



**University of Azuay**

**Faculty of Legal Sciences**

**School of International Studies**

**Diagnostic of the Exportable Offering of the cantons Ponce Enríquez and  
Pucará.**

Thesis paper prior to obtaining a Bachelor's Degree in:  
International Studies, Bilingual Mention in Foreign Trade

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**Cuenca, Ecuador**

**2018**

## DEDICATION

Because saying “thanks” is not enough.

I dedicate this work to God because He has allowed me to reach my personal and professional goals. To my family, that has always been present at every stage of the journey, especially to my parents *Jorge Antonio* and *María del Carmen*, and my grandma *Marieta Pacheco*; to you, for always having believed in me, thanks to your support and effort I have reached where I am, that is why my desire to say that this goal is fulfilled is not ceased and this triumph is not only mine, but also yours.

*Jorge Luis Pontón Valarezo*

## DEDICATION

To God, for allowing me to reach this special moment in my professional life.

To my parents Oswaldo Valarezo and Martha Panama, who have been the most important pillar in this university stage, for always showing me their love and unconditional support in each of the decisions I have made. Luz América, who has shared every day of my life as a student and has witnessed the arduous journey to become a professional. Finally, this achievement is only the beginning of new academic challenges in the very near future.

*Kevin Oswaldo Valarezo Panamá*

## GRATITUDE

There are many people to thank for having contributed with their help so that we could carry out this research work.

We particularly thank to our parents and the University of Azuay for giving us the opportunity to successfully complete this professional stage. To the authorities of Camilo Ponce Enríquez and Pucará, PRO ECUADOR and the Ministry of Agriculture, the information provided by you was very helpful for the realization of the field research of this work.

To our friend and director, Eng. Antonio Torres, for helping us during the entire process of the development of our thesis, in addition to provide us his knowledge and guide us in the most appropriate way.

To all of you, our most infinite thanks.

*Jorge Luis Pontón V.*  
*Kevin Oswaldo Valarezo P.*

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## **ABSTRACT**

The present work aims to diagnose the exportable offer of SMEs in the cantons of Ecuador, Camilo Ponce Enríquez and Pucará. To this purpose Export Audit is used as a tool to help determine the degree of feasibility that small and medium enterprises encounter in order to internationalize.

To develop this research, it is necessary to investigate in different primary sources when carrying out the practical phase, through a qualitative and quantitative method as well as with the help of interviews based on the “Potential Exporter Test” from PRO ECUADOR and the “Export Audit” from the Ministry of Industries and Productivity MIPRO.

On the other hand, databases about the associations and SMEs existing in the study area were obtained through the municipal DAGs from both cantons, as well as from private institutions as PRO ECUADOR and the Ministry of Agriculture MAG. Later, the results were refined to obtain a better focus on those associations and companies to work on. It is necessary to mention that microenterprises, small producers, informal producers, and service provider companies do not qualify for this work, as well as those companies that are already exporting.

In the zone of Ponce Enríquez, the access was difficult because of weather conditions, dirty roads, and long distances from the urban center: most companies and associations found in this canton are located in the rural area. Another problem was the bad telephone signal so it was difficult to contact their representatives. On the other hand, to reach the associations and companies of Pucará, we went to University of Azuay, which already had a project with one association from this canton. The other associations in the area were contacted with the help of MAG and through the technicians designed to study the low zone of Pucará.

This work looks to contribute to the field of research. Along with a database about the productive capacity of the SMEs from these cantons of Azuay province, it is one of the purposes that this information might help future research.

## INTRODUCTION

It is currently believed that the economy of a country is regulated mainly by the export activities from large companies, disfavoring the productive and economic contribution of small and medium enterprises. Taking into account globalization has allowed them to play a greater role in the development of the local and global market.

The SMEs must be regulated by innovative processes; that is, they must be adapted to technological changes allowing them to keep up with competition through brand positioning creating a loyal consumer commercial relationship.

Within the technological advances a company must assume is internationalization a process in which large industries have managed to expand their markets allowing them to get a higher prestige locally and internationally. However, for small and medium enterprises to achieve participation in other countries they must go through certain stages before moving towards new commercial destinations.

To support what was early exposed, this work is made up of four chapters, each one structured in a way that leads to a conclusion with clear ideas.

The first chapter describes theoretical information about topics related with foreign trade, the SME, its importance, and the representation in the Ecuadorian market and internationalization. The second chapter describes general aspects from both the cantons of Camilo Ponce Enríquez and Pucará: their population, geographic location, and economic and administrative aspects.

The third chapter presents interviews conducted with the small producers, associations and small and medium enterprises located in the designated areas for this study. Finally, the fourth chapter shows a SWOT analysis, crossed SWOT and CAME analysis also known as crossed SWOT strategies all intended to diagnose the exportable supply of each one.

## **CHAPTER 1**

### **1. Analysis of the SMEs internationalization theory.**

#### **1.1. Introduction**

This chapter studies the basic concepts of foreign trade, its main theories, SMEs, their importance, their representation in the Ecuadorian market and their internationalization, advantages, and obstacles. These topics are presented for a greater understanding of the content of this work. In addition, these concepts will provide help to meet the objectives stated in this project.

The market and the economy are in constant change and evolution because of technology and globalization. Companies must know about these changes in order to adapt to them and maintain a good position in the market and to know how to face the changing tastes and preferences from consumers in a national and international market.

#### **1.2. Theoretical foundations of commerce.**

The history of trade according to Carl Menger dates back to its beginnings thousands of years ago with a basic system known as barter, method that consisted of exchanging a surplus of product that one person has and does not use with the excess of product of another person that also does not use or consumes. In this way, it was possible to fulfill the main objective of any form of commerce, that is, to satisfy a need. Forms of commerce were also evolving, in the same way as man did; precious metals such as gold, silver and copper, and certain documents standardized the concept of value and enhanced simplified trade, which were sufficient to obtain needed products in return. That form of negotiation continued to grow only until the arrival of money and with it other actors such as supply and demand.

Many authors have given a definition to international trade. Ricardo Bustillo is quoted as saying, "It consists of an ordinary exchange, usually of products in exchange for money, with the differential feature that in order to make the exchange it has to cross a border." (Ricardo, 2002)

### **1.3. Theories of international trade**

The intervention of several theories have been fundamental to be able to expand the borders of the international trade. Those theories have tried to explain its operation in a more dynamic way. Among the main theories are the following:

- Mercantilist Theory
- Theory of Absolute Advantage
- Theory of Comparative Advantage
- Heckscher-Ohlin model
- Theory of the Product Life Cycle
- Location Theory
- New Theories of International Trade

#### **1.3.1. Mercantilist Theory:**

This theory is considered as the first doctrine of commerce. It has its beginnings in the mid-15<sup>th</sup> century. According to the University of Alcalá, this theory holds that the economic well-being of a nation is proportional to the amount of currency circulating and existing in it. The main basis of this theory consist of the accumulation of the greatest amount of precious metals specifically gold and silver through the consecution of favorable balances in external exchanges.<sup>1</sup>

The main representative of the mercantilism is the English Tomas Mun, who mentions that the only way to enrich a nation is to direct the set of commercial operations in such a way that the value of exports exceeds the imports.

#### **1.3.2. Theory of Absolute Advantage:**

Proposed by Adam Smith, who argues: “The free trade of each country could specialize in the production of those goods in which it had an absolute advantage, that is; those goods that it could produce more efficiently than other countries and import those were others have an absolute advantage. It means to import the goods that could be produced less efficiently”. (Sanchez, 2014)

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<sup>1</sup> Taken from: <http://www3.uah.es/econ/hpeweb/HPE981.html>

Since the emergence of Adam Smith's theory the way of functioning of mercantilist theory was criticized. For Smith there was confusion about the source of wealth of nations believing that such wealth was to accumulate the largest amount of metals. In contrast to the mercantilist philosophy that states that the wealth of a nation is based on the accumulation of precious metals, for Smith this wealth comes from the division of labor, which allows individuals to achieve levels of productivity never imagined without it.<sup>2</sup>

On the other hand, Adam Smith argues that international trade is a game everyone wins; being of mutual benefit to all nations. Statement coming from his economic thought called the "invisible hand", which consisted that the society would achieve a greater welfare if the participation of the state was minimized. Allowing the market to self-regulate through the adjustable and natural laws of the economy.<sup>3</sup>

### **1.3.3. Theory of Comparative Advantage:**

Despite the theory proposed by Adam Smith had improved the functioning of international trade, there were still certain limitations. The English David Ricardo knew how to refine them in order to come up with what is known as the theory of Comparative Advantage.

David Ricardo understood the limitation that certain nations had when they did not possess an absolute advantage in at least one asset; he stated the following: "When a country specializes in the production of a good in which it has a comparative advantage the total world production of each good necessarily increases. As a result, all countries will obtain a benefit". (Sanchez, 2014) In short, this philosophy establishes that a country should specialize on that good over which it has a greater relative advantage. In other words, a good that is more efficient to produce and represents a lower opportunity cost.<sup>4</sup>

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<sup>2</sup> Taken from: <http://site.ebrary.com/lib/uasuausp/reader.action?docID=11013195&ppg=6>

<sup>3</sup> Taken from: <https://web-argitalpena.adm.ehu.es/pdf/UWLGEC2831.pdf>

<sup>4</sup> Taken from:

<http://www.esumer.edu.co/images/centroeditorial/Libros/fei/libros/generalidadesdecomerciointernacional.pdf>

#### **1.3.4. Heckscher-Ohlin Model:**

Following the proposed theories of absolute advantage and competitive advantage a new challenge arose to this new doctrine. Smith and Ricardo were not very clear on the reason why there could be differences in the development of traded goods. They could not explain why those advantages. However, this new model, proposed by two Swedish economists, it explains the importance of two production factors such as work and capital. Technology was only the way in which those factors mixed themselves to create the product. The philosophy of this model is that “A country must specialize in producing and exporting those products that intensively use their relatively abundant factor”. (Sanchez, 2014)

The authors of this theory believe that the value goods are measured by the utility that it provides, but not by the work involved in its manufacture. As such, the factor prices must be different among the countries like the intensity with which they are used. Otherwise the nations would have the same relative costs in all industries.<sup>5</sup>

“Countries participate in international trade for two basic reasons; to generate profit and to trade. First, countries trade because they are different. Nations, as well as individuals can benefit from their differences through a relationship in which everyone does what they do relatively well. Second, countries trade to achieve economies of scale in production. That is, if each country produces only a limited range of goods, it can produce each of those goods on a larger scale. Therefore, in a more efficiently way than if it tried to produce everything. In the real world, international trade patterns reflect the interaction of these two reasons”. (Krugman, 2006)

Foreign trade is of a large scope due to the differences in resources that each country possesses. This theory mainly highlights the interaction between the proportions in which different factors are available in different countries and the proportion how they are used to produce different goods.

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<sup>5</sup> Taken from: <http://site.ebrary.com/lib/uasuausp/reader.action?docID=11225008&ppg=7>

### **1.3.5. Product Life Cycle Theory:**

Proposed by Raymond Vernon, who argues that "The location of production facilities that serve the world markets changes as the product travels its life cycle. This life cycle consists of four stages: introduction, growth, maturity and decline ". (Daniels, Radebaugh, & Daniel, 2013)

For the explanation of the life cycle we have the following references: The United States and Japan are considered as developed countries. In contrast Colombia is considered a developing country. The first stage called introduction refers to the production carried out into the same place where it was invented. It can be exported to similar countries at a development level; in the following stage appears similar products manufactured in another country, such as Japan. The last ones are exported to the country of origin, in this case the United States. At a maturity stage, the market stops growing and only companies that manage to produce with lower costs are kept. Finally, in the decline stage, only countries with a lower development level, such as Colombia, produce and market its products in their own territory

In this way Vernon, devotes more attention to the product. Since this theory proposes that technical innovations need larger capital and skilled labor developed countries play a fundamental role in this theory. "The production of newly created goods passes from the developed country where it was developed to another developed country and from there to a less developed third country". (Rivas & Igor, 2012)

### **1.3.6. Location Theory:**

This theory arises from the idea that natural resources have a limitation. Therefore, their distribution is uneven worldwide and as a result from it different conditions are generated at the time of the production of goods.

On the other hand, it is stated that the exploitation of natural resources was the fact that led to a specialization in different activities through the accumulation of capital and technological knowledge. Due to that it creates a lower relationship of dependency

of the human resources. Allowing the humanity the substitution of those resources for synthetic products.<sup>6</sup>

### **1.3.7. New Theories of International Trade:**

Following the theories mentioned before, new theories of international trade began to emerge in the 70s. These new theories refer to economies of scale, adaptation and the creation of semi-industrialized technology; considering human capital as a fundamental factor in the expansion of economic activity. In addition, greater attention has been paid to the functioning of trade and to the trade policies of developing countries.

From the emergence of several theories of international trade the main focus has been to provide a broader explanation of the international market behavior. Each of these economic philosophies were proposed to complement the flaws of previous models. The need to explain this behavior led Krugman to investigate and analyze the flaws that existed in the aforementioned theories as well as the factors that constituted an impediment to a correct explanation on the aspects that comprise international trade.

As a result of this investigation, Paul Krugman analyzed the possibility to create a new theory that explains the real behavior of international trade taking into account all the elements that had not been previously analyzed. This new theory arose from theories previously formulated, arising the following question "Does the theory of new trade and economic geography of Paul Krugman corrects wrong aspects of theories of international trade developed through economic history, and poses corrective measures that explain the real behavior of international trade in the framework of globalization?" (Mayorga & Martínez, 2008)

Krugman called this theory the "Theory of the new economic geography", which basically starts from the center-periphery concept, "this model assumes that there are two productive areas, agriculture and manufacturing, and two types of employees, farmers and workers. Each company in the manufacturing area uses economies of scale to produce a differentiated product, and uses workers as the only input for production ". (Mayorga & Martínez, 2008).

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<sup>6</sup> Taken from: <http://132.248.9.195/ptd2014/febrero/305137607/305137607.pdf>

Additionally, the author stated that it is important to start from novel assumptions and develop simple processes and products. He wanted to explain that innovation does not require so much technology or sophisticated models. Thus, in his theory, he mentions the importance of a first approach between the workers and producers of consumer goods and a subsequent approach in which producers concentrate in areas where the market is larger.

Finally, Krugman integrates in his theory the concept of the home market or local market effect, which consists of the following, "Companies will decide to locate depending on the relationship between the use of economies of scale and savings for transport costs, in this way, another key variable appeared: transport costs". (Mayorga & Martínez, 2008)

#### **1.4. Theory on SMEs**

##### **1.4.1. ¿What are SMEs?**

SMEs represent a great socio-economic engine for the development of countries and their correct evaluation and evolution determines the level of development of societies. The term SMEs, according to the Internal Revenue Service (SRI), is known as "a group of small and medium-sized enterprises that, according to their sales volume, social capital, number of workers, and their level of production or assets have characteristics own of this type of economic entities". (SRI) These small and medium-sized companies have focused on different economic activities such as the following:

- Wholesale and Retail.
- Agriculture, forestry and fishing.
- Manufacturing industries
- Building.
- Transportation, storage and communications.
- Real estate and services provided to the company
- Community, social and personal services.

##### **1.4.2. Importance of the SMEs in the Ecuadorian economy**

When studying the economic structure of a country, it is important to identify the factors that determine the development of it. This is why that SMEs are considered as

one of the main factors that influence the economic growth of a country. “The indexes of creation and sustainability of SMEs in an economy are taken to evaluate the competitiveness of a country, this is why its evolution and growth, directly affect the performance and welfare of a society”. (Ekos, 2016)

In the case of the Ecuadorian economy, small and medium enterprises, according to the Directory of Companies and Establishments issued by the National Institute of Statistics and Censuses INEC, "represent 99% of the total of non-financial companies and generate jobs for approximately 70% of the workforce. The main economic sectors that are grouped in this percentage are: services 39.10%; trade 37.77%; agriculture, cattle raising, forestry and fishing 10.62% ". (INEC, 2015)

Table 1. Classification of the SMEs and MSMEs

<b>Variables</b>	<b>Enterprises</b>			
	<b>Micro</b>	<b>Small</b>	<b>Medium</b>	<b>Big</b>
<b>Busy Staff</b>	1-9	10-49	50-199	Greater than 200
<b>Gross Value of Sales (USD)</b>	Greater than 100000	100001-1000000	1000001-5000000	Greater than 5000000
<b>Asset Amounts (USD)</b>	Until 100000	1000001-750000	7500001-3999999	Greater than 4000000

**Source:** Taken from regulations implemented by the Andean Community, Resolution 1260  
**Made by:** Pontón, Valarezo

### **1.4.3. Export Capacity Assessment:**

According to Nicola Minervini's book entitled "Export engineering: the route to internationalize your company", when thinking about the export capacity of a company, it is necessary to understand that it is not only the production capacity, but also the possibility that the company has to "think and act globally". That is, adjust their management according to the demands and variables that intervene in the international market. In this way, when a company is determined to opt for

internationalization, it is recommended to carry out an in-depth analysis to determine if it is in the conditions to expand its borders towards an external market.

For this model of analysis, the company can perform a variety of questions that will allow you to know in depth which are the fields that need a greater focus and development; the main questions to consider are the following:

- Why do you want to export?
- Have you visited important international fairs lately?
- Within the range of products that you manufactures, have you identified the less vulnerable to international competition?
- Does your company have evident competitiveness factors (design, technology, brand, etc.)?
- What is the type of consumer in the country? Will it be the same abroad?
- Are you sure that your product is exportable?
- Before thinking about exporting, have you conducted research in the domestic market to evaluate if it is possible to increase your participation at a local level, such as product range, different consumer segments, different geographic coverage of your own country?
- Have you gathered enough information to have a broad database to develop an internationalization plan?
- Do you know in which markets you will be more competitive? What markets will the "country brand" enjoy better?
- Do you know the barriers that block foreign trade?

After analyzing this group of questions, the company must consider other factors that participate in this process of internationalization, to can get a successful result that benefit the company.

#### **1.4.4. Potentialities of SMEs in the face of the process of globalization**

The globalization is considered as a process that groups all the societies of the world in one only market; this is why “this process is causing an explosion of good offers of wide and varied products and services, with lifecycle of products increasingly shorter, which has led to 'weaken' the traditional national borders”. (Gelmetti, 2011) Due to this, there have been changes in traditional commercial approaches of companies,

which has led to a trend towards internationalization, even more in those companies that have the necessary resources to face this new global dynamism.

On the other hand, in spite of small and medium enterprises have been significantly affected by the extension of the competition worldwide, they have a series of potentialities that allow them to function successfully in this situation. Among them Carlos J. Gelmetti, in his book *SMEs global: strategies and practices for the internationalization of SMEs*, highlights the following:

- **The degree of flexibility:** this factor allows them a rapid adaptation to the variations found in the environment, to new information technologies and the needs of their clients, due to their small size and operational agility.
- **Access to markets and new ways of distributing products:** This is achieved through the intervention of: representatives, brokers, strategic alliances, licenses, franchises, export consortiums, etc. In such a way that it helps reduce logistics costs.
- **Motivation and ingenuity:** this is because the target markets of large companies are focused on supplying the needs of a larger market than can be accessed by small and medium enterprises, which forces them to focus on smaller market niches for thus be able to meet the expectations of them.

### **1.5. The internalization of a company**

The current international framework is characterized by the relationship between the factors that promote the functioning of international trade. This is reflected in the market at the moment that the offer of products and services is modified. At the same time it causes drastic changes in the life cycles of the products; which has produced a weakening of national borders with a continuous change in consumer habits and fierce competition between companies. "Many developing countries have opted for international trade as a driver of economic growth, and developed countries have achieved that status precisely thanks to internationalization policies." (Martínez, *SMEs: routes for export*, 2013)

The changes occurred in the international market due to the effect of globalization, many countries have seen the need to expand their commercial markets to improve their economies; that is, they have opted for internationalization.

