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BENCHMARKING STUDY FOR THE INTERNATIONALIZATION OF THE MSMEs FROM THE CANTONS GIRÓN, SAN FERNANDO, NABÓN AND OÑA, AND THE MSMEs FROM THE WOOD SECTOR OF CUENCA.

GRADUATE THESIS PRIOR TO OBTAINING A BILINGUAL BACHELOR IN INTERNATIONAL STUDIES WITH A MINOR IN FOREIGN TRADE

AUTHORS: CARLOS ANDRÉS BRITO ÁLVAREZ
JOSUÉ DAVID MALDONADO CÁRDENAS

DIRECTOR: ENG. ANTONIO TORRES

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Dedication

To God for having allowed us to successfully complete this great stage.

To my Mother who supported me unconditionally in each of the

stages of my life in spite of the great adversities that

crossed throughout this adventure.

Josué David

This research work is dedicated mainly to God

for giving me life and the wisdom to achieve the goals I set and

for overcoming with love those moments of difficulty and weakness.

To my parents and siblings for their love, support and for trusting me.

They have been the forerunners in supporting my dreams and inculcating in me

the values to achieve them.

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Abstract

In the international business arena, benchmarking is a process that allows to find differences and similarities between companies subject to evaluation at the local level and model companies at an international level. As a tool, it allows one to compare the existing internal processes between local and foreign micro, small and medium-sized enterprises (MSMEs or SMEs) in order to determine whether or not the Critical Success Factors (CSF) generate gaps that may make the improvement or internationalization of companies from Azuay impossible. Finding the model SMEs of the country with the most similar economic development such as that of Ecuador will help determine what should be applied, changed or eliminated so that locally evaluated companies could reach the goal of improvement or export. The interviews and data evaluations will help in obtaining recommendations for the best practices that lead local SMEs to reproduce international experiences in order to reach internationalization.

Introduction

Benchmarking, as a system, is a model that can be applied to any company in any sector. As a tool it is a way in which the organizations like the micro, small and medium-sized enterprises (MSMEs or SMEs) can reach new goals or objectives that could lead them to venturing into the international commercial arena, improving their sales at the national level and implementing new internal practices that lead to improvement continuous, etc.

SMEs in the cantons of Girón, San Fernando, Nabón, Oña, and the SMEs of the Cuenca wood sector can improve their business objectives and consequently reach the goal of exporting their products. Aspects that will be addressed to reach that goal come from the practice of defining the most important CSF in the administrative, financial, productive and sale areas of local and international companies in order to know the specific needs for change, elimination or addition that can guarantee a possible better competitive performance and achieve an adequate export potential and thus allow internationalization.

Determining the gaps between companies from the best model country and companies of the local country, locating the SMEs with an export potential, finding the best commercial practices of exporting what has led some SMEs to success at the international level through interviews and scientific articles will help to determine recommendations that some SMEs of the cantons mentioned above can adapt to their internal processes to achieve the objectives that emerge from this research.

Chapter 1. Basic notions: Analysis of foreign trade theories.

1.1. Theories of foreign trade

1.1.1. Introduction of the chapter

Trade is found in all areas of daily life and its roots can be found as early as the first interaction that human beings did in the trade of the different goods for which people decided to bid or demand. Almost all economic activity is involved in transaction trade that results in giving an object of value (the currency to get something in return for the product a person wants to own).

Commercial activity has been a force since the dawn of humanity and is carried out at every moment in synchrony with the passing of each minute. It is studied in classrooms to continue driving the economic growth of a country; it is defined as the point of multiple external relations between two or more actors. This chapter will try to go deeper into the history of trade so as to get to know it through the theories that better guide us in a way of the commercial opportunities and economic growth of a company, a country or a region.

1.1.2. Barter Theory

In the year 4000 B.C., there was a common occurrence wherein the first men perceived a desire for a flashy or very ostentatious object which caught their eyes so much that they had to obtain it at all costs perhaps even for mere curiosity. At that moment was born the term that was the cornerstone for trade today. Perhaps some anthropologists look at the barter theory as a mode of exchange that comes from the perspective of natural rights as human beings, others look at it as that pillar that demonstrated an idea of how a material good could be obtained through an equivalent trade to satisfy the other party. In short, everything depends on the point of view with which people want to measure it be it a western or an eastern.

Aspects that must be borne in mind, as explained by the authors Humphrey and Hugh-Jones, restate that the actors involved in barter act individually to decide if the object to be received is worth the same as the one that is going to be exchanged (Humphrey & Hugh-Jones, 1998). It is like a certain movement that can motivate the generation of a social trust with the other person or not cause anything in a contrary way.

Aristotle, about the year 350 B.C., debated about economics and chrematistics. The first was seen as an activity that met the material needs of people as part of the search for balance or "just proportion". The second was observed as the "container" of two activities: the natural that is born as an accepted practice of commerce where it is exchanged at the right price and the unnatural that is the dishonest practice of exchanging for a higher price in order to accumulate wealth. Regarding the unnatural sense, Aristotle concluded that it was born from the dehumanized practice of greed and a lack of ethics in order to gain more than the other with the end result being to feel better than her or him (Martínez-Echevarría and Ortega, 2011).

Years ago, it was unusual how they determined how much something should be offered to obtain something else and concerning this Humphrey and Hugh-Jones explain that it depended on the way of life and the identification that people felt at that time with the different objects (Humphrey & Hugh-Jones, 1998). That is why (and as an example was presented at the beginning of this paragraph) it was not possible to ask 'how much of what I intend to offer is enough to get what I want but if what I want to bargain for is to your liking, I will get what I want'. This has to be one of the factors so that different tribes have established strong bonds of trade since each of them obtained that for which they aspired. In addition, the geographic distance that existed between other tribes within the same region IS what allowed for the development of currency, haggling, the term property, etc.

In short, barter, as a theory, marked a before and after as it served to found an ideology of exchange that always sought the natural benefit of the human being to fill or satisfy a desire which may have been limited because there were no resources to be able to reach it or simply it was already expected that there was someone who had it and wanted to trade it for something that really attracted the attention of that person or to get rid of something that was considered useless.

1.1.3. Mercantilism Theory

Ricardo Torres Gaytán in his book "Theory of International Trade" describes mercantilism as "the first current of thought of an international exchange" (Torres Gaytán, 2005) since, until the sixteenth century, the national states were not constituted as nations and trade *per sé* and they were already oriented to, as an important fact in different regions of the world, the so-called mercantilists of that time where they paid more attention to the state thus setting aside religion and morality.

