costs. | 7. Political instability. |
| 8. Project for reducing costs of production with alternatives. | 8. High Country Risk and low foreign direct investment. |
| 9. Project of specialized training and technology capture tours. | 9. Possible increase in taxes. |
| 10. Project to attract investments in chains with identified potential. | 10. Possible reduction in benefits for SMEs due to economic reactivation. |

11. Project to apply differentiation mechanisms.	11. Lack of industrial land in the city.
12. Drawback project for processed products.	12. Shortage in skilled labor force.
13. “First Ecuador” campaign.	13. High costs of domestic raw material.
14. Project to guarantee international certifications by implementing traceability.	14. High production costs compared to international competition

4.3 Strengths and Weaknesses analysis per company.

4.3.1 Productos Flamingo.

Strengths	Weaknesses
Market knowledge due to more than 40 years of experience in the industry.	There is no departmental division or staff training. Continuous improvement processes are only applied in production through maintenance and equipment renovation, so that the administrative part needs more attention.
No artificial flavors, colorants and preservatives	The shelf life of the company's flagship product is only 2 months, a better packaging would prolong it.

are added in the productive process.

The company uses patents and industrial designs to protect its product. Just local needs approach.

The company's industrial processes do not cause environmental impact. The company does not use fully its installed capacity.

The company does not have certifications, nor mechanisms to identify international markets.

The marketing and sales department has been neglected, in addition the company does not have social networks nor web page.

There is no program to reduce or reuse waste.

4.3.2 El Horno Panadería y Pastelería.

Strengths.	Weaknesses.
The company has a well-defined departmental division.	The company's strategic plan is not applied efficiently.
Continuous Improvement Processes are applied in all departments, including staff training.	The company's installed capacity is not fully used.

	Lack of use of Information Communication Technologies (ICT). The company does not have a web page.
The company's manager has university studies and 37 years of work experience in the industry.	There is no information or possible prices for its product in foreign markets. There is no mechanism to identify markets overseas.
Allocated budget and high investments in marketing and sales activities.	The company does not have certifications nor added value in its products. (product design)
The company's infrastructure has enough capacity to increase its production	There is no program to reduce or reuse waste.
	The company's brand is not registered in the IEPI. No patents or industrial designs are used to protect the product.

4.3.3 Panadería Royal

Strengths.	Weaknesses.
The company's manager has university studies and has been working in the industry since 1941, however, his instruction is not related to his business.	The company does not have a packaged product.

The company has a continuous flow of customers, even without having a sign in his business.	The company does not have a clear departmental division, strategic plan, organizational chart, function manuals nor procedures manual.
The products do not have artificial colors or preservatives added.	There is no a consideration of local needs nor international.
There is no negative environmental impact.	There is no budget allocated for marketing and sales activities.
The company's financing sources are own.	The company does not have infrastructure to increase its production volume.
	The company does not have information, prices, a mechanism to identify foreign markets, nor any type of certification.
	The marketing and sales area is completely neglected.
	The company does not have social networks or a web page.
	There are no guarantee policies.
	There is no a guaranteed program to reduce or reuse waste

4.3.4 Imperio del Pan.

Strengths.	Weaknesses.
The company's product is recognized because of its quality and service.	The company does not have a clear administrative structure. There is only a local approach of the market needs.
The company's manager has 20 years of work experience in the industry.	
There is a low turnover of personnel.	The company does not use patents or industrial designs to protect its products.
High turnover of products.	There are no education requirements for employees in the company.
All suppliers are domestic.	There is no interest on marketing activities.
Production processes do not cause environmental impact.	There are no financial analysis and costs are only evaluated when it is necessary.
The company does not have bank loans.	The company does not implement Continuous Improvement Processes. The manager is not planning to put them into action. The company does not have social networks and there is no ICT usage.