This economic expansion was defined as “A process of growing involvement of the company in international activity; as the variety of ways to enter foreign markets and develop in them, for which it will be necessary to invest in more permanent commercial formulas and develop long-term marketing strategies”. (Vergara, 2012)

### 1.5.1. Why internationalize?

Internationalization is one of the main factors to consider by entrepreneurs to be known in the foreign markets. When mentioning internationalization, it must be considered that exporting is not the only method to carry out this process. There are also other non-equity forms of entering the markets such as licenses, franchises; or through strategic alliances, mergers or acquisitions.<sup>7</sup>

“The challenge now lies in the decisive insertion in international trade flows, in the permanent search for opportunities, of new and varied clients, of niches or commercial spaces with greater inelasticities and a greater orientation towards overseas markets”. (Gelmetti, 2011)

The strategy of internationalization is one of the most effective in the field of international trade, to which many companies resort to achieve a continuity of their business, however, growth is not the only reason to internationalize.

The main reasons are presented below:

- **Growth in sales and profitability:** when entering a new market, through exports, a greater benefit is obtained due to its size and implies fewer competitors or at the same time that its consumers have a higher disposable income.
- **Extend the life cycle of the product:** the company can extend the life cycle of its products especially in less developed countries, maintaining or even increasing the sales of those products that in the domestic market are already in decline.
- **Maintain the activity and diversify the risks:** that is, reduce the risk of operating in a single market in such a way that the operations of the company diversify and are not affected by unforeseen economic fluctuations.

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<sup>7</sup> Taken from: PYMES: rutas para la exportación,  
<http://site.ebrary.com/lib/uasuyasp/reader.action?docID=10757975>

- **Improvement of image and prestige:** as the company begins to export, its image at a national level improves, giving greater prestige to its products before its customers, suppliers, banks and institutions.
- **Learning and experience:** the acquisition of experience and knowledge is increased for the personnel working in the company, in such a way that the necessary knowledge is obtained to act in front of foreign competitors and to the demands of consumers in foreign markets.
- **Response to competitive pressures:** The threat of competitors can lead the company to look for markets where they are not present, or even to be in the market of competitor origin in order to respond to their attacks.
- **Obtain localization economies:** by relocating some of its activities, the company may have access to resources or activities that it could not obtain in its country under such advantageous and competitive conditions.<sup>8</sup>

Growing internationally is a fundamental factor for the prosperity of a company, the decision to do so must be supported by the reasons previously explained, because internationalization is a process which must be fully known to achieve a high position in the foreign market. In addition, it has been considered as an irreversible need that must be applied, even more so when a company is successful in the internal market, in order to increase its productivity and increase the possibility of growth and success in the future of the company.

### 1.5.2. Advantages of internationalization and competitiveness

The traditional conception of a company that internationalizes its business in order to increase its economic returns has notoriously changed. The main focus of a multinational is to achieve a higher positioning in the global market and in that way increase its levels of competitiveness in order to improve its economy.

“Internationalization also allows the relocation of some activities of the value chain to locate them in countries where there are lower costs of raw material, labor or fiscal savings”. (Otero, 2013)

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<sup>8</sup> Taken from: <http://site.ebrary.com/lib/uasuausp/reader.action?docID=11059311&ppg=89>

In addition, when a company seeks to introduce it to other markets, "in many cases it has to face more aggressive and sophisticated competitors, more demanding consumers. Thus being obliged to innovate and constantly improve their products". (Otero, 2013) These improvements can also be used to differentiate themselves from the competition into the national market.

The main advantages for which an entrepreneur would adapt this economic model are presented below:

- Increasing of sales because of the expansion towards a foreign market. It directly benefits the target market and the domestic market; at the same time, it meets the expectations of new customers with different tastes and preferences giving a greater value to the product.
- Improve the utilization of resources through the increase of economies of scale and in that way decrease the waste.
- According to the production process used in the elaboration of the products, the external price could exceed the domestic, so it would generate a greater utility for the company.
- The diversification of the markets represents a risk decrease, so that the unexpected fluctuations in the market can be avoided.<sup>9</sup>

The advantages of an international expansion are very significant aspects for a company. The internationalization process can be simple and represents a positive change for it but if you do not have a deep knowledge about its application and operation it will not be successful. That is, to the internationalization of good results, it is necessary that the personnel of the company are properly trained in order to achieve positive results based on the approach in the foreign market. Otherwise, this mechanism will not work in the way expected. The advantages of applying it efficiently are decisive factors to determine the future of the company.

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<sup>9</sup> Taken from: PYMES: rutas para la exportación. Bogotá. 2013

**1.5.3. Internationalization strategies:** adequate international business to enter each country.

Although the field of exports is the most common strategy that companies adopt as a means to internationalization, the method or the most appropriate way to enter new markets depends solely on the type of strategy that fits the business model of each company. In this way, we must identify what would be the best business strategy to achieve the objectives set.

Among the types of international business that a company can develop for its internationalization, the writer Gloria Garcia in his book "Strategies of internationalization of the company: how to conduct international business" mentions the following:

- **International export business:** consists of selling recurrent and stable what the company produces to customers located in foreign markets, outside the customs territory.  
Purpose of the export: to obtain clients in foreign markets.
- **International import business:** consists of purchasing raw materials or components that will be incorporated in the production process of the company to suppliers located in foreign markets outside the customs territory.  
Purpose of the import: get suppliers in foreign markets.
- **International business of international business cooperation agreements:** these agreements consist of cooperation between companies from different countries with a specific duration and with the purpose of achieving a common goal or mutual benefits without the need to resort to other partners.  
Objective: to achieve the desired purpose through cooperation with the appropriate partner company.
- **International business of direct investments abroad:** A Foreign Direct Investment FDI, is represented as a company founded in a country different from the investor, constituted according to the law of the destination country and which, unlike the AICE, requires that the partners contribute capital and it constitutes for an indefinite duration. It can be done alone or with a partner and its constitution must be made public by registering the documents that represent the property in the Commercial Registry of the destination country.

Objective: to exercise control and management of the company in the destination country.

- **International business of projects in foreign markets:** this international business consists of getting projects to be able to execute them in foreign markets, outside the customs territory. A project can combine features of all previous businesses.

Objective: to obtain the project contract, not a "recurring" client, as in the case of the international export business.<sup>10</sup>

#### **1.5.4. Obstacles of internationalization:**

On the other hand, despite the positive factors that exist in the process of internationalization, companies must be aware that there are also certain barriers that can slow down this process and that the necessary preparation is needed to be able to face them. There are many companies that, at the moment of beginning their expansion towards international markets, only consider the positive factors, leaving aside the obstacles that may arise during the process of insertion into these new markets; as a result of that, serious damage to the company would be generated, which in many cases could threaten their survival.

That is why, below are the obstacles to take into account at the time of internationalization:

**Customs processes:** it is the main obstacle that SMEs encounter, therefore they constitute major constraints for agile trade. These are tariffs or restrictions imposed by importing countries. Many of the delays in export or import operations are due to delays in administrative procedures.

**Language:** the language can be considered by SMEs as one of the main difficulties; but, if it is clear what you want to achieve, communication barriers can be easily resolved.

**Lack of information:** refers to the procedures to export, requirements, steps and documents that must be submitted, as well as the agencies and dependencies where they are to be carried out. These difficulties can be solved by resorting to public

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<sup>10</sup> Taken from: <http://site.ebrary.com/lib/uasuausp/reader.action?docID=11059311&ppg=33>

institutions responsible for advising companies in their internationalization, such as: Chambers of Commerce, the Institute of Foreign Trade (ICEX), etc.

**Ignorance of the competitors:** the main competitors are probably known, but it is also necessary to know the small competition and the potential competitors. For which, it will be necessary to carry out surveys, as well as to take into account the opinion of the importer, the distributor and the consumer, and then compare and analyze the competition, investigate the markets and verify what they say. In internationalization you should not believe what is not proven.

**Economic difficulties:** directly related to the costs of procedures, currency exchange, etc.

**Charges:** international sales, like national ones, are accompanied by a risk of default by the buyer. This risk is increased in international operations since there is sometimes little information available; for this, the solvency of the client must be checked before any operation, or the risks of collection must be ensured.

**The preparation of the staff:** it is necessary that a company has the trained personnel in the handling of international procedures, but it is not necessary an export department if the company cannot assume it economically.

**Logistics and transport:** the international operations acquire a higher complexity than internal operations. It is necessary to master all aspects to get the maximum benefit. The correct transportation of goods is a complex issue that can affect the competitive conditions of the commercial operation; therefore, you must have a good knowledge of the correct handling of logistics.

**Competition:** every day the number of companies that decide to expand their field of activity beyond the borders is higher. But even though there is increasing competition, if you study and analyze the target markets and observe the movements of the strongest competition, the chances of success of our operations are considerably increased.

**The homologation and registration of products:** includes the official approval of a product, process or service performed by an organism that has that power by provision of a technical regulation. In certain countries and for certain types of products,

regulations are established that are imposed through legislation: technical standards, commercial regulations and certification and homologation procedures.<sup>11</sup>

## **1.6. Conclusion**

Currently SMEs has become an engine that drives the economy of a country. This is why it is considered important to analyze it from the foreground. Analyze the factors that allow these small and medium enterprises to be constituted as key tools for the economic development of a nation.

For this reason, it has been considered pertinent to define some fundamental concepts on foreign trade, internationalization and SMEs, prior to developing the research proposal on the exportable supply of these small and medium enterprises in the cantons of Camilo Ponce Enríquez and Pucará; with the aim of generating greater understanding on the subject.

Based on the previously conducted analysis it can be concluded that the knowledge of these concepts is fundamental to determine the possible opening to international markets along with other relevant factors that will be presented in the development of this work.

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<sup>11</sup> Taken from: <http://site.ebrary.com/lib/uasuaysp/reader.action?docID=11046443&ppg=7>

## **CHAPTER 2**

### **2. Determine the surrounding conditions of the cantons of Camilo Ponce Enríquez and Pucará**

#### **2.1. Introduction**

This chapter focuses on general aspects of the Camilo Ponce Enríquez and Pucará cantons. The conditions in which they are located will be described, along with relevant data such as: population, geographic location within the province of Azuay, the main economic activities, and products from these cantons.

This data will serve to know the environment on which the research will be carried out, as well as to allow previous knowledge about the data to be obtained in the field information.

After detailing the most relevant aspects of each canton, it will be possible to identify the differences and similarities between both. This will help determine the possible results according to the data presented, and the SMEs that are in the study area.

#### **2.2. Canton Camilo Ponce Enríquez**

To proceed with the development of the first part of this chapter, the information provided by the Development Plan and Territorial Planning (DPTP) of the canton Camilo Ponce Enríquez will be used as a reference.

##### **2.2.1. General Data**

Camilo Ponce Enríquez is a canton belonging to the province of Azuay. It is in the Highland region to the west of the province of Azuay. Within the limits are the provinces of Guayas and El Oro. Its cantonal head is the Camilo Ponce Enríquez, area where the majority of its total population is concentrated. This territory has a humid tropical climate, with temperatures oscillating between 22°C and 30°C most of the year. The humid, tropical climate is due to its territory bordering the Coastal region. Its topography is quite irregular, with altitudes that fluctuate from 43 meters above sea level in the cantonal head, up to 3680 meters above sea level in its highest part.

### 2.2.2. History

The current canton Camilo Ponce Enríquez was born in the parish of Pucará, belonging to the canton Cuenca, which was known as, "Caserío de Río Siete de Mollepongo", in 1940. The Quechua word, "mole" means "tree", and "pongo", means "door". The literal translation of the two words combined means, "Tree Gate". It was known by this name because the territory was a zone of observation and espionage for the Costa and Sierra regions.

Later, in 1945, the foundation of the canton of Santa Isabel was decreed, incorporating Pucará into its territory where Mollepongo belonged. In the year 1959, this site was proclaimed to be the parish of, "Santa Isabel". In 1988, Pucará managed to cantonize, and takes the Ponce Enríquez parish as part of its territory. Years later, after a constant struggle, it was proclaimed as the canton of the province of Azuay in 2002. Camilo Ponce Enríquez acquired this name in honor of the president of Ecuador in the period 1956 - 1960.

The first settlements were carried out by landowners, and later the process of colonization began with migratory currents of the provinces of Azuay, El Oro and Guayas. This emphasized their economic sustenance mainly in agricultural activities with production of cocoa and bananas, with livestock and mining also considered as common activities in the area.

### 2.2.3. Limits

According to the DPTP, Camilo Ponce Enríquez has an area of 639.53 Km<sup>2</sup>. The jurisdictional location of the canton Camilo Ponce Enríquez is defined by the following limits:

**To the North:** It limits with the Molleturo parish belonging to the canton Cuenca, province of Azuay.

**To the East:** Bordered by the parishes: Chauca belonging to the canton of Cuenca, Zhaglli of the canton of Santa Isabel and the canton of Pucará, province of Azuay.

**To the South:** It limits with the parish River Bonito, belonging to the corner El Guabo, province of El Oro.



Because the census carried out in 2001, the canton Camilo Ponce Enríquez belonged to the current Pucará canton. No population data had been established by age, but rather a general dividing of the population only by sex. As shown with the following data, a comparison is made with the population in 2010.

Table 2. Comparison of population growth according to the population and housing censuses 2001 and 2010 of the canton Camilo Ponce Enríquez

<b>POPULATION BY SEX</b>	<b>POPULATION AND HOUSING CENSUS 2001</b>	<b>POPULATION AND HOUSING CENSUS 2010</b>
Women	4659	9787
Men	5431	12211
Total	10120	21998

**Source:** Population and Housing Census 2010

**Made by:** Arq. Robert Guerrero

According to the data obtained in the Population and Housing Census 2010, the population of the Camilo Ponce Enríquez canton adds a total of 21,998 inhabitants. Of this number of inhabitants, the census indicates that 9,787, or 44.49% are women, and 12,211, or 55.51% are men.

As can be seen in the following data, the Camilo Ponce Enríquez canton today represents 3.08% of the total population of the province of Azuay.

Table 3. Total population of Azuay

<b>CANTÓN</b>	<b>POPULACIÓN</b>
CUENCA	505.585
GIRÓN	12.607
GUALACEO	42.709
NABÓN	15.892
PAUTE	25.494
PUCARÁ	10.052
SAN FERNANDO	3.993
SANTA ISABEL	18.393
SIGSIG	26.910
OÑA	3.583
CHORDELEG	12.577
EL PAN	3.036
SEVILLA DE ORO	5.889
GUACHAPALA	3.409
<b>CAMILO PONCE ENRÍQUEZ</b>	<b>21.998</b>
<b>TOTAL AZUAY</b>	<b>712.127</b>

**Source:** Plannig Department DAGP

**Made by:** INEC Census 2010

The urban and rural areas show a great variation in the number of inhabitants located in each sector. At the urban level, the canton has a total of 4,903 inhabitants, or 22.29%, and 17,095 inhabitants in the rural area, or 77.71%. This variation shows that cantonal livelihood and activities are concentrated in the rural area.

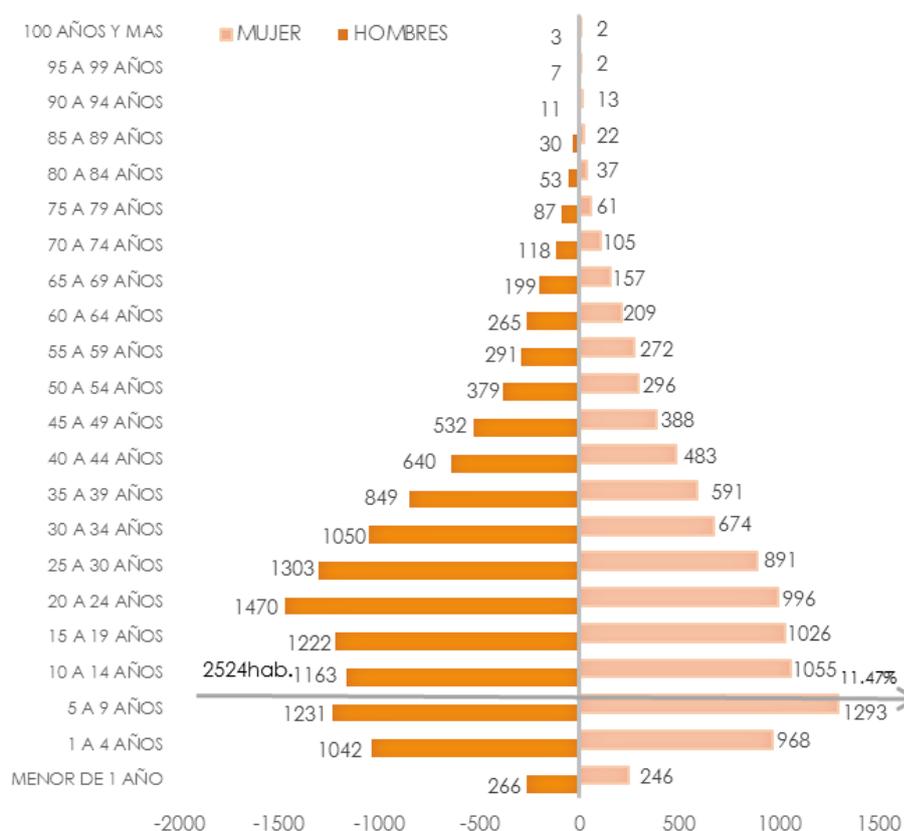
On the other hand, in terms of gender and according to the 2010 Population and Living Census, it can be seen in the urban area that the number of inhabitants is similarly distributed, that is, 2,451 women and 2,452 men; while in the rural area, there is a significant difference, with a total of 9,759 men and 7,336 women. This can be attributed to the boom caused by mining activity this canton has had, which has led to the migration of mining workers and the relocation of the urban population to mining population centers.

One of the factors that characterize the canton Ponce Enríquez is the high number of children, adolescents and young people from 0 to 25 years old. This age range comprises 58% of the total population of Ponce Enríquez. The inhabitants between the

ages of 26 and 65 represent 36%, with the elderly comprising only 6% of the total population.

As for the population pyramid, it shows a regressive tendency; that is, the base of the pyramid is smaller than the top, which means that the birth rate has suffered a decline in recent years and is low. One of the factors that determine a regressive pyramid is the massive immigration of adults for labor reasons. The following graphic shows the population pyramid of the Ponce Enríquez canton.

Graphic 1. Population Pyramid of the canton Camilo Ponce Enríquez



**Source:** Population and Housing Census 2010

**Made by:** Arq. Robert Guerrero

### 2.2.5. Economic Aspects

One of the main indicators to analyze the supply of labor in a territory is the presence of the economically active population (EAP). According to the economics and finance dictionary EUMED, the EAP is defined as, "the part of the total population that participates in economic production, is accounted for in the PEA to all people over a certain age who have a job or who, not having it, are looking for it or waiting for some". (EUMED, sf)

According to data provided by the 2010 Population Census of the total population of Camilo Ponce Enríquez, it is evident that the EAP of the canton represents 58.89%, or 9,983.00 inhabitants who are dedicated to agriculture, livestock, hunting, service activities, manufacturing and more.

The economically inactive population is defined as follows: "It is said of the total number of people who, belonging to the economically active population, are not working but are looking for a job. Within the unemployed population are those who have lost their jobs and those who are looking for work for the first time, that is, those who wish to join the labor market". (EUMED, s.f.) and in this canton is represented 41.11%, or 6,969.00 inhabitants.

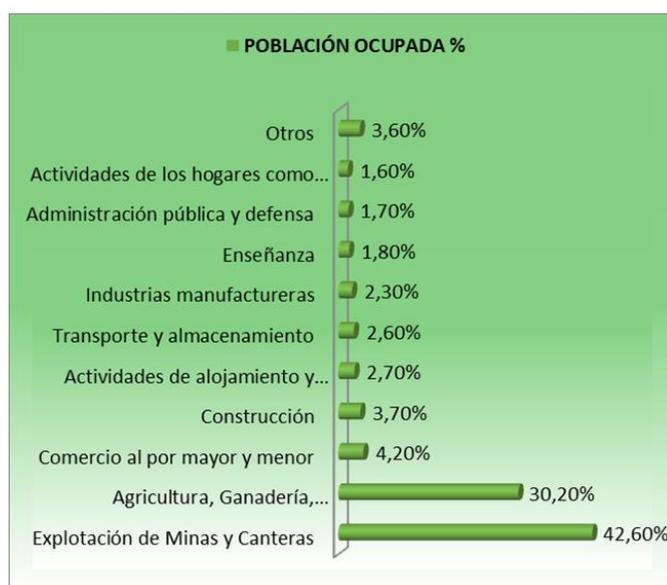
#### **2.2.6. Distribution of employed population by branch of activity**

According to the analyzed data of the economically active population, it could be verified that 42.6% of the population is dedicated to productive activities, which includes mining and quarrying. Data also shows there is 30.2% of the population dedicated to agricultural, livestock, forestry and fishing activities; what comprises the total of the primary sector with an equivalent of 72.8%.