According to Torres Gaytán the mercantilist objective was based on two premises: an economically rich and a powerful state in order to avoid a possible detriment to the economic interests of that great group. Among some measures, the exclusion of import and export stimulation was developed as a strategy to benefit the consumer so that they would not lose their productive power in the short term.

The interests were diverted towards the strengthening of a state that sought moral imposition in a global economic arena that was based on principles of generating greater economic advantages over other states and thus obtaining a positive trade balance. Greater "economic freedom", as Ricardo Torres emphasizes, should strengthen the national market and take the reins towards a monopoly of foreign trade (Torres Gaytán, 2005) with the result of a development of the international market.

As to the use of precious metals, it started the feeling of associating them as the whole for an absolute wealth, an aspect that continued even with the emergence of the modern state that was a before and after for the merchant class to be a useful part in terms of the interests of a country. Likewise, religion and morality were associated with wealth as religious ministers wore exuberant precious stones and so evoking their power in an environment of material gain that increasingly wanted to accumulate more and more fortune.

From the point of view of mercantilism Torres Gaytán gathered up certain theories that could be created so that they are associated to the foreign trade:

- Theory of the commercial balance
- Price Theory
- Theory of the exchange rate
- Theory of enrichment

As a premise of mercantilism it can be indicated that the fact of establishing an idea of increasing exports and trying to reduce imports is aimed at prioritizing the economic growth of a state, the growth of its reserve of precious metals and then its productive strength which leads to the objective of maintaining a correct trade balance and continuing to work for the needs of world trade as if it were an order that should not be omitted to continue building more capital and better results, but not necessarily sustainable over time.

1.1.4. Theory of Adam Smith

The absolute advantage theory was proposed by Adam Smith who was a leading economist and philosopher. In 1767, Smith wrote one of his most important books named, “The Riches of the Nations”. In his book, he emphasizes the importance of the openness free trade without barriers that allow the wealth of all nations to grow. Adam Smith explained that “one country can be more efficient than another by producing certain types of resources. As a result, both countries could benefit mutually if they specialize in producing those goods in which they are experts and then negotiating for them”.

The example that Smith describes supporting this theory is "the maxim of any prudent family head is never to try to produce at home something that would cost more to produce than buy" (Universidad Autónoma de México). If this example is applied to the nations, for example, country X produces more cheaply and efficiently than a country Y. As a result, country Y buys the corn product in country X because country Y does not waste resources and has lower costs.

One of the theories that are linked to absolute advantage and which helps to better explain the difference in production costs is the “theory of labor value.” This theory considers the value of a good or service depending on the amount of work that has been incorporated (Universidad Privada Argentina de CEMA). If we analyze these two theories which are closely linked, it can be concluded that the absolute advantage depends on natural conditions and also climate, land, mines, seas and the production cost that includes: manual labor, salary costs, hours of work and technological development.

In conclusion, for Adam Smith if the nations use resources better and the labor value of producing a product it will have an absolute advantage that will allow them not only to satisfy their needs internally, but also to be able to trade with other nations to sell this product without the need to waste time and resources. However, this theory requires that each nation specialize their production and use all its resources to elaborate a single product to negotiate with another nation, but this cannot be possible because the nations can have the resources to elaborate more than two products that they can trade. In this case, international trade would not make sense according to the theory of absolute advantage because a country would not buy something that they can produce.

1.1.5. Theory of David Ricardo

The approach of Adam Smith with the theory of the “absolute advantage” motivated the famous British economist David Ricardo to inquire more about the offer of the value of the products and the benefits of the specialization of one country as related to another. Ricardo, in the same way as Smith, agrees that the time used to produce certain goods is essential to determine the final value of a product (Hill, 2011). In 1817 Ricardo affirmed that international trade would be productive if a comparative advantage existed. In accord with comparative advantage, he states that the market forces will allocate the resources of a nation to those sectors where it is relatively more productive. In conclusion, a nation can import a good that could be the lowest cost product if it is more productive in the production of other goods (Universidad Autónoma de México).

Economist Ricardo proposed two concepts in terms of comparative advantage: the first is absolute comparative advantage and the second is relative comparative advantage. Absolute comparative advantage affirms that if a country produces a better good than another country, the production must focus on exportation. On the other hand, the relative comparative advantage must take into account certain factors to import or export because it is based on the production costs of a good such as the time to produce a product, the labor needed to produce a good and technology (Hill, 2011).

Comparative advantage differs from the absolute advantage theory proposed by Smith because it will depend on the opportunity cost, which refers to something that must be eliminated at the time of producing a certain product to produce one more unit of another product (Krugman & Obstfeld, 2006). Therefore, nations must choose the product that has the lowest opportunity cost to produce it and then sells it.

Finally, the theory of comparative advantage by David Ricardo establishes that nations will have at least one product in which there is a comparative advantage with respect to another nation to be able to market it and therefore each country will use its resources in the product that generates the least opportunity cost thereby contributing to foreign trade.

1.1.6. Theory of Heckscher and Ohlin

In 1919 Eli Heckscher and in 1933 Bertil Ohlin implemented a model that further developed the Ricardian model of comparative advantage. They said “the countries have a comparative advantage for different endowments of factors of production. The endowment of factors is the sum of the natural and artificial resources that a nation possesses to produce certain types of goods. These resources can be land, climate, labor, available capital and working hours, among others” (Hill, 2011). Therefore, the theory proposed by Heckscher and Ohlin is based on taking advantage of the resources that abound in the territory of each nation and importing those scarce factors. A country will export the good whose production requires the intensive use of the relatively abundant factor and will import the good whose production needs the intensive use of the relatively scarce factor. This includes the cases in which the natural resource is exported directly after a minimum elaboration instead of being used as an input for another good that is later sold in international markets (Ponce Vergara).

The great difference between the Ricardian model and the Heckscher and Ohlin theory, according to the first theory, is the difference in productivity between nations while the second theory is based on the difference of the endowment factors of the countries. Therefore, the comparative advantage for Heckscher and Ohlin is the interaction of technology and production factors available in an economy. Those factors can be combined to produce the factorial intensity which is the intensity of those factors required or used in each productive activity established by technology and factorial abundance which is the quantity of the factor of each economy (Ponce Vergara).

1.1.7. Theory of Michael Porter

Michael E. Porter who is known as the "father" of twentieth century business strategy has based many of his efforts within the scope of economic sciences to make large contributions to the growth of companies as well as the steps which they should take to achieve competitiveness within local and international markets.