4.3.5 Golosinas Dikaty.

Strengths.	Weaknesses.
The company has a well established strategic plan, which includes export.	The company does not use fully its installed capacity.
The company is about to obtain Good Manufacturing Practices (GMP) certification.	There is no program to reduce or reuse waste.
The company has local and international approach of the market needs and production processes meet the European market requirements.	There is no department or allocated budget for marketing and sales activities.
Raw material must be certified to enter the production process.	The company does not have a web page.
Continuous improvement Processes are applied in all areas departments.	
There is information, possible prices and mechanisms to identify markets overseas.	
Patents are used to protect the product.	
There is knowledge about packaging processes abroad.	

The company has both procedures manuals and functions manuals which are applied efficiently.

There is budget planning.

The financing sources used are own.

The company has social networks.

4.3.6 Tia Lucca.

Strengths.	Weaknesses.
The company's flagship product is packaged and it has a 6 months shelf life.	There is no mechanism to identify external markets and there is limited information about it.
The company has an efficient strategic plan and it has both procedures manual and functions manual.	There is no trained personnel in foreign trade.
The manager has postgraduate studies.	No patents or industrial designs are used to protect its products and designs.
A software is used for data and production management.	The company does not have enough infrastructure to increase inventories or equipment.
The company has personnel who knows English.	The company does not use fully its installed capacity.

Continuous Improvement Processes are applied in all departments	There is no knowledge about packaging processes abroad.
The company has INEN certification.	There are no clean production programs.
The company's brand is registered in the IEPI.	The company limited access to financing has prevented them from obtaining a GMP certification.
The company has social networks and web page.	There is no allocated budget or dedicated personnel in marketing and sales activities.
There is knowledge about INCOTERMS.	The company needs to maintain the cold chain for its products, which increases costs in case of export.

4.3.7 Frutilados.

Strengths.	Weaknesses.
The company has its administrative area well established.	The company is not part of a guild.
Continuous improvement processes are applied only in production.	The productive process is artisanal and there are no production flowcharts .
The company's manager has 20 years of work experience in the industry.	The company's production budget usually exceed the established ceilings.

ITC are used for data management.	There is no information about markets overseas.
The company has had sporadic exports to US which are now increasing.	The company has social networks but they are not used very often as means to advertisement.
The company's suppliers are national. There is a qualification record for suppliers based on the quality of raw material.	The company does not have trained personnel in foreign trade, and there is no INCOTERMS usage or English knowledge.
The company's infrastructure has capacity to increase its inventories and equipment.	
The company performs constant financial analysis.	
The company has its brand and slogan registered, and there is also advertising material.	

4.3.8 Fideos Paraíso.

Strengths.	Weaknesses.
The company has a strategic plan, which includes export.	The company does not have infrastructure to increase machinery or inventories.

The company has an approach of local and international market needs, since it has been exporting.	The only market for the product is US and there is no specific mechanism to identify markets overseas.
The company has a FDA certification.	The company does not have personnel who knows English.
The product has good design and packaging.	The company does not use its installed capacity completely.
The company's manager university studies and 20 years of work experience in the industry.	There is no knowledge on INCOTERMS.
The company has a clear departmental division.	There is no a clean production system.
The company's production flowcharts are efficient.	The product is distributed abroad by an agent.
Patents and industrial designs are used to protect its products and designs.	There is no allocated budget or dedicated personnel for marketing and sales activities.
There is personnel training in Foreign Trade but there is no one in the company who has proficient knowledge in this matter for which the company relies on advisors.	The company does not have social networks or web page.
The company has a software for data management.	

There is knowledge about packaging processes overseas.

The company complies the INEN standards

4.3.9 Fruveca.

Strengths.	Weaknesses.
The company's organization chart works efficiently.	The company does not have a well established strategic plan.
The company's manager has university studies and 40 years of work experience in the industry.	The company does not have procedures manual.
The company's infrastructure has capacity to increase inventories and machinery.	The company does not have information or mechanisms to identify external markets.
The company's flagship product has a very good quality with no preservatives or artificial colors added.	There is only an approach of local market needs.
The company uses patents and industrial designs to protect its products.	The company does not have social networks or web page.
	The flagship product design needs to be improved.
	The company does not use its installed capacity completely.