While secondary activities add up to 6.0%, being distributed between manufacturing (2.3%) and construction (3.7%). The population that participates in the tertiary sector comprises 21.2%. The activities within the tertiary sector are: commercial activities (7.2%), hotels and restaurants (2.7%), transportation (2.6%), public administration (1.7%), education (1.8%), domestic services (1.6%), and other activities (3.60%).

The different activities to which the population of Ponce is dedicated demonstrates a great dependence on the primary sector, as well as on the tertiary sector and all the activities that it comprises. Based on these statistics it can be shown that the economic nature of the population is reflected in the dependence on mining and agricultural activity in recent years especially the first, from which the extraction of economic resources for their maintenance is carried out, because primary production does not cover more than the basic survival activities.

Graphic 2. Employed population by branch of activity



**Source:** Population and Housing Census 2010

**Made by:** Arq. Robert Guerrero

### 2.2.7. Economic activities of the canton Camilo Ponce Enríquez

As shown in figure 2, the economically active population of this canton is distributed among several activities that provide financially for families that are settled in this territory. Of which the following are detailed:

- **Mining Production:**

The economic support activities of Ponce Enríquez, mostly revolve around mining. According to data from the DPTP of this canton, mining in this area began in 1982, the year in which this territory was severely affected by landslides and floods due to the El Niño phenomenon. This caused an agricultural crisis, which led to the Ponce residents to seek new alternatives for employment, resulting in the influx of workers going to the mines.

The territories which have been the object of greater mining exploitation are located in the zone of San Gerardo, and are the following: La Fortuna, Bella Gala, Pinglio 1, Las Paralelas, Renacer M3, La Coca, and Quebrada Fría. Another area where the mining activity is located is in the parish of El Carmen de Pijilí, but with a lower degree of production than those mentioned above, due to the geographical location and topography of the land.

Although mining has been established as the main economic activity of Ponce Enríquez, it should be noted that there is a high percentage of irresponsible mining practices which generate a series of negative and irreversible environmental impacts. For this reason, small mining companies are more rigidly controlled by the government, which prevents rapid business growth. The regulations from the government directly affect the production levels of small mining businesses.

In the economic sector of mining the main activity is the purchase and sale of gold. Sales and purchasing ability depend on the quantities of gold extracted. The gold business functions thanks to the small miners who buy gold balls of 5 to 50 grams. Miners accumulate a large amount of the precious metal and then sell it when the price of gold rises to generate higher profits. Later, the big miners negotiate the gold through local companies and then proceed to sell it in the foreign market.

- **Agricultural Production**

The agricultural and livestock sectors are crucial economic support activities for the community of Ponce. The purchase and sale of fine flavor cocoa or CCN51 creates some of the greatest demand among people working in these productive areas. Small farmers acquire cocoa and then sell it to exporters. According to the National Association of Cocoa Exporters of Ecuador ANECACAO, fine flavor cocoa represents only 5% of the world cocoa production and is considered as "traditional and emblematic product of Ecuador. For its fragrances and fruit and floral flavors, it became famous among foreigners and little by little they were calling it Cacao Arriba. For its organoleptic properties it has an added value that is recognized by the confectionery industry". (ANECACAO, 2015)

In the livestock sector the main products are meats and dairy products which are only for local consumption, since production is not on a large scale. The commercialization of products obtained through the livestock sector constitutes a very interesting economic activity because it integrates the farmer, the cattle rancher, and the community in general for the purchase and sale of these products, thus allowing this sector to grow and the economy to develop in a way that benefits the entire population.

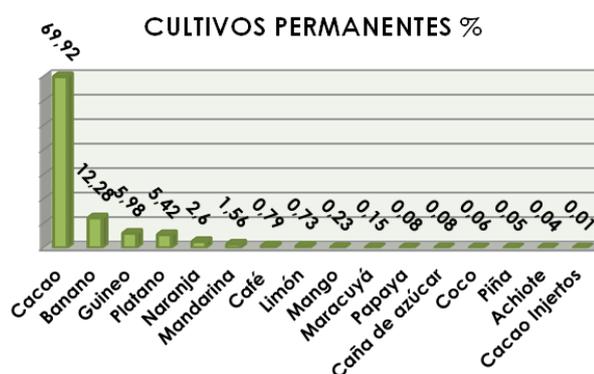
As with the mining sector, agricultural production, especially of cacao and bananas, has decreased considerably due to the El Niño phenomenon; in addition, small

producers have chosen to abandon the agricultural sector and start working in mining production. This is due to the lack of technology and support for agriculture and livestock by the State. This has negatively influenced the production and export levels, as mentioned in the DPTP of Camilo Ponce Enríquez.

There are two types of crops in this territory, permanent and transitory. For agricultural production to produce good fruits, it is necessary that the soil is in excellent condition having access to water sources and irrigation channels. The products of the zone, when being destined for the local consumption, are cultivated in small orchards located in the domiciles of their producers, with a lack of necessary technology to be able to expand their cultures to wider spaces. "The ground in 90% is of good quality, more than 50% of families have properties between 5 and 50 hectares average, being a limitation the lack of means of communication, of technification and of organization ". (GADCPE, 2012)

Some of the crops considered to be permanent in the Ponce territory are: cocoa, banana, citrus fruits, orito, various other fruits, and yuccas. Among the crops listed, about 75% of the cocoa and banana crops are destined to be sold commercially, while the other crops are typically used for self-consumption. Below are statistics on the production of permanent crops.

Graphic 3. Permanent crops of Camilo Ponce Enríquez



**Source:** Population and Housing Census 2010  
**Made by:** Arq. Robert Guerrero

One of the transitory crops is corn which takes 4 months to be harvested as corn, and at 5 or 6 months as hard corn. Approximately 43% of the farmers in the area are engaged in cultivation. Another of the most demanded products is cassava, which is

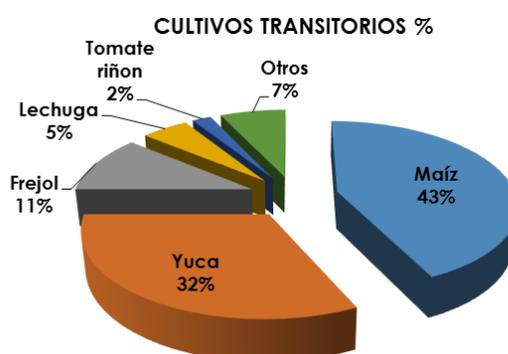
used by 32% of farmers. In addition to having preferential products, most farmers complement their crops with vegetables.

“All these crops constitute, production destined to self-consumption and as part of their food security, which are carried out in 67.69% of the cases in those properties that do not exceed the hectare of extension; 30.77% in properties of at least 3 hectares, and in properties of no more than 5 hectares barely 1.54%, which ratifies the aforementioned”. (GADCPE, 2012)

The markets in which the products are sold are located in Ponce Enríquez, Naranjal, and Machala. It is necessary to mention that several transitory crops exist thanks to the microclimate in Ponce Enríquez. Because of the microclimate it is possible to grow borojón, arazá, sunflower, soy, and various other crops.

Below is a statistical graphic of transient crops:

Graphic 4. Transient crops of Camilo Ponce Enríquez



**Source:** Population and Housing Census 2010

**Made by:** Arq. Robert Guerrero

- **Livestock Production**

Another of the main economic support activities of Ponce Enríquez is livestock. This includes the raising of bovine, porcine, and poultry animals. Guinea pigs are also mentioned, but this activity is intended only for self-consumption and is carried out without technical specifications, and only in the traditional way.

- **Artisanal Production**

Artisanal production is not very representative, since carpentry is the only activity that manifests itself. This can include the deforestation of trees such as laurel and guayacan together with other hardwoods that can be used for the construction of furniture, kitchen utensils, and bodywork for trucks and vans.

Wool weaving was also an economic activity of Ponce Enríquez, but over time the trade has decreased, especially since it is now possible to buy pre-made products, leaving aside the tradition of spinning and weaving with sheep wool.

In order to get the most out of mining, a certain part of the population has dedicated itself to the production of gold jewelry. There was an association of workers trained in this activity, but for lack of financial support and damage caused in the storage center, each partner was dedicated to making jewelry individually, thus generating their own profits and not for the entire association.

- **Turism**

The Camilo Ponce Enríquez canton is crossed by the Pan-American Highway, which gives it the advantage of promoting tourism that will have future benefits. There should be more growth in the city due to profits generated by the mining sector as there is still a lot to exploit. Because of this growth, there is reason to believe in a future of successful tourism as another productive route to increase profits.

Currently, tourism in Ponce Enríquez is an activity that does not generate enough economic resources despite having great tourism potential. The area contains natural beauty such as rivers, waterfalls, mountains, hot springs, jewelry artisans, and cultural resources including archaeological ruins, folklore, and traditions of its people.

- **Commercial and Services Situation**

According to the data shown in the Development Plan and Territorial Planning (DPTP) of Camilo Ponce Enríquez, in the canton, there is a total of 990 retail and wholesale stores in the urban and rural areas. The mining boom since the 1980s has boosted the commerce sector of the urban area of Shumiral and Bella Rica. It is clear that mining communities are a great source of income for much of the Ponce community.

Likewise, the crossing of the Pan-American Highway has had a positive influence on this area, due to the increase in commercial activity.

### **2.3. Canton Pucará**

To proceed with the development of the first part of this chapter, the information provided by the Development Plan and Territorial Planning (DPTP) of the canton Pucará will be used as reference.

#### **2.3.1. General Data**

Pucará is a canton belonging to the province of Azuay, though it is located Southwest of Azuay Province. Pucará is a term of Quechua origin which means Fortaleza, elevated place of prayer, strategic site, or combat position.

The canton Camilo Ponce Enríquez borders Pucará to the North. To the South and West, it is bordered by the canton Pasaje of the Province of El Oro, and to the East by the canton Santa Isabel. This canton is made up of the Pucará parish where the local government is concentrated, the San Rafael de Sharug rural parish and 76 other rural communities. The temperature ranges in the Pucará Canton are determined by the altitudinal gradient. This gradient is between 200 meters above sea level in the lower zone up to 3880 meters above sea level. Taking into account this altitudinal difference, the average annual temperatures oscillate in the tropical zone between 24-26 ° C..

#### **2.3.2. History**

Pucará from September 1852 was part of the canton Giron, on January 20, 1945 became the jurisdiction of the canton Santa Isabel. It belonged to the plenary of the permanent legislative commissions that issued the decree of his canonization. It was published in Official Gazette No. 985 of July 25, 1988, where Art. 3 clearly establishes the territorial limits of the Pucará canton. Since that date the municipal administration has been making dealing with all the powers attributed to the Municipality.

The Canton Camilo Ponce Enríquez, then parish of Pucará rises to cantonal category on March 28, 2002; where in its Art. 3 it establishes the limits of its territorial circumscription.

The word Pucará: It is a term of Quechua origin (puka = red and rá = before) (Perez, 1978), which means fortress, military castle, elevated place, strategic and defense site, combat position, and at the same time it refers "to a party celebrated by the natives of the province of Imbabura", "a fire of an indigenous carnival". Due to this definition there is a settlement or fortress located in the western mountain range that strategically dominates the entire view of that region, to the coast and part of the ocean. This fortress is called "El Pucará", it is a hill, a rocky massif or a topographic phenomenon that becomes a military settlement through defensive walls. Pucará constructions were built for offensive or defensive reasons.

In its cantonal head is the town of the same name "Pucará" located at 3,200 meters above sea level, between two hills called Shalo and Barishigua, formed by the parishes San Rafael de Sharug and Ponce Enríquez, the latter nowadays does not belong to Pucará.

### **2.3.3. Limits**

According to what is established in the DPTP, Pucará has an area of 585.088 km<sup>2</sup>. The jurisdictional location of canton Pucará is defined by the following limits:

**To the North:** It limits to the north with the parish, El Carmen de Pijilí of canton Santa Isabel.

**To the East:** with the parishes of Shaglli and Santa Isabel.

**To the South:** with the parishes Abañín from canton Zaruma and Uzhcurrumi from canton Pasaje.

**To the West:** with the parish of El Progreso from canton Pasaje and canton Ponce Enríquez, there is at a distance of 120 km from the city of Cuenca on the route Girón-Pasaje and a 35 km journey through a ballasted road.

Image 2. Location of Pucará in the province of Azuay



**Source:** Population and Housing Census 2010

**Made by:** DAG of Pucará

#### **2.3.4. Population:**

The canton Pucará is formed by the parish of Pucará where the local government is concentrated, the parish of San Rafael de Sarug and 76 more rural communities. The population is distributed within a greater concentration of inhabitants in the rural areas of the canton and with less concentration in the center of it. Considering that in the 2001 census carried out by the INEC, in Pucará canton a total of 20,382 inhabitants were registered. This amount of inhabitants was due to the fact that the current canton Camilo Ponce Enríquez was part of the Pucará canton as rural parish of this until 2002.

In contrast, it should be considered that the census that was carried out in 2010 the Canton of Pucará is already separated from its former rural parish Camilo Ponce Enríquez, which today is already a canton. In that Census the total population is reduced to 10,052 inhabitants in the urban and rural area. We get 4,898 men which represents the 48.73% and 5,154 women representing the 51.27%.

According to the projection carried out by the INEC in terms of cantons, the following can be stated: "Until 2014 Pucará had a population of 10,586 inhabitants. Increasing 534 people since 2010. The Annual Growth has a tendency of 5.31% "(INEC, 2014)

As it can be seen, Pucará at the cantonal level today represents 1.41% of the total population of the province of Azuay.

Table 4. Total population of Azuay

<b>CANTÓN</b>	<b>POPULATION</b>
CUENCA	505.585
GIRÓN	12.607
GUALACEO	42.709
NABÓN	15.892
PAUTE	25.494
<b>PUCARÁ</b>	<b>10.052</b>
SAN FERNANDO	3.993
SANTA ISABEL	18.393
SIGSIG	26.910
OÑA	3.583
CHORDELEG	12.577
EL PAN	3.036
SEVILLA DE ORO	5.889
GUACHAPALA	3.409
CAMILO PONCE ENRÍQUEZ	21.998
<b>TOTAL AZUAY</b>	<b>712.127</b>

**Source:** Planning Department DAGP

**Made by:** INEC Census 2010

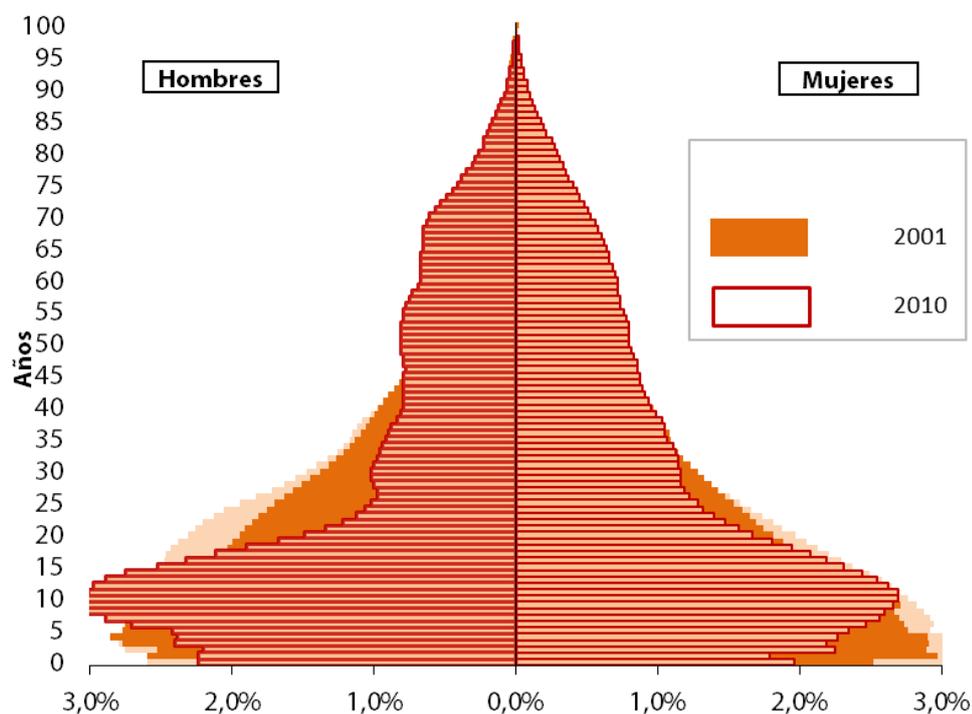
One of the most representative characteristics of this canton is that it has a high level of young population. It points out the existence of a very high index of natality which can be verified on the 2010 census. The population range from 0 to 20 years of age represents 48.8% of the total population with a total of 4918 inhabitants.<sup>12</sup>

The population growth of Pucará can be compared taking as a point of reference the previous census of the year 2001 and the last census carried out in 2010. It is observed in the population pyramid that in the population from 2001 the highest concentration is between 0 to 5 years of age in men and women. This trend changes in the 2010 graphic of the population pyramid. This figure varies to a trend with most of the population between 5 to 15 years of age in men and women. Around 14% of the total population.

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<sup>12</sup> Taken from: INEC

Graphic 5. Population Pyramid Pucará

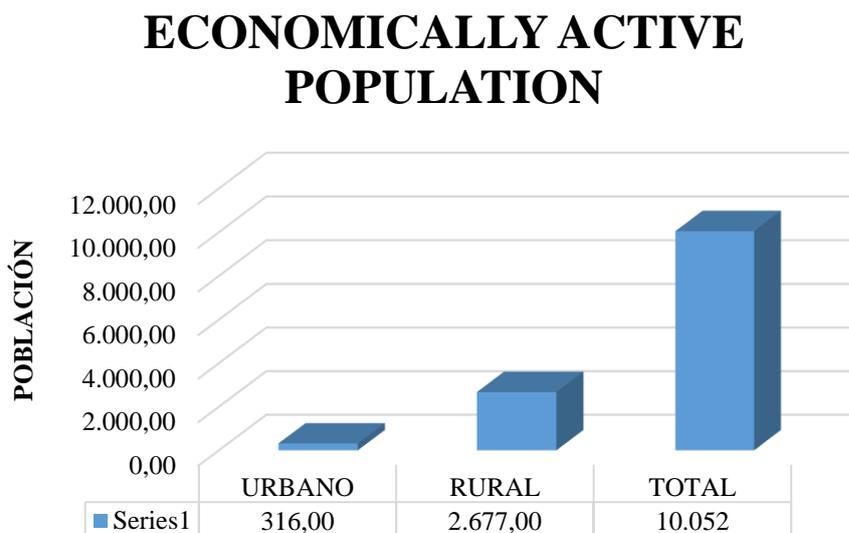


**Source:** INEC Proyección Censo 2010  
**Made by:** Technical Department DAGP

### 2.3.5. Economic Aspects:

Most of the families of Pucará are or may not be owners of the production. They cultivate on different ecological floors a variety of products. The tendency of the “pucareños” is to adequate their living residence on the upper floors and agricultural work in the lower floor. There is a deep-rooted belief saying that the “sierra” or highland is unproductive but better for health. While the coast is more productive but more exposed to sicknesses. The activity that predominates in the canton is agriculture, followed by livestock and clandestinely and reduced mining (primary).

Graphic 6. Economically Active Population canton Pucará



Source: <http://indestadistica.sni.gob.ec>

Made by: Planning Department DAGP

#### 2.3.6. Characteristics of economic units

- **Industry:**

The industrial development of Pucará leads to a low productive scale and as a consequence a high level of economic instability within the sector. According to several interviews to certain industries one of the common factors that makes difficult technological innovation is the lack of investment as well as the availability of professionals and services in the environment. Between other factors it is also found uncertainty, risk, availability of trained staff of the company, difficulty in bringing innovation to the market, high production costs and poor access roads.

- **Commerce**

According to a community self-diagnosis carried out in the DPTP of 2011; 75% of the communities do not elaborate handicrafts. Only 25% carry out some kind of crafts with a minimal production generally not for sale in markets but for self-consumption. However, in the communities of La Betania and Las Nieves handicrafts made of sheep wool are sold in the same community and in the cantonal center. It should be noted that this production is exclusively of family-type.