The contribution that Porter made within competitive business is the desire to expose in order to learn more about how different companies (regardless of their size) can adopt them to even internationalize within a global market that is already very competitive. In his book "Being Competitive" and in his other book "Competitive

Advantage: Creating and Sustaining Superior Performance", Porter emphasizes that a company must always keep in mind the terms of the competition, social problems, strategies, locations, social responsibility, leadership and border expansion (Porter, 2009). In addition, Porter indicates that the rivalry of companies goes much further and even goes so far as to assert that special attention must be paid to the competing forces that are represented by customers, suppliers, substitute goods and possible candidates (Porter, 2009). This is what Porter portrays as "shaping the competence of a sector."

The Porter Diamond model helps to understand the performance of a long-term profitability of the market. Porter points out that the intervention of potential entrants, the power of customers, the threat of substitute products and the power of suppliers act in an interactive system that should not be set aside in the pursuit of competitive advantage. At the same time, an urgent need to analyze four determinants is pointed out in order to determine the possibilities in which both companies, sectors and even governments can develop to identify signs of success for international competition: conditions of the factors necessary to compete, conditions of the demand that is translated into the needs of buyers, related sectors and support where people can determine the existence of clusters and the strategy, structure and rivalry of the company to know the "global attitude" and the nature of the competition (Porter M., 1991).

The textile, wood, agriculture, fruit, beverages, handicrafts, livestock, dairy industries, etc., they can be considered as "strong force holders” because, as Porter affirms, it is very difficult for each company to obtain investment benefits. From this point of view it is stated that the structure presented by the industry is what drives it to achieve results from profitability and the competitive environment.

Porter wants the company to develop steps to achieve the aforementioned objectives where business cycles are known to achieve proper planning and production. The true meaning of a sectorial analysis is understood to be based on the internal articulation of the company towards what they seek as competitiveness and how they produce their profitability. The competing forces are not lost sight of and their impact on costs, prices, investments and avoiding leaving aside a possible inconsequential act towards the balance sheets of the company that lead to possible fluctuations in their balance numbers. Also, it involves knowning, first-hand if the sector is navigating in the right direction or if another path must be taken where new tools are used to avoid new barriers and threats (Porter, 2009).

All of this is what Porter wants to convey from what he has studied and understands are the different environments of business competitiveness. He provides more theories that can equally serve as a manual for a company however, the one that concerns the work of this thesis and the one that demonstrates more approaches and aspects that will serve to create similarities and steps that will be able to serve as a guide for the objective of what this work has is this contribution of how business rivalry works in this century and also how this tool of understanding the forces that Porter proposes affects the direction of the company in achieving a greater competitive result towards the international business arena.

1.1.8. Uppsala model

In 1975, researchers Johanson and Wiedersheim-Paul of the Företagsekonomiska Institutionen of the University of Uppsala created a model that establishes that the company gains experience in any type of market for daily activities at the same time that it increase the resources of the nation in a select market (Johanson & Wiedersheim-Paul, 1975).

Additionally, the activities that the company performs abroad will have to go through an established chain that represents the degree of involvement in international operations. These stages are four: sporadic or non-regular export activities, exports through independent representatives, the establishment of a commercial branch in the foreign country and establishment of production units in the foreign country (Rialp, 2001).

According to the proposed statements, any company that keeps working in a certain type of market successively will acquire greater experience and participation related to other companies that have remained abroad for a short time. Therefore, the opportunities will be presented to perseverant companies that incorporate into their system the necessary information to improve their insertion in foreign markets and to adapt to it.

One of the causes that may affect the acquisition of information from the foreign market by a company is the "psychological distance" which states that “if a company wants to internationalize, it must do so in the country market psychologically closest to the country of origin due to the fact that there are factors that impede the free flow of information. In other words, the company must gain experience in markets close to it with which it shares certain similarities such as culture, language, traditions, political situation, among others” (Johanson & Wiedersheim-Paul, 1975).

However, there are three exceptions that can produce that the company does not immerse itself in the psychological distance: the first, the company has a large number of resources where the consequences of the new commitments will be lower, so the large companies or those with big resources make more significant advances in their internationalization processes. The second, when the market conditions are stable and homogeneous because the knowledge of the markets is easier to acquire and there are means of acquiring knowledge different from the own experience of one subject. The third, when the company has acquired significant experience in other markets with similar characteristics since the experience obtained in those markets will serve it to replicate this experience in a new market with similar characteristics (Johanson & Wiedersheim-Paul, 1975).

The knowledge that the company acquires from the foreign market for the time of permanence in it will be reflected in the activities that perform to improve its activities abroad, for this reason the accumulated experience will be affected by two situations that are constant changes in the knowledge acquired and changes in the abilities to use knowledge (Galván Sánchez, 2003). Therefore, the companies that wish to enter an international market should use the knowledge acquired by the experience in an external market, in each of the activities carried out to remain in the select market.

1.1.9. Born Global Companies

"Born global companies have particularities that differentiate them from conventional SMEs, mainly in their strategic approach, because they venture into global markets from the very moment of the birth of the company or in a period very close to this" (Brenes Leiva & León Darder, 2008). What the authors Brenes Leiva and León Darder indicate with this premise is that there are certain companies that are already born with the aptitude and capacity to reach the international field in a short time or at the moment of their institution itself. They argue that thinking about that in the 1970s and 1980s came to be true only when those MSMEs had the "extraordinary" capacity to achieve it (that being in very isolated cases).

What the authors called as born global are companies that, from day one, chose to insert themselves in foreign markets instead of focusing on local markets because observing the world panorama of the 1990s, which was sunk by the "progressivism" of the global world, decided to launch into the new trend to build a faster growth than they could have achieved if they were built for the internal. It should be added that it is very obvious that those who went through the first steps were the technology companies since their advancement is more accelerated and then new projects could easily be coupled with the new needs of all continents (these being understood as greater requirements to be on equal terms with the rest of countries). Those who supported the technology companies were the other industries since they elucidated the scientific complement to the practices, results and they services they could offer.

Brenes Leiva and León Darder guide as to how the "traditional paradigm" of the internationalization model is broken in order to adjust the knowledge of the company towards those required to reach a prompt entry to foreign markets, as well as to allow benefits as a better motivation to internationalize being more proactive, marking their international objectives towards new niche markets in an early manner which helps them "catch" new clients, generate a pattern of expansion taking the lead over others, developing a global product with very few modifications, raising very objective entry methods and formulating as a strategy for the expansion of their networks towards new places (Brenes Leiva & León Darder, 2008).