There is no a clean production program.

The company does not have certifications.

There is no budget planning.

The company does not offer credit to their clients.

4.3.10 Centro de Insumos Alimenticios (CIAL).

Strengths.	Weaknesses.
The company offers a diverse range of products and it is planning on adding new lines of production if there is the necessity.	The company does not have clear and concrete objectives, nor a vision.
The company provides advisory services to its customers about seasoning treatment in different products.	The costs of production are not analyzed.
The company's manager has university studies and 27 years of work experience.	There is no kind of investment for continuous improvement processes.
There is a software that helps in data and production management.	Marketing activities are neglected.
Continuous Improvement processes are applied in productive and commercial matters.	There is no information about target markets, nor ideas on how to introduce its products in those markets.

The company's purchase process is well defined and there is a qualification record for suppliers.

The company has capacity to increase its inventories and equipment.

The production process does not cause negative environmental impact.

4.3.11 Projasa.

Strengths.	Weaknesses.
The company has a well-established administrative structure.	The company has old machinery in production.
The company requires university and postgraduate studies for all department heads.	The company considers its current product design would not be competitive overseas.
The company has been 33 years in the local market.	The company's suppliers are mostly foreigners.
Continuous Improvement Processes are applied in all departments.	The company has had budget cuts in advertisement during the last four years.

The company is part of two guilds and both promote exports.	The company feels affected by their competition's prices.
All company's products are patented.	The company has a local approach of the market needs.
The company's purchasing process is complete and there is a qualification record for suppliers.	The flagship production process is still artisanal.
The company would be able to increase by twice its current production volume.	
The company analyzes its finances status with constancy and they plan their budget according to some variables.	
They have external professionals who advise them on issues of branding, product design and foreign trade	

4.3.12 Pastificio Nilo.

Strengths.	Weaknesses.
The company's capital is formed by 14 shareholders.	The company's strategic plan is not applied in practice just like its functions manual.
The company's manager has universities studies and 20 years of work experience in the industry.	There are no trained personnel in foreign trade or personnel who knows English.

The company a software for data management.	The flagship production process is still artisanal.
There is a low turnover of personnel due to the company is a familiar business.	The product design needs huge improvements.
The company's brand is registered in the IEPI.	The company has only a local approach of the market needs.
Since the offered product is for popular consumption, it has kept the company in the market for years.	There is no investment, budgets or personnel for marketing and sales activities.
	The company does not have social networks or web page.

4.3.13 MOPALEX.

Strengths.	Weaknesses.
The company has staff who knows English.	Tariffs imposition makes expensive the machinery for the company to acquire (it is not profitable)
The company uses a software for data management.	The necessary equipment (machinery) for the company is not produced in the domestic market.
The company's productive process used is fully automated.	There is a lack of promotion and training in guilds on export issues, such as: information about possible markets, prices, demand, packaging, costs, certifications, requirements.

The company carries out market studies for demand knowledge.	High costs of basic elements such as electricity for companies.
The product shelf life is one year.	Guarantees demanded by both public and private banks.
The company uses patents and industrial designs to protect its product.	
The company has infrastructure to increase inventories and equipment.	Lack of inclusion of SMEs in the capital market, for example regulations that hinder their participation.
The company complies INEN standards.	There is no culture and financial training promoted by the Academia and public sector, like different financing sources (factoring).
The company's brand is registered in the IEPI.	

4.3.14 Helados de la tienda.

Strengths.	Weaknesses.
The company's administrative structure is well defined.	The company's product is costly and its distribution is difficult. (cold chain)
The company's suppliers are all national.	The company's manager level of education is high school.

The company is moving from having an artisanal productive process to an industrialized one.	The company is not part of a guild.
The company is aligning its process according with GMP certification.	Product design has a local approach, it is not prepared even for regional markets.
The company meets environmental management requirements	The product is not formally protected.
Since it is a Limited Company its shareholders are willing to invest in growth.	The company's production depends on weather.
The company works with only own capital.	Production costs are variable (depends on weather.)
Company sells everything it produces, high turnover of products.	Product shelf life is one month.
The company keeps minimum inventories.	Marketing activities are neglected.
	The company does not use information technologies.