- **Services:**

There are 536 people who work in the area of services in Pucará and they are divided into:

Electricity; Gas; Air conditioner; Water; Sewerage, Shops; Transport; Accommodation; Food; Information; Communication; Financial; Professional services; Scientific Services; Technical services; Public services; Teaching; Health care.

## **2.4. Conclusion**

In this chapter the Development Plan and Territorial Planning for both cantons was developed. It was done in order to know them in depth general, social and economic data. It helped to identify the surroundings of each canton and in that way determine the main activities of subsistence to which the population settled in these areas is dedicated.

A report about the general aspects of each canton was made, its geography, its climate, its history and the limits. Then a study of the population profile, classifying the population by ranges allowing a clearer and more precise study. Subsequently, the economic aspects were analyzed. The main subsistence activities practiced in the cantons of Camilo Ponce Enríquez and Pucará were identified. Also the main products that are commercialized in the study areas were shown.

Finally, it can be seen that these cantons have a lot of similarities in some aspects especially on productive. It means that you can find associations and SMEs that are dedicated to similar activities. Although its main differences lie in the topography of both cantons despite belonging to the same province it has totally different climatic conditions. It is because Ponce Enríquez is located in the Coastal region but it belongs to a highland province with a warm temperature and climate. In contrast Pucará has a tundra climate meaning that temperatures are very low throughout the year.

## **CHAPTER 3**

### **3. Determination of the exportable offer of SMEs in the cantons of Camilo Ponce Enríquez and Pucará.**

#### **3.1. Introduction**

This chapter details the interviews made to the different associations as well as the small and medium-sized companies found in Camilo Ponce Enríquez and Pucará. It helped in order to observe from a closer and more precise perspective the main economic activities that people from these cantons have worried about exploiting.

In addition, we will proceed to explain the method used to carry the interviews and the mechanisms that facilitated the contact with small producers, associations and SMEs selected for this project. The information collected provides a detail the profile of the company, as well as administrative, organizational, productivity and product aspects, financial aspects and aspects of marketing and sales.

Finally, a qualification method is used to serve as a basis for the subsequent determination of the exportable feasibility that each one of the associations as well as small and medium enterprises possess.

#### **3.2. Production Areas**

After analyzed the productive environment of each canton, it has been possible to confirm the existence of associations and SMEs in both productive areas, among which the following stand out:

Camilo Ponce Enríquez with a total of 15 entities shown in the table below:

Table 5. Productive entities of Camilo Ponce Enríquez

<b>Production in Camilo Ponce Enríquez</b>	
ASOPRORIDA	Microenterprise dedicated to the elaboration of products based on cocoa
ASHUMIRA	GRUMINEP CO
Vivero de las Orquídeas de las Princesas Association	AGRIPLAZA plc.
ASOCAMPON	Artisans "12 de Abril"
Gold and Metal Mining "El Inca"	UROCAL
Ecuador Gold Mining Company ECUAGOLD S.A	Jancheras Las Águilas
Microenterprise dedicated to the cultivation of cocoa	Microenterprise dedicated to the elaboration of Bonsai
Microenterprise dedicated to the elaboration of gold jewelry	

**Source:** DAG Camilo Ponce Enríquez – PRO Ecuador

**Made by:** Pontón, Valarezo

It is necessary to mention that before proceeding with the interviews it was determined which productive entities qualified for this project. This is why not all of the enterprises and associations could be interviewed. Either because they did not qualify for this work or because the difficulty to contact their representatives. From the 15 productive entities of this canton 10 of them were not considered.

Below the main aspects of these enterprises and the reasons why they were not taken into account are given in detail:

- **Microenterprise dedicated to the cultivation of cocoa**

This microenterprise consists of a family group dedicated to cultivate cocoa by hand. It is not legally established nor has a storage center or headquarters; in addition, its productive capacity is of very low volumes and it is destined only for own consumption.

- **Microenterprise dedicated to the elaboration of products based on cocoa**

This productive entity could not be reached making impossible to obtain the necessary information for the development of this project.

- **GRUMINEP CO.**

This mining company is made up of 5 partners dedicated to the exploration and exploitation of gold. GRUMINEP CO is in charge of buying the material from small producers to sell it abroad. The product that it commercializes is gold concentrate. Its sales are nationwide and it is already exporting to the European and American market since 2014. Logistic companies are based in Guayaquil to transport the product.

The product is exported in plastic bags. Its material has a very similar texture to the mud and contains minerals. Therefore, this company is not considered for this project because it is already exporting.

- **AGRIPLAZA PLC.**

This productive entity could not be contacted either because we did not get a response from their representatives. Therefore, it was not possible to obtain the necessary information for the development of this project.

- **Artisans “12 de Abril”**

This association is made up of hairdressers, mechanics, carpenters, small merchants, people who are dedicated only to the provision of services. For this reason, it does not qualify for this project.

- **UROCAL**

The Regional Union of Peasant Organizations of the UROCAL Coast, was established in 1973, it has a total of 278 producers. This association is dedicated to the production of chocolate and banana puree. Its products are exported to the German and French markets. Its productive capacity is 75,000 kilos per week of bananas, that is, 3 containers of bananas. It also produces 25,000 kilos of cocoa per month. For these reasons this company cannot be considered for this project either.

- **Jancheras Las Águilas:**

This productive entity could not be contacted because we did not get a response from its representatives. It was not possible to obtain the necessary information for the development of this project.

- **Microenterprise dedicated to the elaboration of Bonsai:**

This microenterprise is shaped by a group of 3 people who are dedicated to the cultivation and elaboration of bonsais. However, the margin of production that it has is 3 to 5 bonsais every 4 months or when a client seeks to buy this kind of trees. It does not have a storage center or headquarters; its production is carried out in their own land plots located at the courtyards in the houses of its members. They do not have an organizational chart or any administrative organization. This is why they are not legally established as an association. The testimony from one of the producers reveals that the elaboration of these bonsais is done not as a profitable economic activity, but as a hobby. That is why this company does not qualify to be considered part of this project.

- **Microenterprise dedicated to the elaboration of gold jewelry:**

This microenterprise is located in San Gerardo community. Currently it is not working. Most of the members that were dedicated to this activity have started to work in other areas or have found other job opportunities. Reasons why gold jewelry has not been made for more than a year. It should be noted that they had a headquarter where they made their products; however, these facilities due to the lack of maintenance have been deteriorating.

Such information was obtained through the contact with one of the members who was part of the microenterprise and that nowadays is dedicated to another commercial activity. Thus, we have considered not taking into account this microenterprise for the mentioned reasons.

On the other hand, in Pucará a smaller number of productive entities was found. Obtaining a total of 6 entities which are shown in the table below:

Table 6. Productive entities of Pucará

Production in Pucará	
Small producer of cocoa paste	APROALICO
Small producer of cocoa, guineo orito and mandarin orange	Association of Las Lagunas de Mesarrumi
Small producer of cocoa and citrus	Farmers Association "25 de Junio"

**Source:** Ministry of Agriculture MAG

**Made by:** Pontón, Valarezo

It was possible to contact with representatives of each one of them making easier their classification in order to determine if they had the requisites of association and SMEs to qualify to be part of this project.

From all of them, there were 4 that did not qualify and we explain the reasons in the following paragraphs.

- **Small producer of cocoa paste**

Mr. Miguel Heras is a small artisan producer of cocoa paste and fine aroma cocoa. It has a land area of 5000 square meters located in his farm. Here he plants 500 cocoa plants. Cocoa paste is sold in the local market in plastic tubs. Yes, it has the capacity to expand its production, but due to lack of resources it has not been able to do so because the cacao harvest is only twice a year. Its sales are only in these two stages of harvest; the rest of the year is devoted to livestock.

This small producer is not considered for this project because its productive capacity does not represent a significant amount, in addition, the territory is very small limiting a higher production. Finally, the lack of resources represents a major obstacle since Mr. Heras is the only producer.

- **Small producer of cocoa, guineo orito and mandarin orange.**

Mr. Cesar Orellana is a small producer dedicated to the production of cocoa, “guineo orito” a type of banana and mandarin orange. Products that are sold in small informal posts located on the side of the Girón - Pasaje track road at the height of the Gramalote area. The cocoa is also sold to the wineries in Pasaje to be resell to Guayaquil. The production land is two hectares with no possibility of expansion due to the lack of resources and the lack of irrigation channels. In the harvest season the production of

cocoa is one quintal per month. The production of mandarin and guineo orito is lower in volume than cocoa and its sales vary depending on the harvest.

This small producer is not considered for this project because of his extension of territory limits the increase of its volume of production, besides the bad conditions of the land do not have the necessary resources for its conditioning. Lastly, as an informal seller he has not been able to establish a fixed production volume because he does not have fixed clients nor has been legally established.

- **Small producer of cocoa and citrus**

The production of cocoa and citrus, specifically lemon, it's in charge of Mr. Renato Durán. A small producer who has a land extension of five hectares for cocoa production and three hectares for lemon cultivation. He has two extensions of land for the cocoa production. They both territories with the same characteristics. In one of them he produces fine flavor cocoa and cocoa 51 in the other. The cocoa is sold in grain to intermediaries who sell to bigger companies. On harvest seasons, cocoa is harvested weekly or biweekly. Production is not constant because of the pests that affects the plantations making difficult an expansion of the productive territories.

Like cocoa, lemon production varies, besides it is not very profitable because the production costs exceed profits. Sales are made in Las Palmas area. Located in the low zone of Pucará near to Quera and before passing Mollepongo River.

Thus, this smaller producer is not considered for this project for the reasons previously mentioned. He does not have a TIN, brand of the products, sanitary registration, fixed clients, headquarter or storage center, necessary capital, nor is associated.

- **Farmers Association "25 de Junio"**

This association began its operation in 2005. Due to internal problems it has not been able to continue functioning as an organization. It is currently dissolved and the members produce cocoa individually.

It is worth mentioning that this association was formed with the aim of being organized and represented by an associative entity, that is why they do not have a storage center or common ground for the entire association. Each producer has its own land

measuring approximately one to two hectares. The profits obtained by each partner are to their own benefit.

Not working as a group of partners, but rather individually, does not advertise or promote its products, nor does it have an established brand that differentiates it from other producers. Cocoa is sold locally in small markets of the area. For these reasons it is considered that this company does not qualify for this project.

### **3.3. Investigation Methodology**

At this point a qualitative-quantitative method has been used and the questions formulated in each of the meetings and scheduled interviews are based on the PRO ECUADOR "Export Potential Test" and the "Export Audit" of the Ministry of Industries and Productivity "MIPRO"

Next, the types of research used for this study are explained in detail and some differences are mentioned that show why it was considered convenient to use both investigations.

- **Qualitative Investigation**

In short, under the concept of qualitative research we include a whole series of trends in the research. Each with its differential characteristics. We prefer to use the term qualitative research to place all this great diversity of approaches and currents of research under it: field study, naturalistic research, ethnography, etc. " (Rodríguez, Gil, and García, 2014)

- **Quantitative Investigation:**

The quantitative approach is sequential and probative. It starts from an idea that is limiting and, once limited, research objectives and questions are derived, literature is revised and a theoretical framework or perspective is constructed. From the questions, hypotheses are established and variables are determined. A plan is drawn up to test them (design); the variables are measured in a specific context; the measurements obtained are analyzed using statistical methods, and a series of conclusions are extracted. (Hernández Sampieri, 2014)

- **Differences between both investigations:**

The following differences were taken from the book “Methodology of Investigation” from the author Roberto Hernández Sampieri:

- The qualitative approach seeks mainly the “dispersion or expansion” of the data and information. While the quantitative approach pretends to “limit” the information intentionally. (accurately measure the variables of the study, have a “focus”)
- While a quantitative study is based on previous investigations. The qualitative study is based primarily on itself.
- The quantitative is used to consolidate the beliefs (formulated in a logic way in a theory or a theoretical outline) and establish with accuracy the behavior patterns of a population; and qualitative, so that the researcher creates his own beliefs about the phenomenon studied, as it would be a group of unique people or a particular process.

After having established a model of interview. We approach the municipal DAGs of each canton explaining the objectives of this project, in order to obtain the database about the existing associations and SMEs in the study zones. Most of them were obtained from the DAGs. We also got help from government institutions as PRO ECUADOR and the Ministry of Agriculture MAG. Thanks to them it was possible to expand the information previously obtained by the municipal entities from the cantons Camilo Ponce Enríquez and Pucará respectively.

After having obtained the corresponding databases it was considered necessary to purge them to achieve a greater focus on those associations and companies with which they would work. Among the main reasons that were taken into account to proceed with the simplification of data are the lack of contact and little collaboration on the part of their representatives. Also the difficult access to them, the lack of interest to participate in the project and the size. It should be emphasized that microenterprises, small producers, informal producers and service providers do not qualify within this work, as well as those companies that are already exporting.

When the time to obtain a final list of associations and companies to be interviewed has arrived. It was necessary the help of municipal entities to schedule appointments

with each of them. In the area of Ponce Enríquez, the access was difficult due to the climatic conditions, the deteriorated roads and the places where we had to go were very far from the urban area, in addition, there was no telephone coverage, which made contact with the representatives difficult when arriving at the agreed place. Most of the communities where the interviews were conducted reflected low economic conditions, they did not have the necessary supplies to cover their basic needs. They had to go to the urban area which was at a considerable distance. There were few interviews conducted in the urban center of the city, for the others, it was necessary to go to the city of Machala since their administrative offices were operating there.

On the other hand, to proceed with the contact of the associations and companies of Pucará. We went to the University of Azuay, the same one that is elaborating a project called "Improvement of Milk Production and Marketing of the Committee Pro improvements Las Nieves" the necessary information was obtained through the APROALICO company located in Las Nieves community. Through the MAG, it was possible to obtain information through another small company located in Puculcay. A place of difficult access due to the roads and the altitude at which it is located. The other associations located in the area could be contacted through the technicians appointed for the study of productivity in the lower area of Pucará canton. Only 1 was formed as an association and the others only consisted of small producers whose production was solely for self-consumption and to sell to the nearest markets. Therefore, each of the representatives was contacted by telephone because they had little time available to make a face-to-face interview.

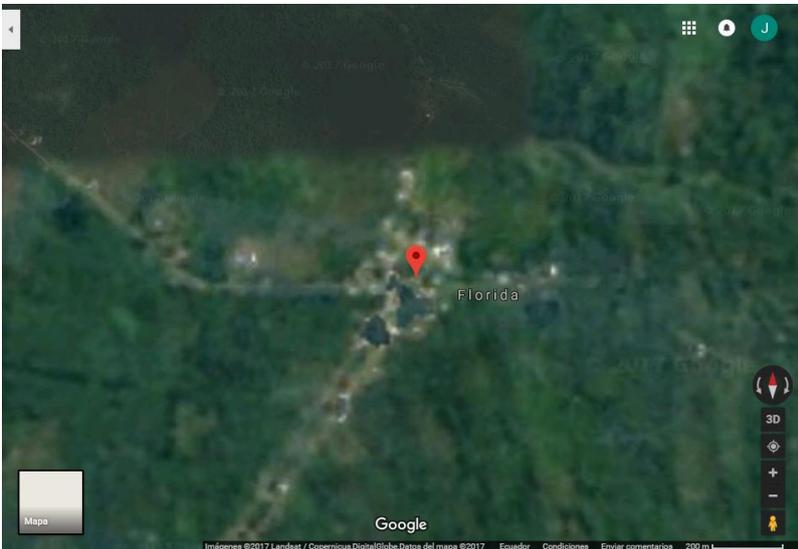
#### **3.4. Application of the interview**

Below are presented the interviews conducted to the associations, SMEs and small producers of Camilo Ponce Enríquez with its detailed general data, administrative, productive, financial and marketing and sales aspects.

### 3.4.1. Interview conducted to the Association “Esperanza del Buen Vivir” ASOPRORIDA

#### 3.4.1.1. Profile

Table 7. Profile of the Association “Esperanza del Buen Vivir” ASOPRORIDA

<b>PROFILE</b>	
<b>ENTERPRISE’S NAME</b>	Esperanza del Buen Vivir ASOPRORIDA
<b>PRODUCT (product range)</b>	The main products are: fish, banana, citric. In addition they are dedicated to the raising of birds and pigs. Its star product is tilapia.
<b>LOCATION</b>	It is located in community "La Florida" on Av. Quito, via Bella Aurora. Coordinates: 2°57'57.2"S 79°37'45.0"W 
<b>CONTACTS</b>	President: Julia Puma
<b>TELEPHONES AND REFERENCES</b>	Phone number: 0988815057
<b>INTERVIEW DATE</b>	August 24th, 2017

**Source:** Association Esperanza del Buen Vivir “ASOPRORIDA”

**Made by:** Pontón, Valarezo

#### 3.4.1.2. Administrative Aspects

This small entity started operating since 2012, but became an association on November 8, 2015, forming a board of directors among the 13 partners that make up ASOPRORIDA. It does not have any operating permit because the places where the production zones are located are difficult to access. In addition, due to low availability

of financial resources, they do not have a storage center. Its functioning is governed only by the representation of the members of the board of directors, president, treasurer and secretary, since they do not have a structural organizational chart of the association.

### 3.4.1.3. Productive and product aspects

ASOPRORIDA is mainly dedicated to the production of banana, citrus, bird and pig breeding as well as the production of tilapia, considered as the flagship product of this productive entity

This association does not have a common land where to carry out the production. Each member has its own land where the pools are located. The structure is semi artisan because they do not need much technology for the cultivation of tilapias. The dimension of each pool are from 15m<sup>2</sup> to 23m<sup>2</sup>, the association has a total of 80 pools. Because tilapia is the product most desired for the consumer, their levels of production are mostly focused on this kind of animal.

Image 3. Tilapia Pool



**Source:** Pontón, Valarezo

The process of cultivation of tilapia consists of: obtaining breeding, sowing, fattening and harvest. The breeding is obtained through providers from Colombia, The Amazon, Yaguachi, Guayaquil and km. 26 way to the Coastal region. Later, each member sows in their pools. At this phase the reproduction process is carried out and the large and small breeding are separated to locate them in the corresponding pools. After that they are fed with balanced fish feeds so they acquire the ideal size. This phase lasts around four to six months to finally harvest them.

Image 4. Tilapia



**Source:** Pontón, Valarezo

The tilapia production of this association corresponds to five quintals per month. According to the demand of the potential buyer, producing around one to two quintals per week. They have the possibility of expanding their productive capacity to produce twice the current production; that is, ten quintals per month.

#### **3.4.1.4. Financial Aspects**

Due to the partners do not have an established organization, they do not they have RUC and the financial resources obtained from the sale of the tilapia are according to the sale of each producer meaning that profits are individual.

On the other hand, by not having enough financial resources, each member contributes \$ 5.00 per month, money that is used to benefit the association and is used to cover the expenses of the association.

#### **3.4.1.5. Marketing and Sales Aspects**

ASOPRORIDA does not have regular customers, but the sale of 100 kilograms of weekly tilapia is carried out in the markets of clean products of the city of Cuenca. The sale is also done in small markets that take place in Ponce Enríquez on Saturdays and Sundays. The price of the pound of tilapia ranges between \$ 1.35 and \$ 1.75.

For the mobilization of the product, ground transportation financed by its own means is used and every 15 days it is financed by the Municipal GAD of Camilo Ponce Enríquez; because the packaging of the product is traditional, it is transported in small tanks with ice, which maintains the tilapia in a freezing state to avoid deterioration.

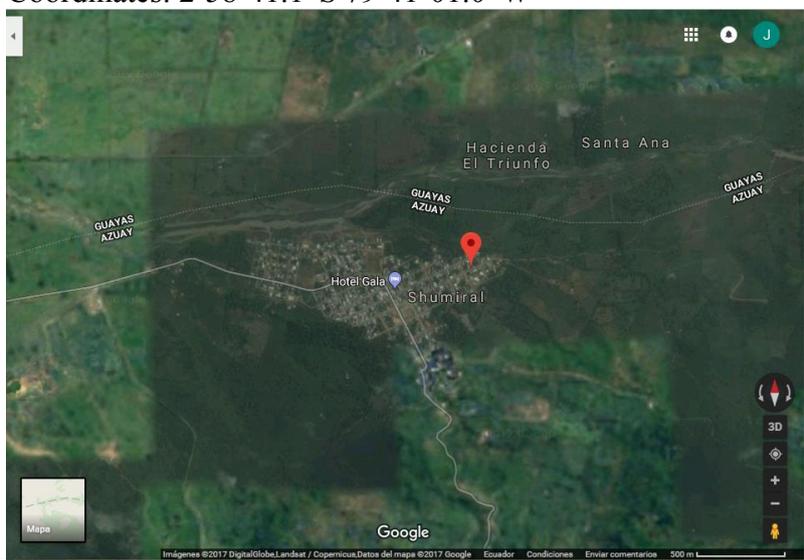
It does not have a registered trademark, nor does it advertise the product, nor does it have social networks or a website. The producers contact the clients by telephone. This means that the company does not have the necessary knowledge to look for channels to expand their sales to other markets either locally or abroad.