Finally, at the beginning of the 21st century, the ‘born globals’ became synonymous with competitiveness since by reiterating that they are companies that reached international status early, they can serve as an example for SMEs from different countries that seek to enter foreign markets and that already have the capacity and the materials to achieve it. Within the text presented by the aforementioned authors, it is said that the average time for a nascent company to operate in the foreign market ranges from 2 to 6 years regardless of whether these companies participate in a technological or traditional sector.

1.2. Benchmarking Theory

Towards the end of the 1990s certain Asian companies observed how the methods of industrial processes of companies from the United States marked a strong trend within their own countries. Local companies looked for comparisons in their practices to determine what they exchanged and what they do best to obtain the success which marks a “trend” among buyers. It is at this point that companies like the Japanese ones implemented improvements and reductions of time to get their products to market. This should not be attributed to a movement of imitation but to an interest in applying a benchmarking model that leads to improvement (Watson, 1995).

From a critical point of view, benchmarking is not a model that should be applied only once since all the companies always carry out new strategies and leave out the obsolete ones which is how they manage to position themselves above others. It is not a research process that serves to copy or imitate a model of a company, what it does is to provide guidelines to improve, change or eliminate what stagnates the company and not allowed the enterprise to reach competitiveness, continuous improvement and strategic planning. It is not a quick and easy process because the subsequent process of implementing changes within the company should not go from one day to the next but slowly and conscientiously. It also does not constitute a habit as it was at the beginning of the 20th century.

Michael J. Spendolini, in his book "Benchmarking" defines it as "a systematic and continuous process to evaluate the products, services and work processes of organizations or companies recognized worldwide for the purpose of treating equal or overcoming the best industrial practices that they carry out" (Spendolini, 1994). Defining the potential opportunities, existing problems and the nature of the company means that they can be measured better and thus achieve the desired improvements.

Benchmarking as a process of assimilation causes "a radical change in a company" (Watson, 1995). These changes are often reflected in the technological contribution that is given to products and processes, making competitive performance grow but workers must know when and how to do it and this depends almost entirely on the decisions made by the person in charge of the organization.

Many authors argue about the existence of 3 types of benchmarking that are necessary for the study within a company: the first one is internal which refers to observing the activities in different operating units such as, for example, those carried out by American companies in Asia that later were replicated by Japanese companies. The second is competitive and refers to understanding the processes and methods carried out by direct competitors that sell to the same customers, for example, in the 20th century the competition between American photography brands versus Japanese brands that sold to the same public. Finally, the third which is the functional or generic tends to see how a company performs a specific function and contrast it with the organization that wants to assimilate it as, for example, the current package tracking popularized among courier companies that later was implemented by all of the sector (Spendolini, 1994).

Referring to the Deming Cycle, Robert C. Camp alludes to the fact that there are 4 processes that involve benchmarking:

- Planning: Observe and define, what are we going to investigate in the company
- Analysis: See, how the best practices can be adapted to the company
- Integration: Find out, how to set objectives through what was found
- Action: Transform benchmarking into an improvement plan that is applied to the company (Camp, 2007).

There is a common factor among companies that have adopted or seek to adopt benchmarking and this is defined as the success in generating a development trend that sets more modern objectives. Therefore, comparing, investigating, determining the findings, discovering the gaps, knowing what allows such development, achieving adaptation, improvement and implementation are essential phases when locating the real objective of benchmarking which is to continue competing. The greatest benefit that emerges from this model is to solve problems that do not allow the company to move towards continuous improvement, but, as with any matrix, the final strategy to be used to achieve this objective depends on how the person in charge wants to measure and apply it.

1.2.1. Benchmarking methodology

Finally, a list of 7 steps will be indicated as the purpose of the methodology of this study project, taking into consideration what has been stated by Camp in order to comply with the process of benchmarking activities:

- Planning:
    1. It is necessary to determine, in which areas benchmarking is going to be applied.

       It is directed towards the SMEs of the cantons Girón, Nabón, San Fernando and Oña, and towards the SMEs of the wood sector of the canton of Cuenca. A prior selection will determine which ones have the best opportunities to act in the foreign market.
    2. Create a benchmarking crew: Conformed of the students who carry out this degree project, as well as a team made up of the thesis director of this work and five other students who prepare a similar study, the latter being from other cantons. The information gathering method will be proposed (if possible) by semi-structured interview or via web.
    3. Select companies with the purpose of carry out the benchmarking: Model companies will be chosen from a certain country that has an economic development model similar to Ecuador.
    4. Collect benchmarking information: Know how our field research activities will be carried out and how the best information will be selected.
- Analysis:
    5. Analyze benchmarking information: Conclusions will be studied to obtain deductions about the different steps that have been taken and what has been obtained. Try to determine what would be the possible gaps.
- Integration:
    6. Communicate results to the work team. Coordinate about possible goals.
- Action:
    7. Integrate improvements to processes through an improvement plan: What has been discovered in this research will be reported upon to achieve possible improvements that can serve to form changes or create new functions that facilitate the insertion of Ecuadorian SMEs that will be selected or rather to indicate which gaps have been found.

1.3. Theoretical analysis of MSMEs and their importance in Ecuador

In addressing the theories that concern foreign trade and covering the local area, we must know that the first major challenge of the SMEs in Ecuador is focused on achieving the institutional growth that can come in such a way that continuous improvement is achieved, besides knowing how to organize with the different projects or activities that involve the use of funding or financing. Also, SMEs can help in contributing to a better and correct fluctuation of the economy of Ecuador, since the investment costs are relatively low, which is why it could fight positively against possible changes in the market.

As indicated by Yance, Solís, Burgos and Hermida, SMEs "constitute an important factor for the socioeconomic growth of each country" (Yance Carvajal, Solís Granda, Burgos Villamar, & Hermida Hermida, 2017). So that this premise can be asserted, it is necessary to contribute to the development of these companies so that they reach better strategies that can be applied to the different areas and of course, so that they achieve efficiency, better quality, greater productivity and correct internationalization.

It should not be forgotten that, as indicated by Efraín Vieira (executive chairman of Banco del Pacífico), in a forum organized by the Business Specialties School of the University of Espíritu Santo (UEES), that towards the end of 2017 it was determined that 42% of registered companies are SMEs thus indicating that if almost half of the producing companies could improve, they would lead Ecuador towards a positive trend in the market advance, attracting potential buyers from abroad and improving economic health from the country.