4.3.15 Buenaño y Caicedo.

Strengths.	Weaknesses.
The company's manager has university studies and 30 years of work experience.	Personnel high turnover.

The company uses information technologies for production and sales analysis.	There is no strategic plan. The company does not have a clear differentiation in comparison with competence.
The company has previous experience in international markets, and there is information about markets abroad.	High prices in the international arena.
The company has health recording and brand requirements for markets overseas.	The company's suppliers are international due to quality. There is also a high cost for national raw material.
The company has a qualification record for suppliers.	Product design does not meet international requirements.
Financial aspects are well managed by the company.	The company's product is not protected by industrial designs or patents.
The company's product allows to give a credit to foreign customers.	The company does not have a department for marketing and sales activities.
The company has experience in logistics management.	

4.3.16 DELMEX.

Strengths.	Weaknesses.
The company's manager has postgraduate studies and 10 years of work experience in the industry.	The company does not have a strategic plan or an export plan.

Continuous Improvement Processes are applied in all departments. The company is not part of a guild.

The manager has a specialization in foreign trade. There is no allocated budget for Marketing and Sales activities.
The company has training for its personnel in a constant basis.

The company has identified markets abroad and there is information about them. There is no packaging knowledge for markets overseas.

Product design meets external markets requirements.

The company's suppliers are 90% national.

The company has capacity to increase by three times its current production volume.

Financial aspects are constantly reviewed and the company plans its budget annually.

Products have great acceptance between the customers.

The company has its return policies well defined.
The company's prices are competitive in markets abroad

4.3.17 Caso Ecuacofit.

Strengths.

Weaknesses.

Continuous Improvement Processes are only applied for administration.	The company does not have an export plan.
There is an approach for external markets.	The company's prices are not competitive in the international arena.
The company's suppliers are 90% national.	The company's administrative structure is not developed enough.
Company's financing sources are own.	There is no patent usage.
The company has social networks.	The company does not keep a qualification record for suppliers.
The company has clear returns policies.	Financial statements are not reviewed frequently and costs of production are not calculated.
There is knowledge about prices in target markets.	Marketing activities are neglected.

4.4 SWOT general of the sector.

Strengths.	Weaknesses.
1. Most companies have managers who have many years of work experience in the industry and market knowledge.	1. Most companies do not have trained personnel in foreign trade.
2. Most companies have a clear and well-established departmental division.	2. Marketing and sales activities are neglected by most companies just like there is no allocated budget for these activities.

3. Most companies apply Continuous Improvement Processes in some departments.

4. Most companies have infrastructure capacity to increase its production.

5. Most production processes do not cause environmental damage.

6. Most companies use a licensed software for data management.

7. Most purchasing processes are based on quality.

8. Most companies analyze finances and plan a budget according to some variables.

3. Most companies do not have social networks or a web page.

4. Most companies do not have information, possible prices or mechanisms of identification for markets overseas.

5. Most companies need to improve their product design.

6. The majority of companies have the ideal to export, however, they only have established strategies to sell locally.

7. Most companies lack international certifications which are necessary to certify products and processes.

Opportunities.	Threats.
1. International agreements that facilitate the entry into new markets (CAN, ALADI, Partial Scope Agreement No. 42: Ecuador-Guatemala, Multipart Agreement: Ecuador- European Union)	1. Guarantees demanded to SMEs by financial institutions are difficult to cover when requesting a loan.
2. Public institutions committed with SMEs development within the sector.	2. High cost of basic elements for production, such as electricity.
3. Income Tax exemption for a period of 5 years.	3. Lack of incentives for ICT implementation in the private sector.
4. Income tax deductible expenses: for technical training and technological acquisition. It applies on productive innovation; market studies, product promotion in foreign markets and acquisition of clean production machinery.	4. No support from public financial institutions to SMEs, in despite of policies created for their promotion.
	5. High cost of commercial loans.
5. Project to promote specialized technical training.	6. The dollar in comparison with other depreciated currencies.
6. Project for National and International innovation networks.	7. Political instability.
7. Project to reduce input costs.	8. High Country Risk and low Direct Foreign Investment.