The lack of resources creates a huge obstacle to improvements of the companies and its product. Because of that they are vulnerable to competitors, especially the small company located in the community of San Gerardo whose owner makes a harvest of 70,000 tilapia per semester.

### 3.4.2. Interview conducted to the Association of Agricultural Workers of Shumiral ASHUMIRA

#### 3.4.2.1. Profile

Table 8. Profile of the Association of agricultural workers of Shumiral ASHUMIRA

<b>PROFILE</b>	
ENTERPRISE'S NAME	Association of Agricultural Workers of Shumiral ASHUMIRA
PRODUCT (product range)	Its products are bitter and sweet cocoa paste. They also make chocolates.
LOCATION	<p>They are located in the Shumiral Site belonging to the canton Ponce Enríquez, on the banks of the Gala River, in the 29 de Abril neighborhood. Coordinates: 2°58'41.1"S 79°41'01.0"W</p> 
CONTACTS	President: Juan Sares Luna
TELEPHONES AND REFERENCES	Phone number: 0986012761 Mail : juansaresluna@hotmail.es
INTERVIEW DATE	August 25th, 2017

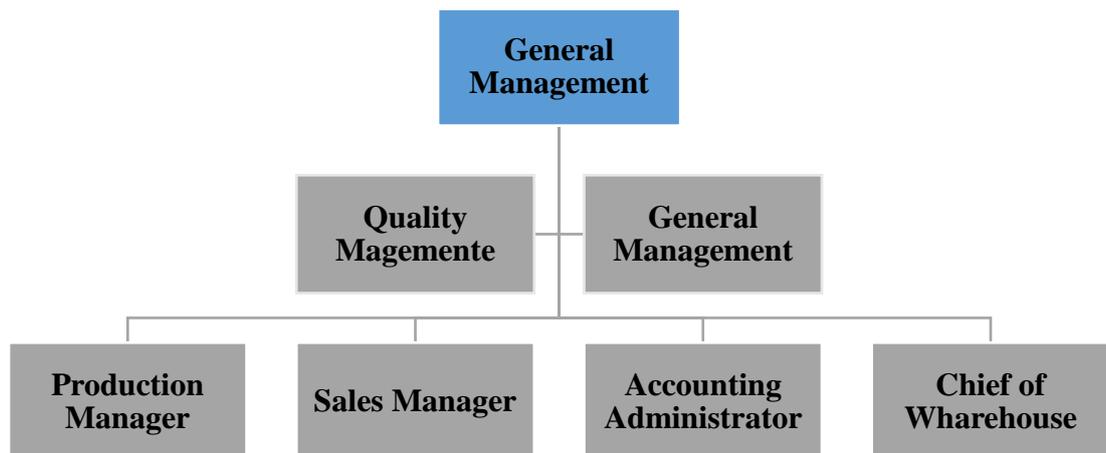
**Source:** Association of agricultural workers of Shumiral ASHUMIRA.

**Made by:** Pontón, Valarezo

#### 3.4.2.2. Administrative Aspects

This company was established in 2013 and is under the supervision of the Superintendence of Popular and Solidarity Economy (SPSE). It currently has 15 partners, among which its board of directors is appointed and its operation is governed by the following structural organization chart:

Graphic 7. Structural Organization Chart of ASHUMIRA



**Source:** Association of agricultural workers of Shumiral ASHUMIRA

**Made by:** Pontón, Valarezo

It has properly trained staff in each area, which allows for a better development of the product.

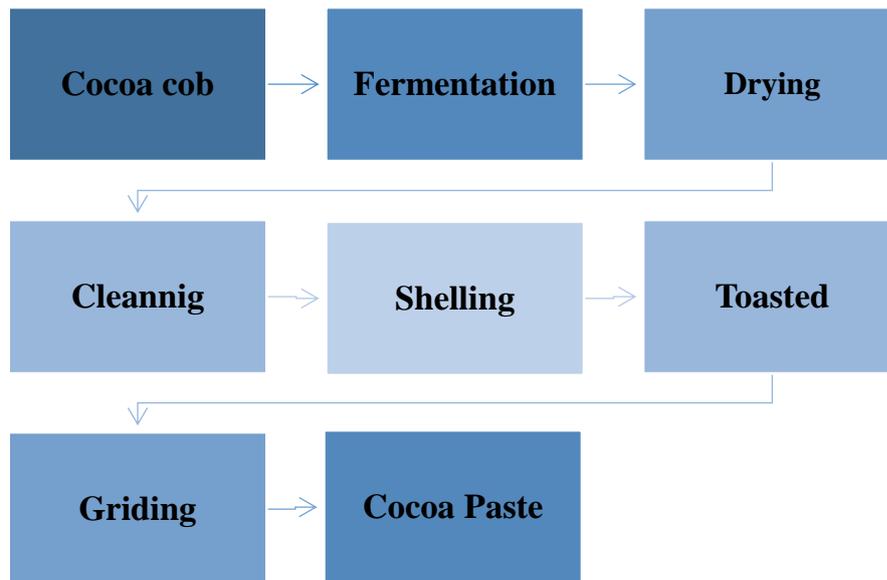
### **3.4.2.3. Productive and product aspects**

This company is dedicated to the elaboration of products based on fine flavor cocoa, such as: sweet and bitter cocoa paste, as well as flavored chocolates with the quality that the consumer expects from fine flavor cocoa.

The harvest of cocoa is a process that consists in the selection of the mature cocoa pods, which are identified by the yellow color of the husk. These cocoa pods are collected and then, in the company's facilities, the husks are broken to extract the cocoa beans.

In order to make cocoa paste the procedure below must be followed, which takes about three days to achieve the final product:

Graphic 8. Cocoa Paste elaboration process



**Source:** Association of agricultural workers of Shumiral ASHUMIRA

**Made by:** Pontón, Valarezo

Currently the company has a production of two tons per month and has the ability to extend it to six tons and increase the value of the product, according to the customer's wants.

It has all the technology and machinery necessary for the production of its products and the processing plant is located next to the production area, which totals around 320 hectares.

Due to the effective administrative management of the company, it has been possible to obtain the necessary operating permits and the sanitary registry No. 5208-ALN0415.

#### **3.4.2.4. Financial Aspects**

The financial area has been concerned with the economic development of the company; for example, it has been possible to obtain a RUC with N° 0991734754001, followed by the distribution of the economic benefits among the members, which is done in the following way: the earnings are individual and the calculation of the contribution of each partner is based on individual production volumes.

### 3.4.2.5. Marketing and sales aspects

The cocoa paste is commercialized under two brands: ASHUMIRA and ROMEL and each one is sold in the facilities of the factory, by request and in food markets in the urban zone of Ponce Enríquez at a price of \$2.00. They do not have fixed clients, but they work on requests. The distribution of the product is made by land.

Additionally, because of the excellent quality of the product that this company offers, its members participate in markets nationally and internationally, which has allowed them to receive an award in the International Fair of Stockholm. This is why, year after year, the administration has focused on the innovation of the products as well as the presentation of the packaging, in order to comply with the necessary specifications imparted by the new government food laws, as shown below:

Image 5. Cocoa paste and chocolate paste packing

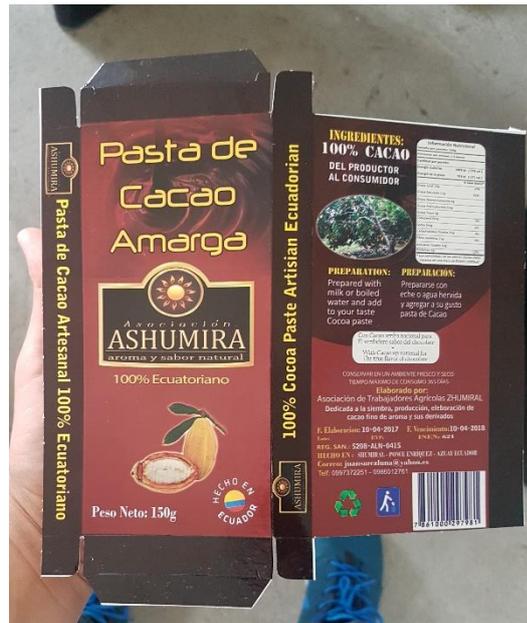


**Source:** Pontón, Valarezo

For now, the company is promoting its products through social networks such as Facebook, Twitter and WhatsApp; in addition, thanks to the support of the Ministry of Agriculture MAG, it is able to participate in several promotional fairs of Ecuadorian products made by small and medium enterprises and small artisan producers.

It is necessary to mention that thanks to the Technical University of Machala UTMACH, which presented a project about the possible opening to international markets, the company learned about how to export its products and search for other commercial destinations. In this work, a possible export plan to Japan was included. However, it was not carried out due to contractual disagreements between the companies.

Image 6. Cocoa paste packing specifications



Source: Pontón, Valarezo

Image 8. Cocoa Plant



Source: Pontón, Valarezo

Image 7. Cocoa plant

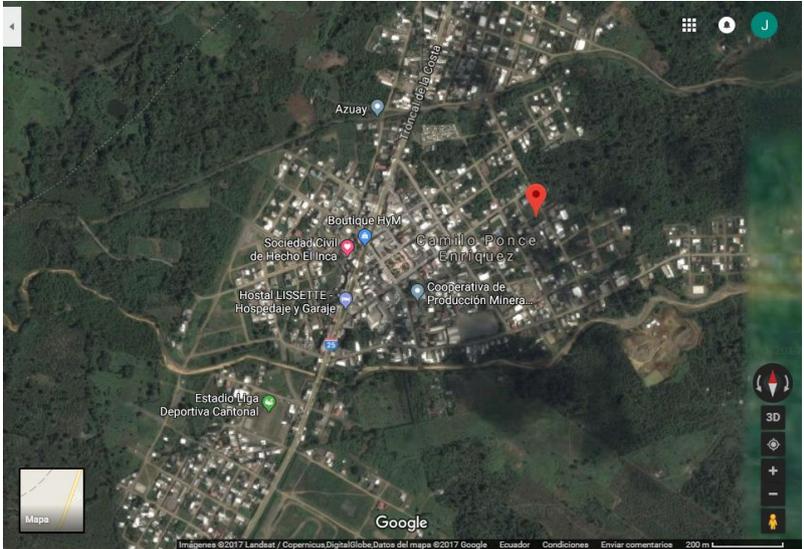


Source: Pontón, Valarezo

### 3.4.3. Interviewed conducted to Vivero de las Orquídeas de las Princesas Association.

#### 3.4.3.1. Profile

Table 9. Profile of Vivero de las Orquídeas de las Princesas Association

<b>PROFILE</b>	
<b>ENTERPRISE'S NAME</b>	Vivero de las Orquídeas de las Princesas Association
<b>PRODUCT (product range)</b>	This association is dedicated to the cultivation of medicinal plants and roses and cocoa.
<b>LOCATION</b>	<p>The storage center is located in the zone Galo Anselmo in front of the yard of the sector.</p> <p>Coordinates: <span style="margin-left: 100px;">3°03'38.3"S</span> <span style="margin-left: 100px;">79°44'33.6"W</span></p> 
<b>CONTACTS</b>	President: Mariana Ordóñez
<b>TELEPHONES AND REFERENCES</b>	Phone number: 0990914341
<b>INTERVIEW DATE</b>	August 29th, 2017

**Source:** Vivero de las Orquídeas de las Princesas Association

**Made by:** Pontón, Valarezo

#### 3.4.3.2. Administrative Aspects

This company started its operation in 2004, but it is not legally constituted. It is formed by a group of 10 women, from which the representatives of the board of directors are appointed, since they are not ruled by any organizational chart. The lack of financial and technical support has not allowed them to have a storage center, which creates an obstacle to the proper operation of the company.

### 3.4.3.3. Productive and Product Aspects.

They have land set apart for the group, which is not in operation due to lack of resources for its adaptation and maintenance; Because of this, each partner has a small plot of land on their personal property where the production takes place, which makes their production capacity small.

This company focuses most on the cultivation of roses, which are in high demand by their customers. This sets them apart from the competition. In the future, they plan to expand their market and sell them abroad.

The time it takes for a rose to be ready for transplanting is approximately two to three months. They are grown from branches or cuttings, which are provided by local suppliers.

The members do not have a specific production, everything depends on the number of plants requested by the client. Yes, they have the capacity to increase their production volumes, but for lack of mainly economic support, they cannot cover the orders that consumers request. Because they have not been established legally, they do not have any certifications for plant cultivation.

Below are the lands where the production takes place:

Image 9. Cultivation area Vivero de las Orquídeas de las Princesas



**Source:** Pontón, Valarezo

Image 10. Growth area



**Source:** Pontón, Valarezo

Image 11. Growth area



**Source:** Pontón, Valarezo

#### **3.4.3.4. Financial aspects**

The company does not have TIN, it does not have accounting, nor does it have banking relationships because it is not legally constituted yet. Each member earns their own income and allocates a certain amount of that income to the company.

### **3.4.3.5. Marketing and Sales Aspects**

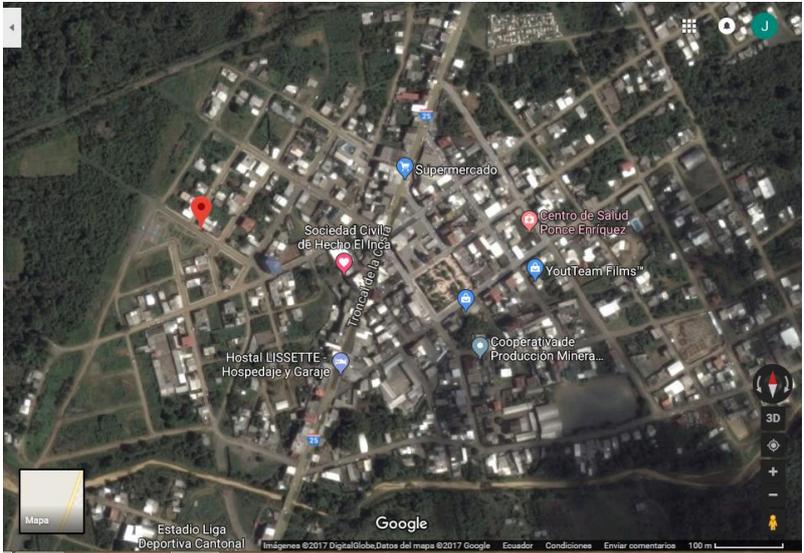
The products are sold as small plants to be transplanted at a price of \$ 1.00 to \$ 2.00; therefore, they do not need packaging. Because their production is very low, they use their own vehicles to transport the plants. When they have to deliver a larger order, customers usually take care of the transportation because the company does not have enough resources to be able to dispatch the orders.

The members do not advertise or promote their products by any means, nor do they have an established brand; therefore, they do not have fixed clients, which is why sales are made at markets or in their own homes.

### 3.4.4. Interview conducted to Service Delivery Association of Camilo Ponce Enríquez ASOCAMPON

#### 3.4.4.1. Profile

Table 10. Profile of Service Delivery Association of Camilo Ponce Enríquez ASOCAMPON

<b>PROFILE</b>	
<b>ENTERPRISE'S NAME</b>	Service Delivery Association of Camilo Ponce Enríquez ASOCAMPON
<b>PRODUCT (product range)</b>	This association is dedicated to the preparation of food to be distributed in the local Children's Centers of Good Living CCGL.
<b>LOCATION</b>	<p>The storage center is located in 3 de Noviembre neighborhood, in front of the playground. Coordinates: 3°03'39.9"S 79°44'57.8"W</p> 
<b>CONTACTS</b>	President: Albita Elizalde
<b>TELEPHONES AND REFERENCES</b>	Phone number: 0989166571
<b>INTERVIEW DATE</b>	September 1st, 2017

**Source:** Service Delivery Association of Camilo Ponce Enríquez ASOCAMPON

**Made by:** Pontón, Valarezo

#### 3.4.4.2. Administrative aspects

ASOCAMPON is a company that has been in operation since 2012, when it was not legally constituted yet. Two years later it was legally established. It is formed by 11 members, but 7 more want to integrate. Its organizational chart consists of the president and the other members that are dedicated to cooking activities. Its staff is

properly trained in the culinary arts and has regular training, they also have all the necessary tools to carry out their activities.

Its staff is properly trained in the culinary aspect and in constant training, they also have all the necessary tools to carry out their activities.

The storage center is shown below:

Image 12. Storage center ASOCAMPON



Source: Pontón, Valarezo

Image 13. Storage center facade



Source: Pontón, Valarezo

### **3.4.4.3. Productive and Product aspects.**

This company offers a food service that distributes to the Children's Centers of Good Living CCGLs and surrounding areas. This service consists of four daily meals: breakfast, mid-morning, lunch, and mid-afternoon. These same meals are prepared in

the storage center of the company and feed about 160 children daily. Local markets supply the necessary products for the food preparation, which also facilitate the payment methods.

This company has the necessary certifications that show that the processed food is natural and healthy for children. Also, their great level of training in the kitchen allows the members to adapt to the requests they receive. For example, if they have requests for food preparation for other groups, they have the ability to cover them because it helps them to support their personal expenses, because the salary they get as cooks of the ASOCAMPON company is not equal to the amount of work they do.

#### **3.4.4.4. Financial aspects**

The financial part of this company is controlled by the municipal DAG of Camilo Ponce Enríquez canton, an entity that is responsible for paying the salaries of the members. It also gives them money to cover the expenses of the necessary products for the preparation of food.

#### **3.4.4.5. Marketing and sales aspects**

The food that they commercialize is not promoted nor do they have a brand that demonstrates that are prepared by this company. The transportation of food is carried out by contracted vehicles by the members, which charge them \$5.00 per assignment. The distribution places are only the CCGLs, but they aspire to expand their market and sell their food in school cafeterias.

### 3.4.5. Interview conducted to Gold and Metals Mining El Inca

#### 3.4.5.1. Profile

Table 11. Profile of Gold and Metals Mining El Inca

<b>PROFILE</b>	
<b>ENTERPRISE'S NAME</b>	Gold and Metals Mining El Inca
<b>PRODUCT (product range)</b>	This association is dedicated to the production and sale of gold.
<b>LOCATION</b>	<p>The storage center is located on 28 de Marzo and Río 7 Avenue, in front of the old municipality of Ponce Enríquez. The mine is located on site 3 de Mayo, sector La López Alto. Coordinates: 3°03'42.1"S 79°44'50.9"W</p> 
<b>CONTACTS</b>	President: Francisco Heras
<b>TELEPHONES AND REFERENCES</b>	Phone number: 2430612 Mail: aumincasa@gmail.com
<b>INTERVIEW DATE</b>	November 8th, 2017

**Source:** Gold and Metals Mining El Inca

**Made by:** Pontón, Valarezo

#### 3.4.5.2. Administrative aspects

This association began its operation as a Fact Society in 2011, but since December 2016 it started to organize itself as a company due to changes in the law established by the Mining Regulation and Control Agency (ARCOM). It is currently in the transfer stage of assets and liabilities.

It is formed by a total of 11.5 members. Before to become a company it functioned as a society formed by shares. Each share corresponding to each member.

There is a camp into the mine facilities where the kitchen, security, logistics, medical department, rooms are located. The main office of this company is located in the urban area of Ponce Enríquez where the administrative department works.

#### **3.4.5.3. Productive and product aspects**

The only product of this company is gold presented in rectangular bars. Its process consists of the extraction of the material of the mine to be transported to the Promine process plant. Monthly around 150 tons are processed which means one or two kilos of gold approximately. Basically it depends on the kind of material that is extracted.