In addition, as reported in the magazine Líderes in the January edition of 2018, by the end of 2017, SMEs generated 65% of formal employment in the country. While from 2012 only 6.6% of SMEs came to work in the field of export (Redacción Magazine Leaders, 2013). As an example of the above, we have the wood sector and as it is presented by the SME Andean Observatory of the Simon Bolivar University, only 4.5% of companies reached internationalization activities, 31.8% work at the national level, 25% at the provincial level and the remaining 38.6% at the local level (Observatorio de la PyME de la Universidad Andina Simón Bolívar, 2012).

The classification of SMEs from Ecuador is detailed below:

Size of companies by type of economic activity (workers)			
Size	**Industry**	**Commerce**	**Services**
Micro enterprises	0-10	0-10	0-10
Small enterprises	11-50	11-30	11-50
Medium enterprises	51-250	31-100	51-100
Large enterprises	More than 251	More than 101	More than 101

Table 1.3.1: Size of companies according to type of economic activity
Authors: Brito, Maldonado. Source: INEC 2011

The National Institute of Statistics and Census from Ecuador (INEC) describes SMEs as "companies that are characterized by the intensive use of labor, little application of technology, low division of labor, reduced capital, low productivity, minimum capacity of savings and limited use of financial and non-financial services "(Instituto Nacional de Estadística y Censos, 2011).

According to parameters of the Andean Community of Nations (CAN), the size of a company by its income is classified as follows:

Variables	**Micro enterprise**	**Small enterprise**	**Medium enterprise**	**Large enterprise**
Workers	1-9	10-49	50-199	More than 200
Gross value of annual sales	More than $100000	From $100 001 to $1 000 000	From $1000 001 to $5000 000	More than $5 000 000
Amount of assets	Up to $100 000	From $100 001 to $750 000	From $750 001 to $3 999 999	More than $4 000 000

Table 1.3.2: Size of the company according to income
Authors: Brito, Maldonado. Sources: CAN and Cámara de Comercio de Quito, 2017

It should be mentioned that in Ecuador, there is still no institution or regulatory body of SMEs, since the Company Law would be the "entity" in charge of regulating them, but this does not imply a risk or an impediment for these companies not to generate competition to large companies or foreign companies since it can improve production processes under better conditions, new initiatives, increased demand, new SMEs aware of environmental practices, etc.

In conclusion, it should be noted that SMEs can improve in helping to continue transforming the productive matrix of the country in order to meet the new requirements of the market as well as the appearance of new buyers. It is not necessary that all efforts be made towards the national, since international development can also generate national development.

1.4. The importance of the internationalization of SMEs

A brief description of the theory of internalization will be made before describing the importance of the internationalization of the MSMEs.

In 1937, the expansion of the size of companies postulated by Ronald Coase marked the origins of the theory of internationalization. Ronald Coase said that the cost of using the market could be reduced as long as certain transactions are internationalized such as contracting, research, marketing, etc. Therefore, while companies sought new opportunities to expand their operations and reduce costs locally, market costs increased (Jiménez Martínez, 2007). Internationalization can be understood as the set of operations that facilitate the establishment of more or less stable links between the company and international markets through a process of growing involvement and international projection (Rialp, 2001).

The theory of Internationalization tries to explain why the transactions of intermediate products (tangible or intangible, such as know-how) between countries are organized by hierarchies instead of being determined by the market forces whose conceptual bases come from the theory of transaction costs (Cardozo, Chavarro, & Ramírez, 2007). A company will be involved in foreign investment or will be internationalized, but it depends on two conditions. The first condition is that the competitive advantages locate the operations of the company internationally and the second condition is the sequence of activities to be more effective in the long term and not sell them to other companies abroad (Cardozo, Chavarro, & Ramírez, 2007).

The internationalization of SMEs has several theories and different types of approach. Among the most important theories are the theory of networks that explains the process of internationalization as a logical development of the organizational and social networks of companies. It means that the interactions of local companies and their international connections expand opportunities in foreign markets because relationships are formed with partners in countries that are new to internationalized companies, that positions that are held in the networks are integrated between different countries and that the commitment in established networks increases (Cardozo, Chavarro, & Ramírez, 2007).

According to Madeleiny Rodríguez, there are several advantages and benefits that a company obtains when implementing internationalization strategies, among them are:

- Not only to depend on the local market but to have more markets to which to direct their products;
- Greater use of the installed capacity of the company, in some cases the production exceeds the needs and demand of the local market, surplus production can be sold in foreign markets and so maximizing resources;
- Acquiring companies in countries with abundant and cheaper natural resources represents a comparative advantage compared to other companies that manufacture similar products in countries that lack natural resources;
- Obtaining and developing state-of-the-art technology that allows updating and automation in the production plant and production processes reflected in lower costs and maturation of the times;
- The use of trade agreements with companies that meet the criteria required in trade agreements signed between countries which have an advantage over those countries that do not have agreements since they enter these markets with tariff preferences that the competition does not have;
- The reduction in transport costs. In the last two decades there has been a marked tendency to locate the companies in regions where the demand is bigger in order to minimize transport costs thus allowing better access with lower costs and in less time (Rodriguez Garcia, 2013).

1.5. Conclusions of the chapter

It is important to take into account the theories of international business for the purpose of knowing how it was marketed in the past and the changes that exist in the commercial arena today. In addition, it is important to know certain theories that help determine how companies in the globalized world behave and how benchmarking can be applied to the internationalization of SMEs in order to achieve local and foreign competitive advantage.

Chapter 2. General analysis of the SMEs from Girón, San Fernando, Nabón and Oña cantons, and of the SMEs of the wood sector from Cuenca canton.

2.1. Introduction to the chapter

This chapter will present information on SMEs from different productive sectors in the cantons of Girón, San Fernando, Nabón and Oña, whose data was obtained first-hand thanks to two studies carried out by thesis students Karla Elizalde and María Emilia Vázquez which focused on the cantons of Girón and San Fernando and another done by Diego Hermida and Edgar Ávila dealing with the cantons of Nabón and Oña, as well as Cristina Córdova and Karina Illescas investigation on the wood sector in the canton of Cuenca as part of the studies carried out in Stage 1 called "Diagnostics of the Exportable Offer of Azuay". In addition, companies will be selected according to the range determined by the entire team (to find the best companies that are able to export) and that meet certain requirements that will be examined to isolate the Critical Success Factors (CSF) that exist in the sectors under analysis.