8. Project to reduce costs of production with alternatives.
9. Specialized training project and tours for technology capture.
10. Project to attract investments in chains with identified potential.
11. Project to apply differentiation mechanisms.
12. Drawback project for processed products.
13. "First Ecuador" Campaign.
14. Project to guarantee international certifications by implementing traceability.
9. Possible increase in taxes.
10. Possible decrease in benefits for SMEs due to economic reactivation.
11. Lack of industrial land in the city.
12. Shortage of skilled labor.
13. National raw material high costs.
14. High costs of production in relation to international competition.
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4.5 Cross SWOT.

4.5.1 Potential Strengths analysis - Opportunities (SO)

OPPORTUNITIES.	<ol style="list-style-type: none">1. International agreements that facilitates the entry into new markets (CAN, ALADI, Partial Scope Agreement No. 42: Ecuador-Guatemala, Multipart Agreement: Ecuador- European Union)2. Public institutions committed to the SMEs development in the sector.3. Income Tax exemption for a 5 years period.4. Income tax deductible expenses for technical training and technological acquisition. It applies to innovation in production; market studies, product promotion in foreign markets and acquisition of clean production machinery.5. Project to promote specialized technical training.6. Project for National and International innovation networks.7. Project to reduce input costs.8. Project to reduce costs of production with alternatives.9. Specialized training project and tours for technology capture.10. Project to attract investments in chains with identified potential.11. Project to apply differentiation mechanisms.12. Drawback project for processed products.13. "First Ecuador" Campaign.14. Project to guarantee international certifications by implementing traceability.
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STRENGTHS	SO.
<ol style="list-style-type: none"> 1. Most companies have managers who have many years of work experience in the industry and market knowledge. 2. Most companies have a clear and well-established departmental division. 3. Most companies apply Continuous Improvement Processes in some departments. 4. Most companies have infrastructure capacity to increase its production. 5. Most production processes do not cause environmental damage. 6. Most companies use a licensed software for data management. 7. Most purchasing processes are based on quality. 8. Most companies analyze their finances and plan a budget according to some variables. 	<ol style="list-style-type: none"> A. Benefitting from work experience of the managers to form a guild oriented on personnel training of its members in matters according to the weaknesses of the sector. (Quality, safety, marketing, foreign trade) B. Benefitting from the sector productive process by encouraging SMEs managers to obtain certifications for clean production systems. C. Using "First Ecuador" campaign to build consumer confidence in transgenic products in order to achieve cost competitiveness and to not affect consumption D. Creating incentives and subsidies plans for companies with capacity to increase its production, so that they would assume the risks of internationalization. E. Including young graduate personnel on national innovation networks in order to optimize installed capacity of companies for reaching diversification in lines of production.