The extension of the mine is three hectares; it is considered as a small mine. This is because the concession of land that they have allowed to exploit is small. Also, because a big part of the land has already been exploited the company is not allowed to keep expanding.

In the technological aspect, this mining company has the machinery needed to give the final product.

#### **3.4.5.4. Financial aspects**

The Gold and Metals Company El Inca is a private entity. Its financial management is supported by those members that make it up. The same ones who are responsible for covering the salaries of all staff, make monetary contributions in profit of the company and cover expenses and the maintenance of the machinery used in the mine.

#### **3.4.5.5. Marketing and Sales Aspects**

The final product is presented in rectangular bars that are sent to companies in the city of Machala, which are dedicated to export the product to China and the United States

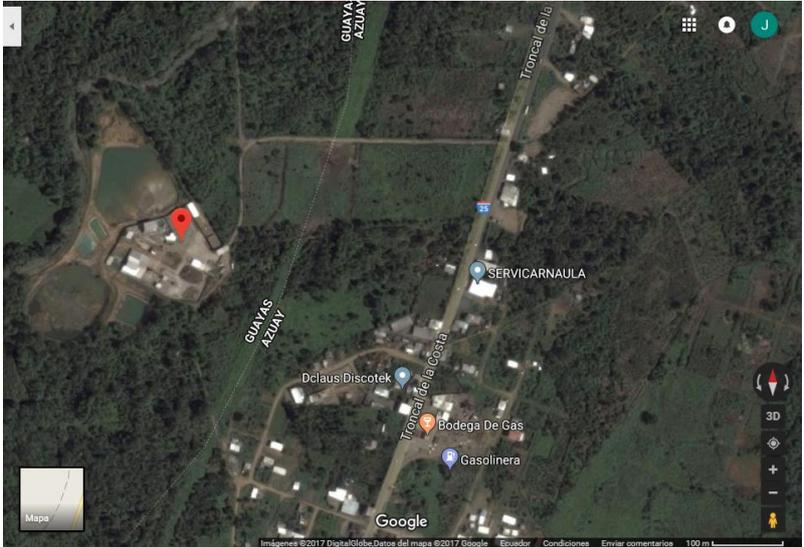
Sales are made individually; that means, each partner has fixed customers to distribute the product, therefore the partners have the power to decide which company wants to sell the part that corresponds to them. The means used to transport the gold to Machala are confidential from each partner.

This mining company does not have a website, nor does it advertise, it only has previously contacted customers. This can be considered as an obstacle to existing competition since there are larger mines and they sell the finished product directly abroad.

### 3.4.6. Interview conducted to Ecuador Gold Mining Company ECUAGOLD S.A.

#### 3.4.6.1. Profile

Table 12. Profile of Ecuador Gold Mining Company ECUAGOLD S.A.

<b>PROFILE</b>	
<b>ENTERPRISE'S NAME</b>	Ecuador Gold Mining Company ECUAGOLD S.A.
<b>PRODUCT (product range)</b>	This association provides mining services such as: -Mining and Cyanidation -Desorption and Refining -Floatation
<b>LOCATION</b>	Is located at km. 142 La Florida panamericana from 300 meters from gas station Repsol. Coordinates: 3°02'53.6"S 79°44'46.2"W 
<b>CONTACTS</b>	President: Petita Rucsana Loor Villavicencio
<b>TELEPHONES AND REFERENCES</b>	Telephone: 305856 Phone number: 0988765252 Mail: ecuagoldsa@hotmail.com
<b>INTERVIEW DATE</b>	November 7th, 2017

**Source:** Ecuador Gold Mining Company ECUAGOLD S.A.

**Made by:** Pontón, Valarezo

#### 3.4.6.2. Administrative aspects

This company started its operation on August 1997, under the management of Antonio Serrano García. In its beginnings it was consolidated as a company dedicated to the exploitation of material for the extraction of gold, having its own mine. Nowadays, ECUAGOLD is run under the management of its only proprietary and member Petita

Rucsana Loor Villavicencio and it is dedicated to the service provision to mining under the name of Benefit Plant “SORRESDOR”.

The company’s infrastructure has an approximate area of two hectares of land, where 21 people work with all the benefits required by the law. Among the workers are: chefs, engineers, technicians, guards and administrative staff. A month of work established by the company depends on the position that the workers occupy in it. Plant managers work 22 continuous days and rest 8; the administrative staff works from Monday to Friday

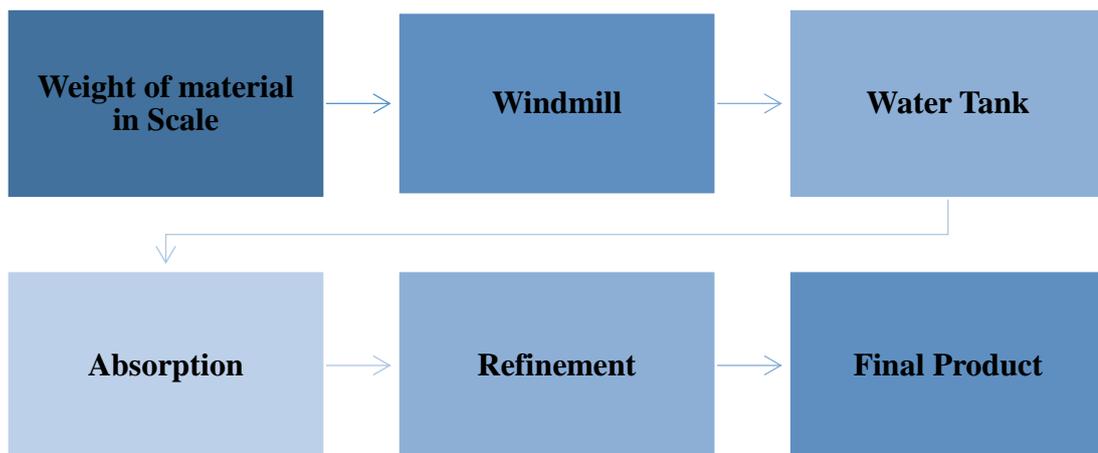
In addition, this company has a commercialization license and operating permission established by the Mining Regulation and Control Agency (ARCOM) No. 191023

### 3.4.6.3. Productive and Product Aspects

Because the company no longer has its own mining company, it is dedicated exclusively to the provision of services. Consisting of: grinding and cyanidation, desorption and refining and flotation; with the aim of obtaining the final product that are the gold bars.

The productive process is represented in the following graphic:

Graphic 9. Production process to obtain gold bars.



**Source:** Ecuador Gold Mining Company ECUAGOLD S.A.

**Made by:** Pontón, Valarezo

To develop this process there are two types of mills: ball mill and Chilean mill. The productive capacity of the ball mill is up to 80 tons of material per day, and the three Chilean mills that the company has, produce up to 75 tons per day. In addition, because of the existing competition, they want to acquire three more mills to can increase the production.

The gold bars obtained through this process, have a weight that varies between 600 grams, 1000 grams and 1500 grams; taking into account the quality of the material.

The machinery of the company is shown in the images below:

Image 14. Process of transformation of the material with ball mill



**Source:** Pontón, Valarezo

Image 15. Chilean mill



**Source:** Pontón, Valarezo

Image 16. Chilean mill



Source: Pontón, Valarezo

Image 17. Pools to wash the material



Source: Pontón, Valarezo

#### **3.4.6.4. Financial aspects**

The financials are in charge of the manager who is in charge of making all the payments to the staff and covering expenses of the company.

#### **3.4.6.5. Marketing and Sales aspects**

The company initially engaged in export activities. It managed to achieve a good position in the mining market, which is why many mining companies hire their services. It has caused the company to consolidate frequent customers.

This company works under the mark “SORRESDOR”. In the advertising aspect, it does not have a webpage nor social networks, but it only contacts its clients by telephone and through business cards where they mention the services they offer.

The associations and SMEs that are presented below correspond to the Pucará canton.

### 3.4.7. Interview conducted to the Association of Food Production Community of “Las Nieves” APROALICO

#### 3.4.7.1. Profile

Table 13. Profile Association of Food Production Community Las Nieves APROALICO

<b>PROFILE</b>	
<b>ENTERPRISE'S NAME</b>	Association of Food Production Community Las Nieves APROALICO
<b>PRODUCT (product range)</b>	This association is dedicated to the production of cheese (smoked cheese, fresh cheese and cottage cheese) and yogurt (fruit yogurt, low-fat yogurt and lactose - free)
<b>LOCATION</b>	<p>The storage center is located in Las Nieves community at an altitude of 3370 meters above sea level, in the upper area of the Pucará district, 1 hour and a half from El Tablon on the main road Giron - Pasaje.</p> <p>Coordinates: 3°13'03.8"S 79°28'11.9"W</p> 
<b>CONTACTS</b>	President: Armando Juvenal Guamán
<b>TELEPHONES AND REFERENCES</b>	Phone number: 0993190736
<b>INTERVIEW DATE</b>	October 24th, 2017

**Source:** Association of Food Production Community Las Nieves APROALICO

**Made by:** Pontón, Valarezo

#### 3.4.7.2. Administrative aspects

The APROALICO association was born in 2014, made up of 17 members of the Las Nieves community. Its legal status was granted by the Ministry of Economic and

Social Inclusion MIES. To the formation of this association the help of other companies was requested as to create strategic alliances such as: The Municipal GAD of Pucará and the University of Azuay. They help with technical and economic support so that this association can arise successfully.

According to the infrastructure, the University of Azuay, in its project called “Improvement of the Commercialization and Production of Milk of the improvement committee Las Nieves”, points out that it is weak because the members do not have technical studies in the different areas, both for the management of the company and in the civil organization.

### **3.4.7.3. Productive and product aspects**

APROALICO is dedicated to the production of cheese (smoked cheese, fresh cheese and curd) and yogurt (fruit yogurt, low-fat yogurt and lactose free).

The production of milk is around 500 liters per day and it is used for the production of the different types of cheeses; even so, it is considered as a low level of production in relation to the existing competition.

The products that this association offers have a higher value (higher quantity of benefits) for the consumer because they provide a high nutritional contribution. They have probiotics that protects the body, its ingredients are natural and they do not have preservatives or artificial sweeteners.

There no exists any type of technical details in the processes only two people work developing fresh cheese with the basic knowledge in manipulation of dairy products.

The technological processes of this company are semi artisan. They count with a few equipment that consists of: a cauldron, a vacuum packing machine and a machine that determines the quality of "COMIL" milk. There no exist technological development according to the communication an application in Technologies of the information and communication TIC's.

In addition, it does not have a cold chain for dairy products which causes problems of storage of the products since they cannot be maintained at optimal storage temperatures. Nor does it have enough shelves to rest the cheese.

About 300 pounds of cheese are processed weekly (100 cheeses of three pounds between two days a week, Wednesday and Saturday). Similarly, the processes used are semi - industrial, it only has basic equipment for the transformation of products. For these reasons, it has not been possible to obtain even the sanitary registry.

#### **3.4.7.4. Financial Aspect**

The economy of the company works thanks to the \$ 0.03 that each partner contributes per liter of milk, in this way the organization and its expenses in the plant are maintained.

However, the financial aspect is not in very good condition, which is why, in addition to contributing with the quota per liter of milk, they give monthly fees to be able to cover additional expenses. This has occurred as a result of poor calculations of production costs and the poor process of making products, which means a loss of approximately 109 pounds of fresh cheese weekly, thus generating a considerable economic loss.

At present, the accounting part is directed by the vice president and a partner, but the statements to the S.R.I. It is done by a qualified accountant from the city of Santa Isabel.

#### **3.4.7.5. Marketing and Sales Aspects**

The brand of the company, which represents its image and reflects upon it, has been called "The Community".

Although this company maintains a low production volume and has not yet managed to specify an adequate and stable marketing channel for its products, it is still sold in the city of Cuenca. In addition, product promotions are held at fairs organized by the Ministry of Agriculture.

The commercialization is done through intermediaries in the Santa Isabel market to the Distributor of the same name and to the distributor "La Unión". Other channels that are used for the sale of the product are through "word of mouth"- to mothers of families, settlers, intermediaries of Pucará, and visitors of the community, since a feeling of loyalty of the product towards the clients has not been created.

Transportation within the community is carried out in vans, on horses, or by people. Trucks are used for transportation to the city of Cuenca, the cost being covered from the sale of cheese.

The sale price depends on the client and oscillates between \$1.50 and \$1.60, which decreases company stability.

The members do not advertise or promote their products, and the webpage is pending its design; however, there is differentiation in regards to the competition in the flavor, the quality, the identity and the ancestral recipe with which the products are made.

The information and packaging of each product are detailed below:

Table 14. Information and Packaging of cheese and yogurt

CHEESE	YOGURT
*Smoked Cheese: 450 gr. Vacuum packaging Useful life: 20 – 45 days	*Strawberry yogurt Flavor: Strawberry Presentation 1 L Packaging PET
*Fresh Cheese with pro-biotics: 450 gr. Vacuum packaging Useful life: 20 – 45 days	*Low fat and Lactose free Yogurt (stevia). Flavor: Strawberry, peach and blackberry Presentation 1 L, 180 ml. Packaging PET
*Curd 450 gr. Vacuum packaging Useful life: 15 – 20 days	

**Source:** Association of Food Production Community Las Nieves APROALICO

**Made by:** Pontón, Valarezo

### 3.4.8. Interview conducted to the Association of “Las Lagunas de Mesarrumi”

#### 3.4.8.1. Profile

Table 15. Profile of Association Las Lagunas de Mesarrumi

<b>PROFILE</b>	
ENTERPRISE'S NAME	Association Las Lagunas de Mesarrumi
PRODUCT (product range)	This association is dedicated to the production of milk
LOCATION	<p>The storage center is located in the community of Puculcay, belonging to the Pucará canton. Coordinates: 3°13'03.9"S 79°28'11.4"W</p> 
CONTACTS	President: Klever Sánchez
TELEPHONES AND REFERENCES	Phone number: 0959687261
INTERVIEW DATE	October 24th, 2017

**Source:** Association Las Lagunas de Mesarrumi.

**Made by:** Pontón, Valarezo

#### 3.4.8.2. Administrative aspects

This association began to operate in 2004 and is supervised by the Superintendence of Popular and Solidarity Economy (SPSE). The association is made up of a total of 54 members. The storage center is located in the Puculcay community belonging to the Pucará canton. There is no structural organization chart of the company, but the group of partners that make it up are in constant training that involves talks with the Ministry of Agriculture and the Municipal DAG of Pucará.

### **3.4.8.3. Productive and Product aspects**

The association "Las Lagunas de Mesarrumi" is dedicated to the production of milk and the members provide contributions of the product for the storage center. It tried to maintain the production in the months of August, September, and October, which was of 1800 liters. The weather conditions and shortage of grass caused a decrease to 1500 liters, at the beginning of October 2017; 700 liters were collected from the Cebadas and Aurin sectors.

In addition, to increase the volume of production, artificial insemination was chosen thanks to the technical support of the MAG, owing to the problems associated with the production, agreed to with the clients. Currently, a total of six animals are in gestation.

### **3.4.8.4. Financial aspects**

The financial management oversees the president and the treasurer of the organization, in conjunction with an accountant who performs tax returns and maintains accounts.

### **3.4.8.5. Marketing and sales Aspects**

It does not have an established trademark nor does it promote or advertise the milk that is produced. The commercialization of the product is carried out to the company Lácteos San Antonio, which is in charge of regulating the value of the milk due to the great existing demands. The association had an agreement signed for two years, which was dissolved by not maintaining the agreed volume of milk.

### **3.5. Conclusion**

In this chapter, interviews were held with small producers, associations and SMEs to determine which ones have good export potential; that is, those that qualify for this project, and which do not.

It began with a pre-selection according to the databases granted by the different institutions that, with their help, have made possible the realization of this work; then, based on the information obtained on each of the economic entities presented, a final classification was made that would simplify and specify the information in order to focus on those that have a high export potential.

An evaluation was also developed from an Export - Audit, in order to have a more precise and concrete knowledge about the aspects that each economic entity must improve to implement its production volumes and have a better performance, which will facilitate the development of strategic analysis in the chapter below.

## **CHAPTER 4**

### **4. Diagnose the exportable offer of the SMEs in the cantons of Camilo Ponce Enríquez and Pucará**

#### **4.1. Introduction**

In this final chapter, after having carefully analyzed the surroundings of the studied cantons and the associations and SMEs found in them, we will proceed to show the results obtained from the interviews conducted through a SWOT analysis (Strengths, Weaknesses, Opportunities, Threats), crossed SWOT and CAME analysis (Correct, Adapt, Maintain, Explore) to later established what is the status of each company or association and establish the degree of exportable feasibility in which they are.

On the other hand, it is going to determine which are the companies and associations that have the possibilities to carry out the exportation of their products. It is necessary to mention that not all of the interviewed entities qualify within the range of possible exporters, due to multiple factors that block their opening to foreign markets. These factors have been determined through a series of parameters that make possible the qualification of companies and associations, allowing a prioritization of them, considering the more feasible to the less feasible and obtain more optimal resources and more precise conclusions.

#### **4.2. Application of SWOT analysis, crossed SWOT and CAME strategies to the interviewed companies**

To improve the existing business strategies and implement a more effective development plan, it is necessary to be based on SWOT analysis and consider it as a tool that favors the development and execution of the formal planning.

The creator of SWOT matrix was Albert S. Humphrey, during the 60s and 70s in United States, using information from the Fortune 500 list, during an investigation of the Research Institute of Stanford University that had as objective to discover why corporate planning failed.<sup>13</sup>

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<sup>13</sup> Taken from: <https://www.professionalacademy.com/blogs-and-advice/marketing-theories---swot-analysis>

However, this business tool in its beginnings was called "SOFA", which were determined as follows: "The present would be the Satisfactory, the future the Opportunity, what is bad in the present is a Fault and if the future is bad is a threat". (Riquelme Leiva, 2016) Then, in the year of 1964, the F to W was changed, arriving thus, the SWOT (Strengths, Weaknesses, Opportunities, Threats) in English, or FODA (Fortalezas, Oportunidades, Debilidades, Amenazas) in Spanish

This type of analysis allows the collection and use of data that provides knowledge of the operating profile of a company at any given time, and from this, establish an objective diagnosis for the design and implementation of strategies to improve the competitiveness of an organization

"The SWOT analysis consists in carrying out an evaluation of the strong and weak factors that, as a whole, diagnose the internal situation of an organization, as well as its external evaluation, that is, the opportunities and threats". (Ponce Talancón, 2007)

On the other hand, to complement this analysis, it is necessary to examine and determine each of the factors that compose it in order to identify the guidelines that help define a better strategic plan for the proper functioning of business activities. This process is also known as crossed SWOT. This matrix consists in combining the elements of the SWOT analysis to turn them into strategies considering the resources and capabilities of the company

The SWOT analysis allows to establish a correlation of the factors that make up the internal and external aspects, and seeks to compare the Strengths and Weaknesses against Opportunities and Threats by strategic purposes that directly influence the achievement of business goals, for which purpose it is used the crossed SWOT.

Table 16. Crossed SWOT matrix

CROSSED SWOT	STRENGTHS	WEAKNESSES
OPPORTUNITIES	S – O Strategy to maximize Strengths and Opportunities.	W – O Strategy to minimize Weaknesses and maximize Opportunities.
	S – T Strategy to maximize Strengths and minimize Threats.	W – T Strategy to minimize Weaknesses and Threats.