It is worth mentioning that the cantons that will be mentioned (as a whole) make up the upper and lower basin of the Jubones river and they are the cantons in this research project.

2.2. Situation of the SMESs of Girón, San Fernando, Nabón, Oña and Cuenca cantons

2.2.1. Girón Canton

Below is the number of SMEs that exist in Girón:

Activity	Girón Parish	Asunción Parish	San Gerardo Parish	Total People
Agriculture, forestry and fishing	1520	608	275	2403
Manufacturing industries	212	68	18	298
Building	383	108	46	537
Wholesale and retail	372	81	20	473
Transportation and storage	103	62	6	171
Other	857	220	48	1125
Total	3447	1147	413	5007

Table 2.2.1.1: SMEs from Girón
Authors: Carlos Brito and Josué Maldonado. Sources: Plan de Ordenamiento cantón Girón, Thesis from Elizalde and Vázquez

Girón is located to the southwest of the province of Azuay and it is made up of 3 parishes: Girón, La Asunción and San Gerardo, all of these having 12,607 inhabitants in the year 2012. In addition, its economically active population shows that out of 2,850 men, 1,264 are engaged in agriculture, livestock, forestry and fishing activities out of 2,180 women, 1,252 perform the same activity (GAD Municipal de Girón, 2018).

2.2.2. San Fernando Canton

San Fernando is also located to the southwest of the province of Azuay and it is made up of 2 parishes: San Fernando and Chumblín, all which had 3,993 inhabitants in the year 2012 (Municipal GAD of San Fernando, n.d.). In addition, its economically active population shows that, of the total population in that year, 1,725 people are engaged in agriculture and livestock activities, this being the common occupation among the inhabitants of the canton.

It should be noted that they focus primarily on the production of dairy foods where it is possible to produce 750,000 liters of milk daily, as well as producing a maximum of 600 pounds of cheese and 50 pounds of quesillo minimum for almost all households in the canton (Elizalde & Vázquez, 2018).

From the study carried out in phase 1, we have the following data from 14 companies from a total of 20 San Fernando cheese companies that serve as an example of the production they carried out in 2010.

Company	**Products**	**Liters a day**	**Marketed in**	**Weight per day**
Lácteos San Fernando	Cheese and Yogurt	2,500	Cuenca, Machala, Guayas	600 lbs.
El Paraíso	Queso Fresco	1,000	Naranjal	450 lbs.
Busa	Queso Fresco	1,200	Guayas	450 lbs.
Lácteos Siranaula	Cheese	1,000	El Oro	350 lbs.
El Vaquero	Milk	300	Unión	300 lbs.

Table 2.2.2.1: SMEs from San Fernando
Authors: Carlos Brito and Josué Maldonado. Sources: GAD Municipal de San Fernando, 2010, Thesis from Elizalde and Vázquez

Before continuing, it should be mentioned that 69 companies in the cantons of Girón and San Fernando were not taken into account as part of the interviewees during the first phase of research of the thesis while 7 companies, 4 from San Fernando and 3 from Girón were taken as study actors to find parameters on their possible exportable offer:

Company name	**Canton**	**Parish**	**SMEs attribute**	**Offers**
Asociación de Plantas Medicinales Chumblín	San Fernando	Chumblín	Association	Horchata, Ointments
Asociación Natividad de Chumblín	San Fernando	Chumblín	Association	Dulces De Chamburo
Asociación Vida y Naturaleza	San Fernando	Chumblín	Association	Natural products
Lácteos San Fernando	San Fernando	San Fernando	Small	Cheese
Asociación de Productores de Cuyes Leocapac Unidos	Girón	Girón	Association	Tomatoes, Babaco
Asociación de Productores Agropecuarios 3 de noviembre "Talanquera"	Girón	San Gerardo	Association	Tomatoes
Agro productores Girón	Girón	Girón	Association	Almidón de Achira

Table 2.2.2.2: Studied SMEs from Girón and San Fernando
Authors: Carlos Brito and Josué Maldonado. Sources: Diagnostics of the exportable offer of Azuay

2.2.3. Nabón Canton

Nabón is located in the extreme southeast of the province of Azuay in southern Ecuador. Nabón is located 69 kilometers from the city of Cuenca. Its main access from the city of Cuenca or from the city of Loja (being the closest cities) is by the Panamerican Hwy. South between Cuenca-Loja. However, it is closer to the city of Cuenca, approximately 50 minutes by car, while it is 2 hours and 30 minutes from the city of Loja. The Municipality of Nabón is part of the community of 12 municipalities that settle along the hydrographic basin of the Jubones River which is divided into three zones: high, medium and low, beginning precisely near Nabón and ending in the coastal zone of the province of El Oro (Decentralized Autonomous Municipal Government of Nabón, 2014).

The most important activities and their percentages of what represents the total economically active population is reflected by 40% of the total population, represented by 5,932 people.

Activity	Percentage
Agriculture, forestry and fishing	60%
Building	14%
Wholesale and Retail	5%
Home activity as employees	4%
Public administration	3%
Education	3%
Others	8%

Table 2.2.3.1: SMEs from Nabón
Authors: Carlos Brito and Josué Maldonado. Sources: Gobierno Autónomo Descentralizado Municipal de Nabón and Diagnostics of the Azuay Exportable Offer

2.2.4. Oña Canton

Oña is a canton belonging to the province of Azuay, located in the southeast of the province and at a distance of 107 kilometers from the city of Cuenca. The canton has a population of 3,583 inhabitants according to the last census, conducted in 2011. Geographically and organizationally it is composed of two parishes: San Felipe de Oña and Susudel (GAD Municipal San Felipe de Oña, 2014).

Below are the most important activities and their percentages of what each represents in the total economically active population shown and is reflects 43% of the total population or 1,541 people:

Activity	Percentage
Agriculture, forestry and fishing	60%
Manufacturing industries	10.3%
Building	15.12%
Wholesale and Retail	4.9%
Public administration and defense	5%
Education	3.2%
Others	1.48%

Table 2.2.4.1: SMEs from Oña
Authors: Carlos Brito and Josué Maldonado. Sources: GAD Oña and Diagnostics of the Azuay Exportable Offer

2.2.5. Cuenca Canton

From the study " Diagnosis of the Azuay Exportable Offer" it was possible to obtain data on these 21 wood companies of the canton of Cuenca:

- Vitefama;
- Maderas Valdez;
- Artemueble;
- Officenter;
- Diserval;
- Juguetes y material didáctico “pato”;
- Burgués;
- Madeform;
- Stilo mueble;
- Moblime;
- Arquiprod Cia. Ltda.;
- Muebles Disar;
- Santana muebles;
- Unpluss;
- Muebles JyB;
- Mobeline;
- Megamuebles Belén;
- Madernova;
- Muebles Novoa;
- Muebles Chelita;
- Innovacentro.