4.5.2 Challenges and weaknesses analysis– Opportunities (WO)

<p>OPPORTUNITIES.</p>	<ol style="list-style-type: none"> 1. International agreements that facilitate the entry into new markets (CAN, ALADI, Partial Scope Agreement No. 42: Ecuador-Guatemala, Multipart Agreement: Ecuador- European Union) 2. Public institutions committed to the SMEs development in the sector. 3. Income Tax exemption for a 5 years period. 4. Income tax deductible expenses for technical training and technological acquisition. It applies to innovation in production; market studies, product promotion in foreign markets and acquisition of clean production machinery. 5. Project to promote specialized technical training. 6. Project for National and International innovation networks. 7. Project to reduce input costs. 8. Project to reduce costs of production with alternatives. 9. Specialized training project and tours for technology capture. 10. Project to attract investments in chains with identified potential. 11. Project to apply differentiation mechanisms. 12. Drawback project for processed products. 13. "First Ecuador" Campaign.
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	<p>14. Project to guarantee international certifications by implementing traceability.</p>
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WEAKNESSES	WO.
<ol style="list-style-type: none"> 1. Most companies do not have trained personnel in foreign trade. 2. Marketing and sales activities are neglected by most companies just like there is no allocated budget for these activities. 3. Most companies do not have social networks or a web page. 4. Most companies do not have information, possible prices or mechanisms of identification for markets overseas. 5. Most companies need to improve their product design. 6. The majority of companies have the ideal to export, however, they only have established strategies to sell locally. 7. Most companies lack international certifications which are necessary to certify products and processes. 	<ol style="list-style-type: none"> A. Creating a plan of export for the sector where development goals are established for food and beverage companies with identified potential. B. Implementing training workshops led by the GAD of Cuenca for ITs incorporation in SMEs. C. Creating an international virtual public space oriented to show the companies and its products with identified export potential in order to promote them and to attract foreign investment. D. Creating training workshops to orientate SMEs towards the correct markets according with their business line and flagship product.t. E. Establishing a public business advisory responsible for monitoring company's development within the sector and others. F. Evaluating productive processes in the sector in order to implement a project for getting international certifications in which companies could be oriented to reality and not only expectation.

4.5.3 Strengths analysis – Threats (ST)

THREATS	<ol style="list-style-type: none">1. Guarantees demanded to SMEs by financial institutions are difficult to cover when requesting a loan.2. High cost of basic elements for production, such as electricity.3. Lack of incentives for ICT implementation in the private sector.4. No support from public financial institutions to SMEs, in despite of policies created for their promotion.5. High cost of commercial loans.6. The dollar in comparison with other depreciated currencies.7. Political instability.8. High Country Risk and low Direct Foreign Investment.9. Possible increase in taxes.10. Possible decrease in benefits for SMEs due to economic reactivation.11. Lack of industrial land in the city.12. Shortage of skilled labor.13. National raw material high costs.14. High costs of production in relation to international competition.
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STRENGTHS	ST.
<ol style="list-style-type: none"> 1. Most companies have managers who have many years of work experience in the industry and market knowledge. 2. Most companies have a clear and well-established departmental division. 3. Most companies apply Continuous Improvement Processes in some departments. 4. Most companies have infrastructure capacity to increase its production. 5. Most production processes do not cause environmental damage. 6. Most companies use a licensed software for data management. 7. Most purchasing processes are based on quality. 8. Most companies analyze their finances and plan a budget according to some variables. 	<ol style="list-style-type: none"> A. Workshops of financial reinforcement for SMEs, in a way that encourages them to use other financing sources besides commercial loans B. Formation of a guild for fostering political participation in order to defend interests of the sector. C. Markets studies in which currencies are analyzed. D. Public institutions that finance export activities of companies with a high potential.

4.5.4 Limitations Weaknesses analysis– Threats (WT)

THREATS.	<ol style="list-style-type: none">1. Guarantees demanded to SMEs by financial institutions are difficult to cover when requesting a loan.2. High cost of basic elements for production, such as electricity.3. Lack of incentives for ICT implementation in the private sector.4. No support from public financial institutions to SMEs, in despite of policies created for their promotion.5. High cost of commercial loans.6. The dollar in comparison with other depreciated currencies.7. Political instability.8. High Country Risk and low Direct Foreign Investment.9. Possible increase in taxes.10. Possible decrease in benefits for SMEs due to economic reactivation.11. Lack of industrial land in the city.12. Shortage of skilled labor.13. National raw material high costs.14. High costs of production in relation to international competition.
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<p>WEAKNESSES</p> <ol style="list-style-type: none"> 1. Most companies do not have trained personnel in foreign trade. 2. Marketing and sales activities are neglected by most companies just like there is no allocated budget for these activities. 3. Most companies do not have social networks or a web page. 4. Most companies do not have information, possible prices or mechanisms of identification for markets overseas. 5. Most companies need to improve their product design. 6. The majority of companies have the ideal to export, however, they only have established strategies to sell locally. 7. Most companies lack international certifications which are necessary to certify products and processes. 	<p>WT.</p> <ol style="list-style-type: none"> A. Supporting agricultural sector by promoting them abroad according with a maximum number of items B. Income tax and VAT reduction for SMEs that have decided to internationalize.
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4.6 CCME analysis (Correct, Confront, Maintain, Exploit).