Source: Website PDCA Home

Made by: Pontón, Valarezo

As an additional tool, it is also used the CAME analysis (Correct, Adapt, Maintain, Explore). This analysis “...gives guidelines to act over the found aspects in the diagnostics of situation previously obtained from the SWOT matrix”. (Bernal, 2016) in addition, “...it serves to define the actions to take from the results of the SWOT”. (Bernal, 2016)

For the correct application of this tool, it is necessary to consider the actions that must be taken:

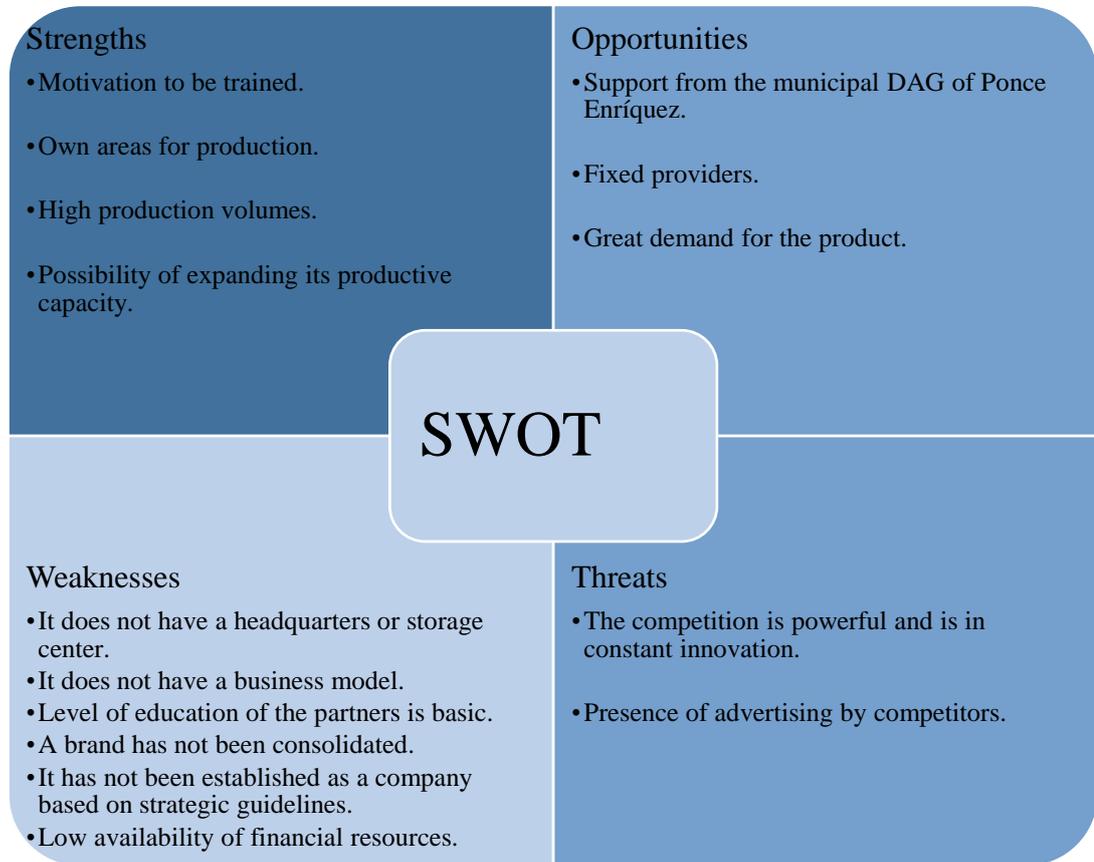
- **Correct the weaknesses:** The objective is to make the weaknesses disappear, taking measures that help to eliminate them or to stop negatively affecting.
- **Face threats:** Prevent threats from becoming weaknesses, and thus prevent a risk from happening, reduce its impact, and act to make it disappear.
- **Maintain opportunities:** The objective is to maintain the strong points and strengthen them to keep being a competitive advantage in the future.
- **Exploit opportunities:** Create strategies and plans of action to convert opportunities into future strengths.<sup>14</sup>

Below are shown the SWOT, crossed SWOT and CAME strategies of the companies interviewed in the Camilo Ponce Enríquez canton:

<sup>14</sup> Taken From: <https://www.pdcahome.com/8391/analisis-came/>

#### 4.2.1. SWOT Analysis of Association “Esperanza del Buen Vivir” ASOPRORIDA

Graphic 2. SWOT Matrix of Association “Esperanza del Buen Vivir” ASOPRORIDA



**Source:** SWOT Matrix of Association “Esperanza del Buen Vivir” ASOPRORIDA

**Made by:** Pontón, Valarezo

#### 4.2.1.1. Crossed SWOT

Table 17. Crossed SWOT matrix of Association “Esperanza del Buen Vivir” ASOPRORIDA

CROSSED SWOT	Strengths	Weaknesses
Opportunities	<p>Motivation of the company to be trained, through the support of the DAG.</p> <p>The high volumes of production generate a great demand.</p> <p>It has fixed providers which facilitates the expansion of the productive capacity.</p>	<p>It has no business model to cover the demand of the product.</p> <p>The support of the DAG is not enough due to the lack of financial resources that do not allow the construction of a storage center.</p>
Threats	<p>The motivation to be trained is not enough, because the competition continues acting in a better way.</p>	<p>The low availability of financial resources has not allowed advertising, so it is difficult to overcome the competition.</p>

**Source:** Association “Esperanza del Buen Vivir” ASOPRORIDA

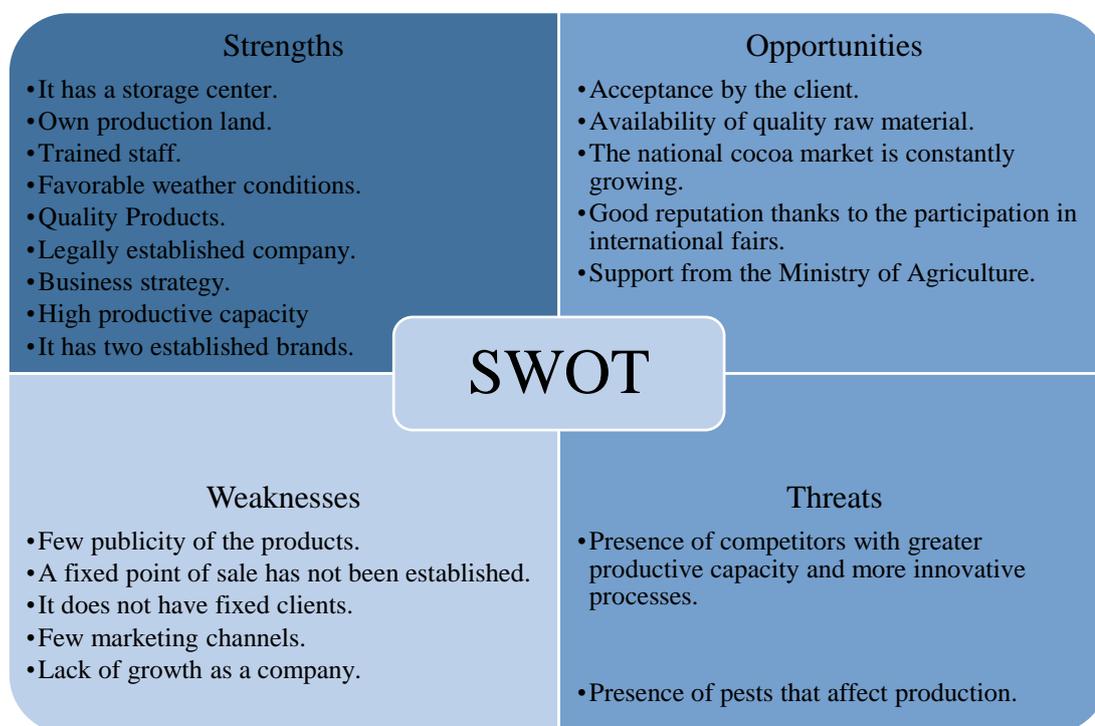
**Made by:** Pontón, Valarezo

#### 4.2.1.2. CAME Strategies

- Take advantage of the demand of the product to improve the production and create a fidelity feeling with the client and gradually achieve business growth.
- Analyze the competition to determine which of the factors that should be improved and thus be able to provide a product of better quality than that of potential competitors.
- Give more promotional space to the product they offer.
- Worry about the training of producers to not only match the competition, but be better than it.

## 4.2.2. SWOT Analysis Association of Agricultural Workers of Shumiral ASHUMIRA

Graphic 3. SWOT Matrix Association of Agricultural Workers of Shumiral ASHUMIRA



**Source:** Association of Agricultural Workers of Shumiral ASHUMIRA

**Made by:** Pontón, Valarezo

### 4.2.2.1. Crossed SWOT

Table 18. Crossed SWOT matrix Association of Agricultural Workers of Shumiral ASHUMIRA

CROSSED SWOT	Strengths	Weaknesses
Opportunities	The quality of the product has allowed an acceptance by the client and its exhibition in international fairs. Staff in constant training thanks to the support of the Ministry of agriculture.	The few publicity of the products and the few channels of commercialization, have not influenced in the acceptance by the client. There is availability of quality raw material but there is a low growth as a company
Threats	The production land is not properly adequate which allows the presence of pests in the cocoa plantations.	The few publicity of the products minimizes the presence in the market, giving more space to the competition.

**Source:** Association of Agricultural Workers of Shumiral ASHUMIRA

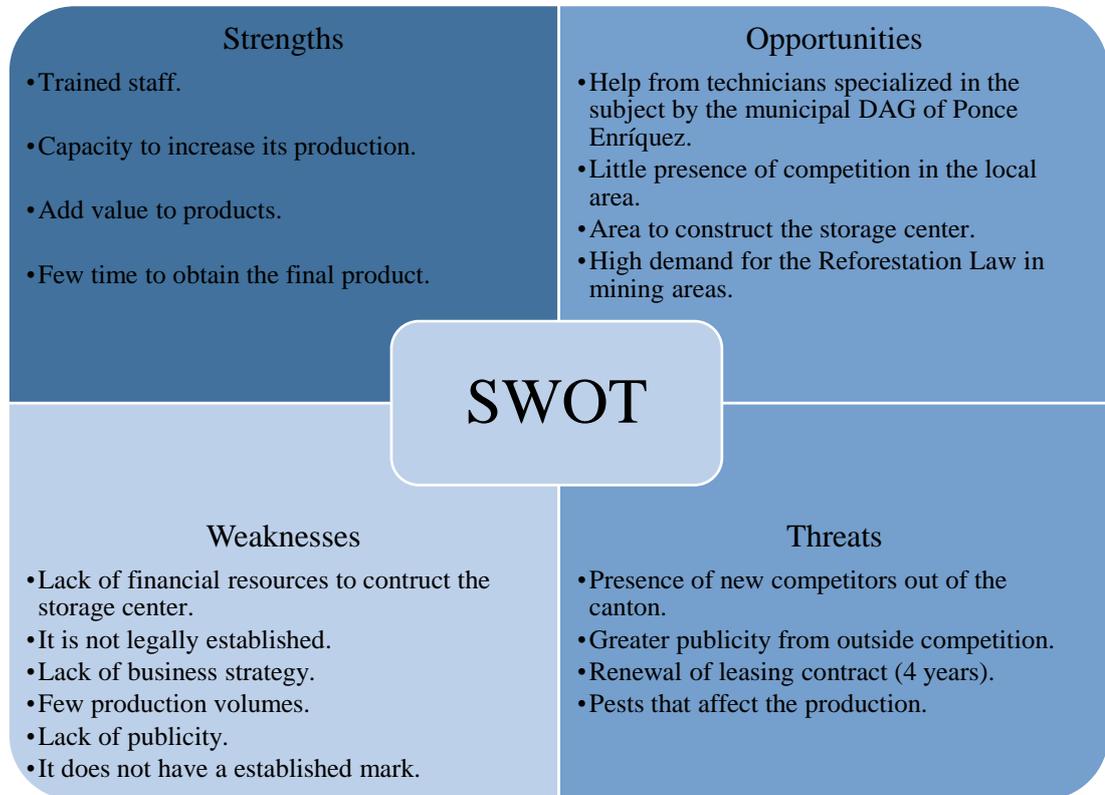
**Made by:** Pontón, Valarezo

#### **4.2.2.2. CAME strategies**

- Look for a diversification of the offered products and increase the production, and through the Ministry of Agriculture participate in more international fairs that help to promote the business growth and achieve a greater market.
- Implant fixed points of sale to establish frequent customers, also create a marketing plan that facilitates the interaction with the client and increase demand more and more.
- Analyze the competition characteristics and consider the implementation of new production areas with appropriate adjustments to avoid the presence of pests that damage the new plantations.
- Increase publicity of the company and increase the investment in necessary supplies for the maintenance of the plants.

### 4.2.3. SWOT Analysis of Association “Vivero de las Orquídeas de las Princesas”

Graphic 4. SWOT matrix Association Vivero de las Orquídeas de las Princesas



**Source:** Association Vivero de las Orquídeas de las Princesas

**Made by:** Pontón, Valarezo

### 4.2.3.1. Crossed SWOT

Table 19. Crossed SWOT matrix of Association Vivero de las Orquídeas de las Princesas

CROSSED SWOT	Strengths	Weaknesses
Opportunities	Offer greater value to the products due to the existing demand in the zone. Increase the productive capacity taking advantage of the land for construction of storage center.	They have the support from technicians specialized in the subject but their volumes of production are low due to the lack of resources.
Threats	They have trained staff, however they cannot fight the presence of pests.	The lack of a business strategy and publicity has led to the arrival of competitors outside the cantons.

**Source:** Association Vivero de las Orquídeas de las Princesas

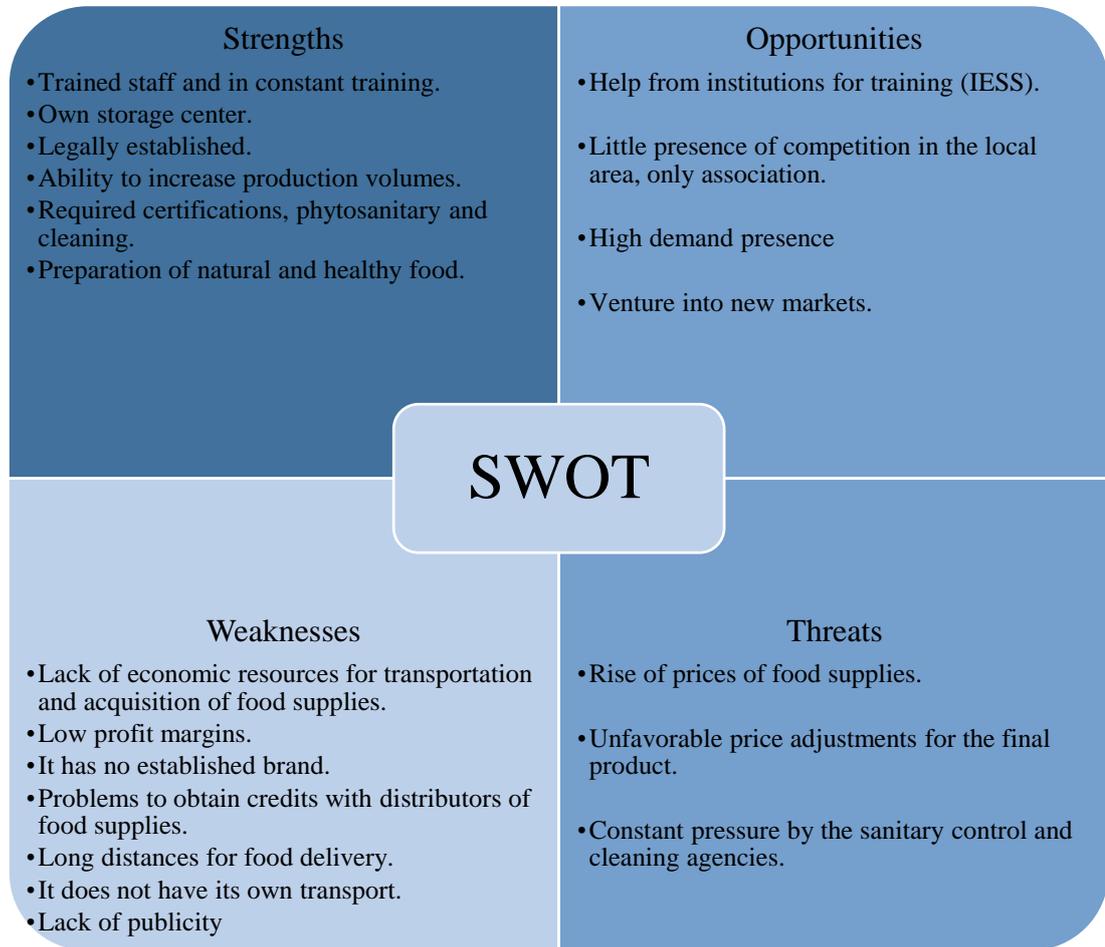
**Made by:** Pontón, Valarezo

### 4.2.3.2. CAME strategies

- Take advantage of the help provided by the technicians to maximize the production due to the high presence of local demand.
- Through the intervention of the technicians, look for sources of economic resources to determine the construction of the storage center that could be legally established.
- The staff must be in constant trainings to counteract possible pests and add a value added to the products and avoid the presence of potential competitors.
- Analyze the business strategies of the competition to implement them and improve them.

#### 4.2.4. Association of Service Delivery Association of Camilo Ponce Enríquez ASOCAMPON

Graphic 5. SWOT matrix of Service Delivery Association of Camilo Ponce Enríquez ASOCAMPON



**Source:** Service Delivery Association of Camilo Ponce Enríquez ASOCAMPON

**Made by:** Pontón, Valarezo

#### 4.2.4.1. Crossed SWOT

Table 20. Crossed SWOT matrix Service Delivery Association of Camilo Ponce Enríquez ASOCAMPON

CROSSED SWOT	Strengths	Weaknesses
Opportunities	The IESS concerns to provide constant training to staff. The great presence of demand helps the capacity to increase production volumes.	They have the support from technicians specialized in the subject but their volumes of production are low due to the lack of resources, in addition, it does not allow them to venture into new markets.
Threats	Although there is constant pressure from control organisms, it has the required phytosanitary certifications. The rise of prices does not allow to increase the production volumes considering that it has the capacity to do it.	The difficulty to obtain credits is reflected on the unfavorable price adjustment for the final product. The low utility margins are a result of the increase in prices of food supplies.

**Source:** Service Delivery Association of Camilo Ponce Enríquez ASOCAMPON

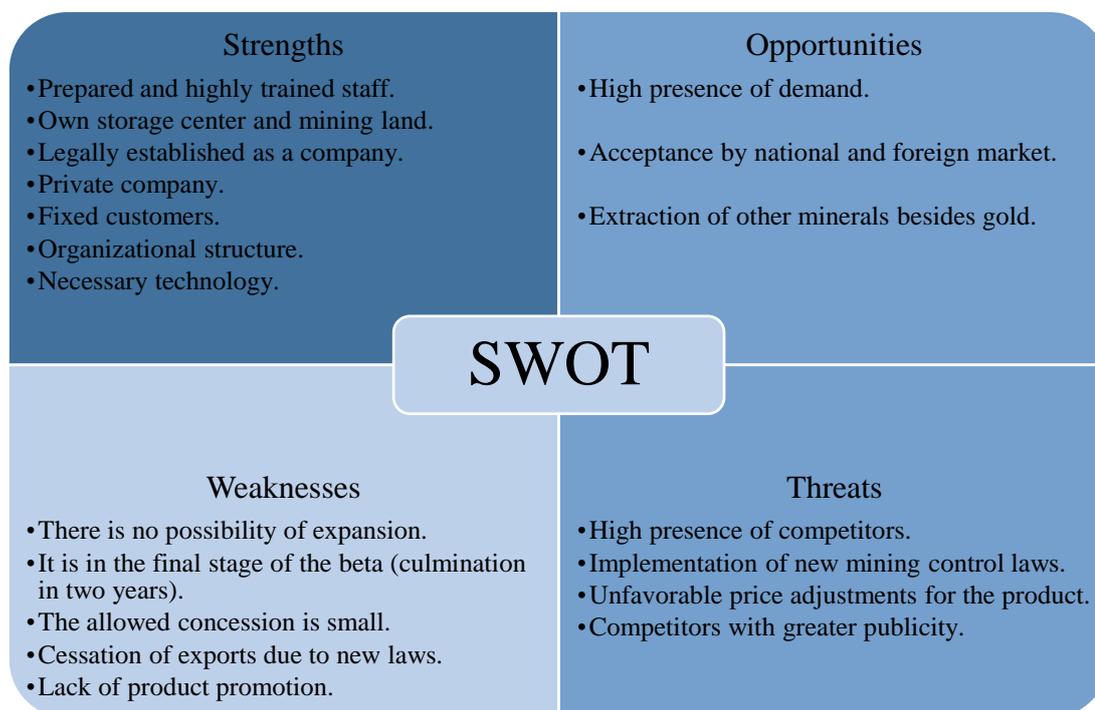
**Made by:** Pontón, Valarezo

#### 4.2.4.2. CAME strategies

- Make an analysis with the municipal DAG of Ponce Enríquez over the advantages of the increase of the trained staff to be able to expand to new markets and generate higher earnings.
- Create commercial alliances with food providers to constantly replenish their supply.
- Establish agreements with transportation companies to reduce the food transportation costs.
- Request participation in food fairs in order to publicize their work.
- Form cleaning habits and encourage the members to keep the facilities clean to avoid sanctions by sanitary control organisms.
- Reach an agreement with the government to establish fair prices considering the cost of production and labor.
- Also establish advertising plans in order to attract new clients.