It should be noted that imports of different types of furniture (product code 94), made from wood in the year 2017 by Ecuador expects an amount of $ 13 million FOB dollars represented by five thousand tons. On the other hand, exports in the same year reflect an amount of $ 4 million FOB dollars, while it is known that 600 tons were exported (International Trade Center, 2018,) demonstrating that there is a deficit trade balance because it imported more than was exported (Corporación Financiera Nacional, 2018).

2.3. Evaluation of SMEs with the greatest potential for internationalization of Girón, San Fernando, Nabón, Oña and Cuenca cantons

From the information obtained from the studies of "Diagnosis of the Azuay exportable offer" through the interview methodology, as well as the self-evaluation tool as a management model to be able to export, called EXPORT AUDIT, a series of scores were obtained where they could find if the productive capacity of those companies could allow them to reach the necessary productivity to project themselves towards the foreign market. On the other hand, the interviews were based on 30 questions to address 4 fundamental axes of the companies: organizational structure, financial aspect, product and production and marketing and sales.

Additionally, the authors took the following high scores to indicate on what basis they qualified the different companies. In an organizational structure with 60 points, financial aspects with 40 points, in product/production characteristics with 60 points and in marketing aspects and sales with 30 points. This will be summarized in a few lines as a reminder of their grades. What will proceed as the next step will be to group companies that have a rating equal to or greater than 80%, these being the best of study phase 1 and having the ability to export. The second group will be companies that have a rating below 79% and will be briefly detailed as to why each of these companies does not meet the qualification objectives.

2.3.1. Girón Canton

Company name	Parish	Type	Activity	Qualification
Asociación de Productores de Cuyes Leocapac Unidos	Girón	Association	Tomatoes, Babaco	85/190 44.74%/100%
Asociación de Productores Agropecuarios 3 de noviembre “Talanquera”	San Gerardo	Association	Tomatoes	79/190 41.58%/100%
Asociación Agro productores Girón	Girón	Association	Achira starch	139/190 73.16%/100%

Table 2.3.1.1: SMEs analyzed in Girón
Authors: Carlos Brito and Josué Maldonado. Sources: Thesis “Diagnosis of the Azuay exportable offer”

Next, each of the aforementioned SMEs will be analyzed:

1) Asociación de Productores Agropecuarios 3 de noviembre “Talanquera”

The authors found that the organizational structure of the association is not appropriate and likewise point to the lack of a distinction that differentiates them from other products in the market. Focusing on the financial aspect, the lack of developing greater accounting knowledge that allows a greater financial organization of the association was indicated. Regarding the characteristics of the product and production, it was indicated that there are products with low novel characteristics in addition to not having the necessary certificates. Finally, the issue of marketing and sales is the most disadvantaged because the association does not have advertising tools and customer service that are essential tools in the commerce of today.

2) Asociación de Productores de Cuyes Leocapac Unidos

In its aspect of organizational structure, the association presents a good list of workers who work constantly but do not present the correct organization that is born from a strategic plan and that indicates faults by not allowing solutions. In the financial aspect, there is a trend of "the distribution of profits" instead of taking advantage of the reinvestment that would lead them to increase their economic good. Product/production attributes indicated that, being a free producer, there is the non-existence of another requirement of great importance, the export certificates that qualify them as good producers as well as the lack of packaging that allows them to market. Finally, in marketing and sales a great lack of the promotion was found as well as distribution only within the canton.

3) Asociación Agro productores Girón

In the area of organizational structure, it was found that there is not a proper record of brand protection and little experience in the market does not allow them to better extend their commercial horizon. In the financial aspect, it is known that their level of indebtedness showed high peaks. In terms of product/production characteristics there is a lack of a better technological level that does not allow them to prosper with the harvesting process. Finally, in marketing and sales there should be specialized orientation for them in the mountain range of the country.

2.3.2. San Fernando Canton

Company name	Parish	Type	Activity	Qualification
Asociación de Plantas Medicinales Chumblín “Kimsacocha”	Chumblín	Association	Horchata, Ointments	101/190 53.16%/100%

Asociación Natividad de Chumblín	Chumblín	Association	Dulces De Chamburo	111/190 58.42%/100%
Asociación Vida y Naturaleza	Chumblín	Association	Natural products	109/190 57.36%/100%
Lácteos San Fernando	San Fernando	Small	Cheese	170/190 89.47%/100%

Table 2.3.2.1: SMEs analyzed in San Fernando
Authors: Carlos Brito and Josué Maldonado. Sources: Diagnosis of the Azuay exportable offer

Next, each of the aforementioned SMEs will be analyzed:

1) Asociación de Plantas Medicinales Chumblín "Kimsacocha"

The authors found that in the organizational structure the association only relies on the use of labor to carry out production. Consequently, this reduces efficiency against the large number of competitors who have much more experience than them in the local market. In financial aspects, they indicated that "they have a long way to go because they do not have a good accounting department and because they do not organize their projects regarding expenses and profits due to their lack of accounting knowledge". As to product/production, their qualifications show a lack of certificates and a lack of a qualified personnel which does not allow them to elaborate the quality controls that should be practiced for the export of products of this sector. Finally, in the aspect of marketing and sales they indicated that having tools to produce advertising are necessary.

2) Asociación Vida y Naturaleza

In organizational structure, it is indicated that the association has a lack of an image which does not allow them to position themselves among the inhabitants who commonly see these types of products which identify by their name and logo rather than by the sole presence of the association. In the financial area, the association does not have an accounting system. In terms of product and characteristics, the problem is that they do not have machinery that helps them facilitate the creation of the aforementioned products. Finally, as to the aspect of marketing and sales, there is not a technical sheet of the product, the lack of certificates and licenses to sell their products leaves them far out of the expected range.

3) Asociación Natividad de Chumblín

In the organizational structure part it should be noted that, from the beginning, they had a small strategic plan and the lack of a brand that distinguishes them besides not having adequate machinery for production. Regarding the financial aspect there is the common lack of an accounting department that serves as a record of the income and expenses that they generate. In the characteristics of the product and production, the disadvantage is evidenced in not having an effective process that weighs the product. Finally, marketing and sales should indicate that they do not use an advertising tool so their product is not known.