Correct	<ul style="list-style-type: none"> • Including young graduate personnel on national innovation networks in order to optimize installed capacity of companies for reaching diversification in lines of production. • Creating an export plan and setting development goals for food and beverage companies with identified potential. • Creating training workshops to orientate SMEs towards the correct markets according with their business line and flagship product. • Evaluating productive processes in the sector in order to implement a project for getting international certifications in which companies could be oriented to reality and not only expectation
Confront	<ul style="list-style-type: none"> • Creating incentives and subsidies plans for companies with capacity to increase its production, so that they would assume the risks of internationalization. • Implementing training workshops led by the GAD of Cuenca for ITs incorporation in SMEs. • Establishing a public business advisory responsible for monitoring development of companies within the sector and others • Markets studies in which currencies are analyzed. • Income tax and VAT reduction for SMEs that have decided to internationalize.
Maintain	<ul style="list-style-type: none"> • Benefitting from the sector productive process by encouraging SMEs managers to obtain certifications for clean production systems. • Workshops of financial reinforcement for SMEs, in a way that encourages them to use other financing sources besides commercial loans. • Formation of a guild for fostering political participation in order to defend interests of the sector

Exploit	<ul style="list-style-type: none"> • Benefitting from work experience of the managers to form a guild oriented on personnel training of its members in matters according to the weaknesses of the sector. (Quality, safety, marketing, foreign trade). • Using "First Ecuador" campaign to build consumer confidence in transgenic products in order to achieve cost competitiveness and to not affect consumption. • Creating an international virtual public space oriented to show the companies and its products with identified export potential in order to promote them and to attract foreign investment. • Public institutions that finance export activities of companies with a high potential. • Supporting the agricultural sector by promoting them abroad according with a maximum number of items

Table 14

4.7 Research summary.

Company	Evaluation.	Percentage.	Export potential.
Flamingo.	127/315.	40%	Low
El horno panadería y pastelería.	161/315.	51%	Medium
Royal.	78/315.	26%	Low
El Imperio del Pan.	84/315.	27%	Low

Golosinas Dikaty.	265/315.	85%	High
Tía Lucca.	211/315.	67%	Medium
Frutilados.	164/315.	42%	Low
Fideos Paraíso.	250/315.	79%	High
Fruveca.	174/315	55%	Medium
Centro de Insumos Alimenticios (CIAL).	158/310.	50%	Medium
Projasa.	230/315	73%	Medium
Pastificio Nilo.	142/315.	45%	Low
MOPALEX.	171/315.	54%	Medium
Helados de la tienda.	178/315.	57%	Medium
Buen año Caicedo Compañía S.A.	197/315.	63%	Medium
DELMEX delicias mexicanas.	205/315.	65%	Medium
Ecuacofit.	138/315.	44%	Low
Food and beverages processing sector.	172.15/315.	55%	Medium

CONCLUSIONS AND RECOMMENDATIONS.

The food and beverage processing sector in the urban area of Cuenca has on average a medium potential of export. This suggests that while there is certainly the opportunity for the development of exports from these SMEs, important issues must be solved first in order to achieve their internationalization effectively.

As indicated by the studies in our opening chapter, the export potential of a company will be determined by internal and external aspects that affect its level of competitiveness. SMEs can only survive in the market if they are competitive in terms of costs, prices, operational efficiency, products, and supplies, amongst other key concerns. Thus, it is clearly a challenge for SMEs in the agro-industrial sector to be competitive - a challenge that can only be overcome through training and experience.