#### 4.2.5. SWOT Analysis of Gold and Metals Mining El Inca

Graphic 6. SWOT matrix of Gold and Metal Mining El Inca



**Source:** Gold and Metal Mining El Inca

**Made by:** Pontón, Valarezo

##### 4.2.5.1. Crossed SWOT

Table 21. Crossed SWOT matrix Gold and Metals Mining El Inca

CROSSED SWOT	Strengths	Weaknesses
Opportunities	It has the necessary technology to extract other minerals. The acceptance from the national and international market is reflected in the fixed clients.	The high presence of demand has not been affected by the lack of promotion of the product. Despite having acceptance of the national and international market, the mining concession is small and is in its final stage
Threats	The trained staff is not enough to fight the competition and create more publicity.	The implementation of laws has caused the cessation of the exports of this company.

**Source:** Gold and Metal Mining El Inca

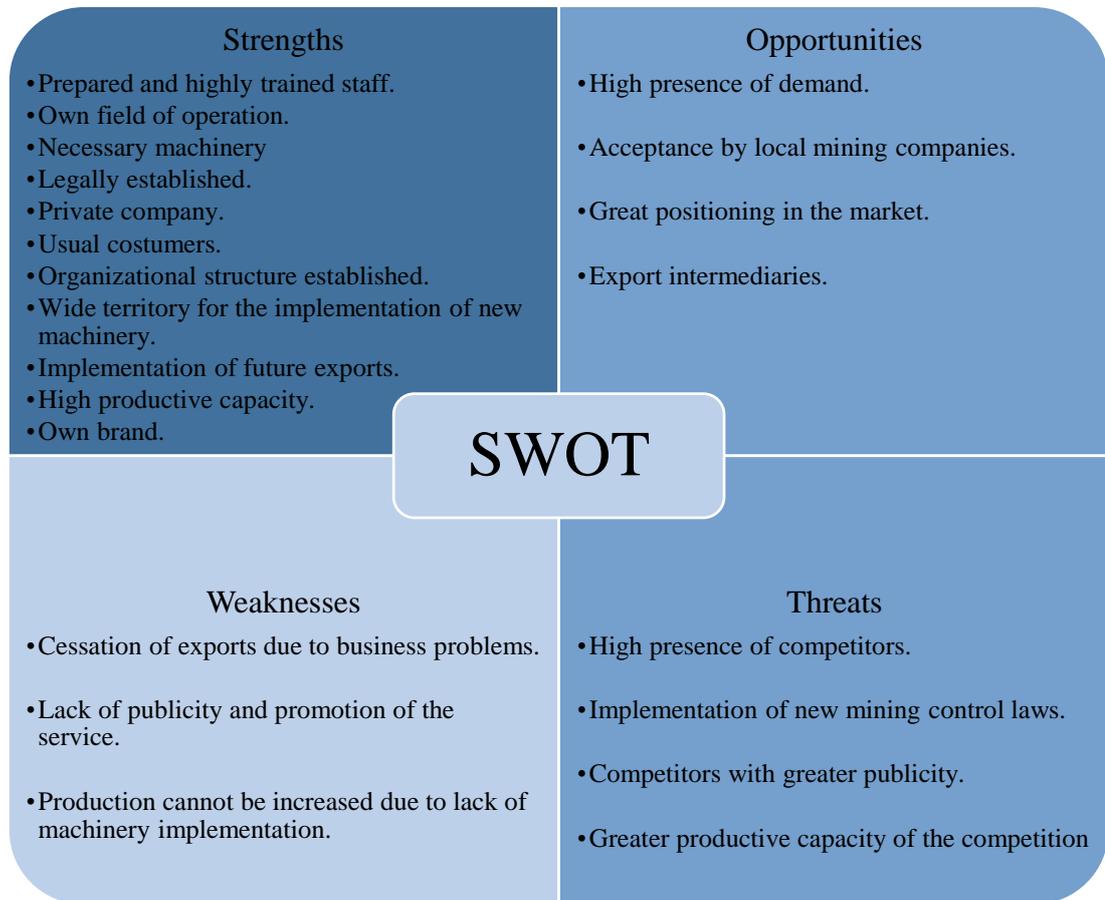
**Made by:** Pontón, Valarezo

#### **4.2.5.2. CAME strategies**

- Take advantage of the great demand existing with the implementation of communication channels with new clients.
- Carry out a study of the possible exploitation of other minerals to take a full advantage of the ground material.
- Seek help from a logistics professional to return to exports.
- Search for new concessions in other areas to achieve the continuity of mining activity.

#### 4.2.6. SWOT Analysis Ecuador Gold Mining Company ECUAGOLD S. A.

Graphic 7. SWOT matrix Ecuador Gold Mining Company ECUAGOLD S. A.



**Source:** Ecuador Gold Mining Company ECUAGOLD S.A.

**Made by:** Pontón, Valarezo

#### 4.2.6.1. Crossed SWOT

Table 22. Crossed SWOT matrix Ecuador Gold Mining Company ECUAGOLD S. A.

CROSSED SWOT	Strengths	Weaknesses
Opportunities	The high productive capacity is given by the great presence of demand, which allows the company to become an intermediary for export.	The lack of publicity and promotion of the product has not affected the great existing demand. Although of having a good acceptance from other mining, it is not possible to increase the production due to the lack of machinery implementation.
Threats	It has a great productive capacity but the competition is even greater.	The competition has a greater productive capacity due to the lack of machinery implementation of this company. Besides having many competition, there is also greater publicity from of competitors.

**Source:** Ecuador Gold Mining Company ECUAGOLD S.A.

**Made by:** Pontón, Valarezo

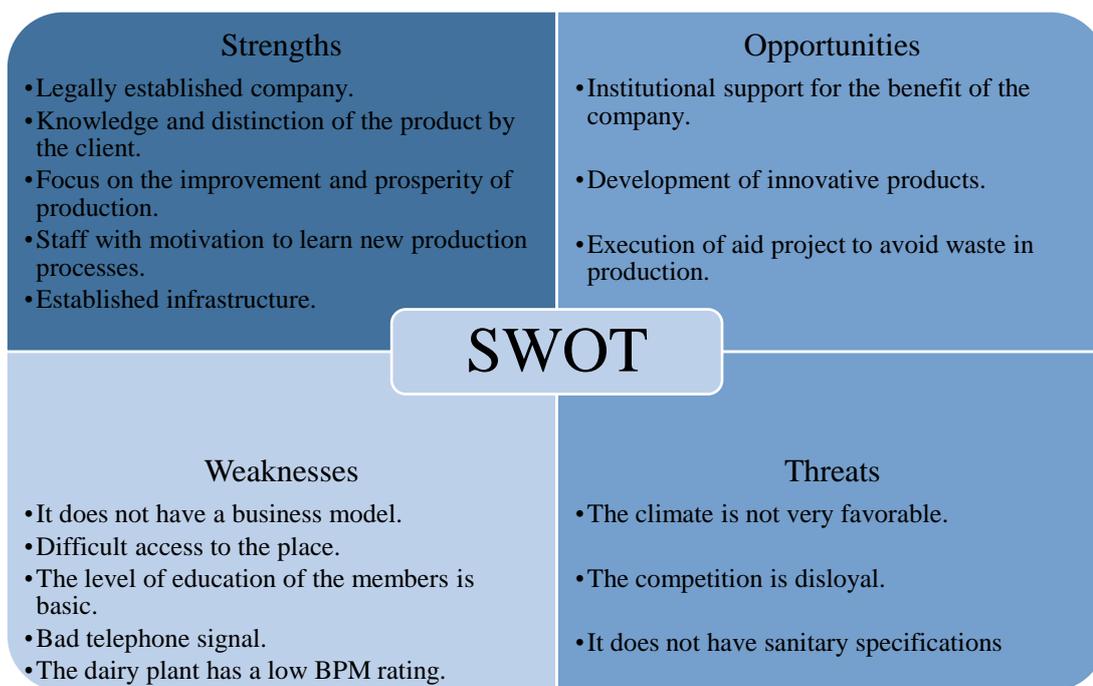
#### 4.2.6.2. CAME strategies

- Carry out a study for the implementation of new machinery to increase the actual productive capacity from 80 tons to 120 tons.
- Create alliances with local mining companies to work as intermediaries in the export of concentrated material.
- Stay alert to changes that may arise in the new mining control laws to avoid any sanctions.
- Focus on the implementation of marketing plans that facilitate communication with new clients so they can hire the services that this company offers.

Below are the SWOT, crossed SWOT and CAME strategies of the companies located in the Pucará canton:

#### 4.2.7. SWOT Analysis of Association of Food Production Community of Las Nieves APROALICO

Graphic 8. SWOT matrix Association of Food Production Community Las Nieves APROALICO



**Source:** Association of Food Production Community of Las Nieves APROALICO

**Made by:** Pontón, Valarezo

### 4.2.7.1. Crossed SWOT

Table 23. Crossed SWOT matrix Association of Food Production Community Las Nieves APROALICO

CROSSED SWOT	Strengths	Weaknesses
Opportunities	Staff with motivation to learn new productive processes thanks to the support of particular institutions. The aid project to avoid waste in production is focused on improvement and prosperity of production	Although it makes innovative products, it does not have a business model and its dairy plant has a low BPM rating.
Threats	Although there exist knowledge by the client, competition continues being superior. The company has legally established but it does not have sanitary certifications.	Besides the climate is not very favorable, there is difficult access to the zone and telephone signal is bad.

**Source:** Association of Food Production Community Las Nieves APROALICO

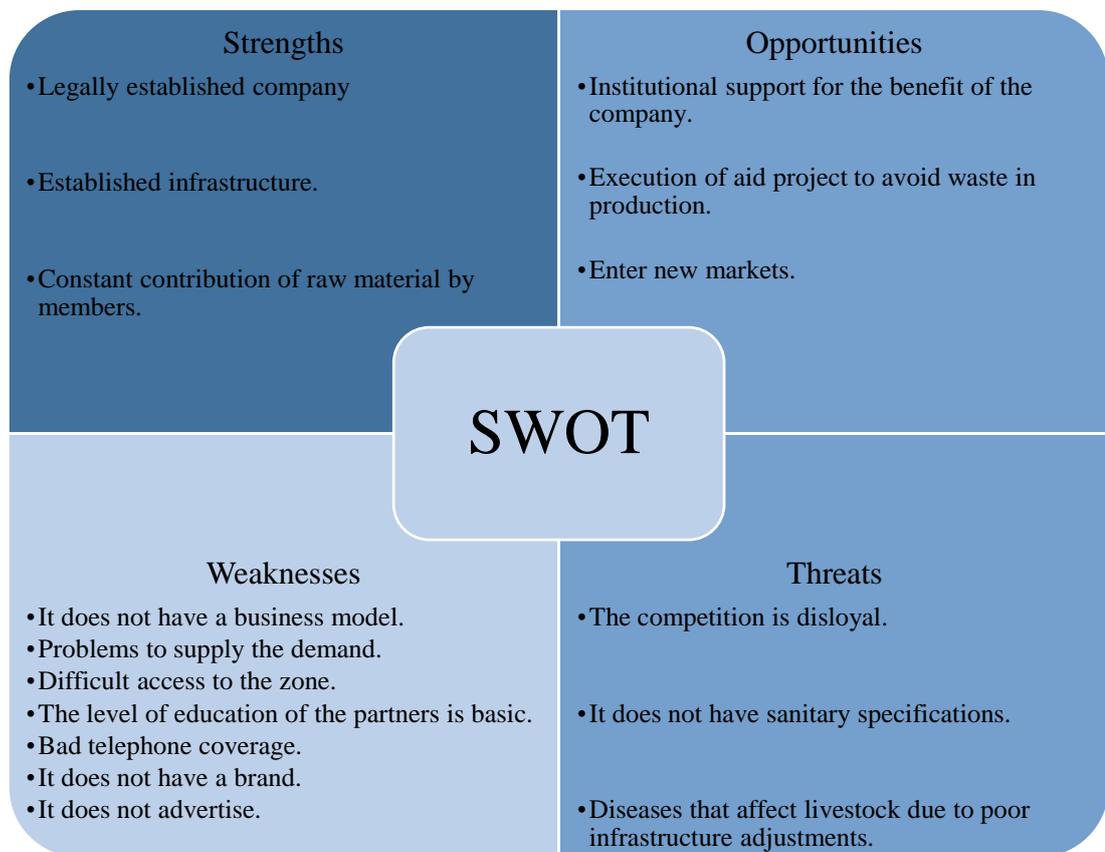
**Made by:** Pontón, Valarezo

### 4.2.7.2. CAME strategies

- Analyze, in conjunction with the supporting institutions, the possibility of the insertion of new products, being careful to avoid waste in the production.
- Establish educative programs to train the members about the business and achieve a better performance.
- Take advantage of the good acceptance of the product by the client and keep innovating it to become potential competitors.
- Create a business model that allow a better business development.
- Notify the municipal DAG of Pucará and request help about the poor condition of the roads, which directly affects the levels of production of APROALICO.

#### 4.2.8. SWOT analysis Association of “Las Lagunas de Mesarrumi”

Graphic 9. SWOT matrix Association of Las Lagunas de Mesarrumi



**Source:** Association of Las Lagunas de Mesarrumi

**Made by:** Pontón, Valarezo

#### 4.2.8.1. Crossed SWOT

Table 24. Crossed SWOT Association of Las Lagunas de Mesarrumi

CROSSED SWOT	Strengths	Weaknesses
Opportunities	<p>Legally established thanks to the support of particular institutions.</p> <p>The constant contribution of raw material by members, is regulated for the aid project to avoid waste in production.</p>	<p>Although having the possibility to enter new markets, it has problems to supply the demand because it has not been established a business model that allows the introduction to the market.</p>
Threats	<p>Although it has been legally established, it still does not have the required sanitary specifications</p> <p>The infrastructure is established but it does not have adjustments to avoid diseases that affect livestock.</p>	<p>It has no brand or advertising, and the bad telephone signal and the difficult access make the competition even better.</p>

**Source:** Association of Las Lagunas de Mesarrumi

**Made by:** Pontón, Valarezo

#### 4.2.8.2. CAME strategies

- Strengthen projects related to the improvement of production in order to avoid waste.
- Establish a business model to get into new markets.
- Get the needed certifications to increase the prestige of the company.
- Establish a marketing plan to create a corporative brand to identify the company.

### **4.3. Conclusion**

In this chapter the SWOT, crossed SWOT and CAME analyses of the companies and associations interviewed in Camilo Ponce Enríquez and in Pucará were developed. This is to diagnose the state in which they are; considering external and internal factors that directly influence the development of the same. In addition, based on these analyses, companies are expected to establish a business model to which they can adapt and define their action strategies to guide decisions and achieve the goals set.

It started by analyzing the SWOT of each company, emphasizing the strongest points and especially the weaknesses. Subsequently, the crossed SWOT matrix was used to establish, through a combination of all the analyzed factors, which are the points that should be eliminated and which should be maintained and improved. Finally, with the application of the CAME analysis, it was possible to propose strategies that should be put into consideration for a global improvement of the company.

## CONCLUSIONS AND RECOMMENDATIONS

### Conclusions

At the end of this degree work we verified that the expectations of the results were changing as the practical part of the investigation was done. The conclusions that have been reached are detailed below.

- With respect to the theoretical part of the internationalization, we find out that exports are not the only way to expand markets, but there are other alternatives such as: licenses, franchises, strategic alliances, mergers or acquisitions; thus, at the moment of thinking about the possibility to internationalize, it must be understood that it is not only about the volume of production, but the business capacity to think and act globally.
- Considering that in Ecuador, the 99% of non-financial companies is represented by SMEs, we could check that this is because of the degree of flexibility that they have, since this factor allows them a quick adaptation to the changes and needs of the environment, due to its reduced size and operative agility.
- The Development Plan and Territorial Planning (DPTP) is a technical document with well-structured and well-funded information in statistical analysis that allows deepening of the general, social and economic aspects of the cantons Camilo Ponce Enríquez and Pucará.
- The agriculture and mining are the main economic activities of both cantons that are being exploited by small, medium and big enterprises, contributing the economic growth of the population.
- Within the data, it was found that the population of Camilo Ponce Enríquez is 21,998 which doubles the population of Pucará that has a total of 10,052 inhabitants.
- One of the presented obstacles at the moment of carrying out the investigation, in regards to the canton Pucará, was the lack of information about the productive activities that have place in the low zone of this canton.

- Another obstacle presented was the lack of specific statistics and databases updated by municipal GADs about the SMEs and associations that exist in each canton.
- At the time of the fieldwork, the biggest problem encountered was the difficulty in accessing the associations located in the rural areas of the canton of Camilo Ponce Enríquez and in the upper part of the Pucará district, due to the poor condition of the roads.
- The lack of telephone coverage and reliability on the part of the representatives of certain companies and associations, made it difficult to contact and obtain information; therefore they were excluded from this project.
- After the preparation of an Export-Audit, it was concluded that the biggest obstacle presented in the administrative part is the lack of storage center or headquarters of the associations and companies interviewed. In the field of production and product, it was found that production volumes are very low.
- Regarding the financial part, the great majority of SMEs have difficulty when requesting credits to cover necessary expenses. On the other hand, in the aspect of marketing and sales, there has been a lack of promotion and advertising of the products.
- The elaboration of the SWOT and crossed SWOT allowed the determination of the strongest points and the threats in which the companies and associations are exposed.
- One of the main strengths that these economic entities have in common is training and motivating staff for constant training.
- Among the most common opportunities found, is the help provided by government institutions that include talks and training about the production and the products they produce.
- One of the biggest weaknesses presented is the lack of knowledge of the market and a sales strategy, since it is where the most optimal production channels for each company are determined.

- On the other hand, through the SWOT analysis, it might be possible to determine that competition represents the bigger threat to these companies and associations.
- Another common characteristic is the lack of knowledge about the exportations area, since most of the members of each organization do not have the necessary knowledge about the operation of the international market.
- Based on the results obtained in the crossed SWOT, some strategies were created and presented as action guidelines for the diagnostics of each productive entity.
- The CAME strategies have been presented to give a solution to the most common problems that SMEs have, this is why we determined that the help of governmental institutions is the main strategy to apply to improve its development and business growth.
- The degree of interest and concern shown from governmental institutions is reflected in the lack of help and coordination from both parts, which has generated a late growth and development of SMEs.
- There exists a lot of potential from small producers, associations and SMEs, but the lack of economic resources is the biggest obstacle that prevents them from establishing themselves legally and administratively.
- The SMEs located in the canton of Camilo Ponce Enríquez have a bigger exporting potential than the ones of the canton of Pucará, because in Ponce Enríquez there exist a bigger fluidity of mining activity which generates a greater commercial movement.

### **Recommendations:**

The following are recommendations based on the analysis of the conclusions:

- Actualize the database of the municipal DAGs regarding the small produces, SMEs and existing associations in each canton, because we had to resort to particular institutions to get all the information needed.

- Request greater support to government entities in order to take advantage of the existing productive offer in the cantons of Camilo Ponce Enríquez and Pucará to encourage exports and thus generate economic growth at the local and national levels.
- Consider the results obtained from the SWOT and cross-SWOT analysis, to know what are the factors that impede good business development and correct them through the strategies presented in the CAME analysis.
- Take advantage of the help provided by private entities in order to improve production processes, increase their knowledge in the productive area, and achieve better performance of their business.
- Take into account the level of competition to which they are exposed, and thus implement advertising plans to achieve greater market participation
- Considering that the products offered by SMEs have a great acceptance by the consumer, provide a greater added value and thus achieve increase the demand and generate a better profit margin.
- With regard to export issues, SMEs should expand their knowledge about the possible markets to which they can go abroad and study how to have greater productivity to supply the demand of those markets.
- Coordinate through the municipal GAD of the canton Camilo Ponce Enríquez and the Provincial Government of Azuay the improvement of access roads to the communities where some associations and SMEs are located.

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