Because such experience is intimately linked with the daily activities of a company within a market, in order to gain such experience a company will need to risk some of its resources. Over time the company will be able to internationalize by following the concept of psychological distance, which involves looking for neighboring markets with similar characteristics. Other key elements of expansion include supply and demand, customers with high standards who drive companies to be more cautious with product quality, and exposure to a larger field of competitors who stimulate innovation and product diversification. The investigation also revealed how public participation is essential for SMEs to reach a competitive level.

Our investigation also revealed how Continuous Improvement Processes are very important for the daily activities of companies. A core aspect of these processes is the acquisition and implementation of new manufacturing and sales technology, as companies stand to gain from improved and more efficient production and customers are always looking for more comfortable, simple and effective ways of buying. The use of information technologies (ITs) by companies also has a positive influence on marketing strategies and service quality, which the investigation has shown is a great necessity in the sector.

Furthermore, any evaluation of product competitiveness must be measured in accordance with the level of consumer satisfaction, the factors that shape purchasing decisions, and the characteristics of rival products. Similarly, regulatory requirements from target markets overseas must be considered in order to determine by what extent tariff and non-

tariff barriers are surpassable. The author José Antonio París recommends that in order for companies to internationalize, it is necessary for them to have international quality, international pricing, knowledge about foreign markets and the productive capacity to confront those markets. Financing plays an indispensable role in achieving this goal. Unfortunately, 13% of Ecuadorian SMEs close due to financing problems. This problem could potentially be resolved by improving associativity and establishing better connections between production elements. In theory, if a sector manages to have competitiveness and associativity, it will have achieved a high potential to internationalize.

Internationalization of SMEs is crucial for the country but is currently far from successful on a national scale. To date, only 6% of SMEs in Ecuador export their products and just 8% of them use even a low or medium amount of technology despite the fact that they account for 37% of jobs in the country. In addition, Ecuador is part of many international trade agreements that are not being exploited efficiently, a matter that certainly deserves more attention.

One positive finding from the investigation was the existence of several projects created for sector development. This reveals an increasing level of commitment by public institutions. The support for our research is another example of their interest for collecting more information on these issues, with three public entities assisting in information collection for this investigation. As a result, we obtained different companies from three different databases with varied criteria. The database that contained the most companies was the one from the MIPRO.

Of note, this study showed that most companies have managers with many years of work experience in the industry, but several of them do not have university studies, which could be considered as a restriction for internationalization. However, most companies have the capacity to increase their production levels which could increase their potential. Furthermore, many companies within the study sector apply some aspects of the Continuous Improvement Processes. Unfortunately, it seems that the majority focus only on the administrative area, neglecting the productive processes and marketing areas in particular.

In relation to foreign trade, the investigation showed that there is a lack of knowledge and information about it between the companies with the exception of those who import products. Finally, although most companies view exporting as an ideal target, none of them have focused on projecting it strategically, as they generally prioritize covering the

national market. This makes it unlikely for these SMEs to attempt to obtain international certifications at the present time.

We recommend:

Associativity offers a competitive advantage in the international arena and should be achieved through cooperation by companies within the sector. This can be accomplished by the participation of SMEs in the formation of internationally focused guilds. Interest in this type of development would be increased if the productive sector was made aware of the benefits of exporting and understood its capacity to expand in current markets. Using "Primero Ecuador" campaign abroad as a marketing tool could be the next challenge for the public sector.

Public support, specifically in matters of training, promotion and monitoring, is key for internationalization. The food and beverage processing industry is the most important in Ecuador. It is a sector that can provide solutions to problems experienced in the city of Cuenca and in the country as a whole. It is important that the public sector has up to date information about production in the city so that projects and investments can be directed and planned well in advance, not at the last minute.

Public databases should be standardized in order for studies and projects to have a better foundation. Finally, sector development must be focused on the implementation of information technology and marketing management so that companies can begin to gain experience in customer-centric strategies and set their sights on international markets.

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