4) Lácteos San Fernando

In an organizational structure, the company has a strategic plan that is strengthened by its years of experience in the sector which is why the image that the company has developed is well positioned in the canton and the province. They have some departments, where a total of 9 people work and they are the ones that allow optimal functioning and they have no legal disparities.

In the financial aspect they have problems in sales during times of vacations but in spite of that, they produce yogurt, cheese and milk that does not contain antibiotics or chemicals. Labor is the strongest expenditure they have and 90% of the income goes to boost the company. The person in charge of the company indicated that, if they owned assets, it would make it possible to obtain credit in the near future.

As to product and production, it is recommended that the company should diversify its production, even more so because the processing plant works every day. It has the incorporation of ideal machinery to bring the quality of the product at every moment. The products presented have technical specifications so that food indicators can be taken into account as well as the nutritional information on their packaging.

Finally, in terms of marketing and sales it is indicated that the company has the potential and money to invest in advertising, but they do not do it in such a way as to reach markets farther away than the provinces of Azuay, El Oro and Guayas.

Unfortunately, although this company has a rating higher than 80%, there is no indication of compliance with the safety management systems, as well as quality certifications which are essential for export to countries in general. This is not taking into account the fact that this investigation is clearly focused on this sector.

2.3.3. Nabón Canton

Company name	Type	Products	Qualification
Asociación de Productores de Fresas del Cantón Nabón	Association	Strawberries	131/185 71%/100%
Asociación de Salud Intercultural de Nabón	Association	Creams	84/185 45%/100%
Asociación de Artesanos del cantón Nabón	Association	Carved stone	98/185 53%/100%
Asociación de tequileros de Nabón	Association	Licor de Agave	76/185 41%/100%
Asociación de productores de Horchata Nabón – Cochapata	Association	Horchata	149/185 81%/100%
Asociación de productores de cuy 13 de junio	Association	Cuy faenado	123/185 67%/100%
Don Isaac	SME	Licor de Agave	58/185 85%/100%

Table 2.3.3.1: SMEs analyzed in Nabón
Authors: Carlos Brito and Josué Maldonado. Sources: Diagnosis of the Azuay exportable offer

Next, each of the aforementioned SMEs will be analyzed:

1) Asociación de Productores de Fresas del Cantón Nabón

The organizational structure of the association is not well defined because it does not have a strategic plan and so it lacks a mission and vision. However, it has legal status and an association of 15 active members who choose their board to perform functions such as administrator, accounting, and supplier connections, among others. In the financial aspect the association lacks liquidity since it does not handle the reinvestment concept to generate greater economic income. Regarding the product it should be noted that it is highly perishable so it must be consumed within a short period of time so that it is not damaged. Additionally, the association does not produce its own packaging and does not have exclusive facilities so they lack technology. Finally, about marketing, since they do not handle any type of advertising tools they do not have a specific advertising plan which is why their sales are limited only to nearby cantons.

2) Asociación de Salud Intercultural de Nabón

The organizational structure of the association does not have an organizational chart to establish functions correctly nor strategic growth plans so they have no mission or vision, however, it has legal status and RUC. In the financial aspect, it does not take profit accounting, nor does it reinvest the money to generate more liquidity. Regarding the product, it does not have the respective certifications and also does not have licenses for the production of creams and ointments. With regard to marketing, they do not handle advertising tools and do not have the logo or brand of the association.

3) Asociación de Artesanos del cantón Nabón

The organizational structure of the association has includes legal status, however, it does not have a strategic plan so it lacks mission and vision. In the financial aspect, they make all the tax obligations in order to keep active accounting. Regarding the product, it does not have its own certifications or packaging, additionally it does not have the machinery or exclusive facilities for production. In marketing, they handle advertising tools, but they do not have their own brand or logo.

4) Asociación de tequileros de Nabón

The organizational structure of the association does not have an administrative organizational chart, nor legal status, however, it has a strategic plan defined by both a vision and mission. In the financial aspect, it does not have accounting so the association does not have stable financial accounts. Regarding the product, it does not have quality certifications nor does it have packaging for marketing. Finally, it does not handle advertising tools to expand the sales level of the product in addition to not having a brand or logo.

Unfortunately, this association has limited export potential since it counts with the certification called "Nabón productos limpios" that certifies the healthy production of horchata besides having its own logo and brand which are registered in the Intellectual Property Institute to guarantee brand protection within Ecuador and the world. Export is truncated by the lack of international health certificates.

5) <u>Asociación de productores de Horchata Nabón – Cochapata</u>

The organizational structure of the association does not have an administrative organization chart, however, it has a well-defined strategic plan since it has mission and vision. It also has legal status and a RUC for the issuance of invoices. In the financial aspect, they have reinvestment of profits to generate liquidity, in the same way they comply with the tax obligations when keeping accounts. About the product, it has certifications and recognitions at the cantonal level with current production licenses and exclusive production facilities. Finally, regarding marketing it does not handle advertising tools, but it has its own logo and brand which are recognized by the canton and its points of sale in the cities of Manta and Cuenca.

It should be noted that this association, despite having a rating of 81%/100% on the table of companies with potential export potential, the association of horchata producers will not be able to export their products because they only have the certification of "Nabón productos limpios" that supports their product at the cantonal and national levels. This certification guarantees that horchata is produced in a healthy way within the country, however, this certificate is not recognized internationally for exports to be made.

The association of horchata producers must perform the relevant procedures to obtain quality certificates, among them the ISO certifications-. These are among the most important according to the International Organization for Standardization and are ISO 9000 (set of standards based on quality management), ISO 9001 (Standard of quality management systems), ISO 9004 (certification in advanced management of quality management systems) and ISO 2200 (Food Safety Management Systems). In addition, horchata, in order to be a product produced by a set of different plants, the association must obtain the certification of Agrocalidad that, according to the Ecuadorian agency of quality assurance, must comply with the ISO 9001:2008 norms (set of norms related to Agrocalidad).

Another point against the association of horchata producers which will disqualify them from being able to export are the productive units that will not supply international demand, due to the fact that the association currently produces 3,000 horchata bags per month, which only satisfies the points of national sales in the cities of Cuenca and Manta.

6) Asociación de productores de cuy 13 de junio

The organizational structure of the association has a well-defined organizational chart and strategic plan for the fulfillment of goals as well as having legal personnel and a RUC. In the financial aspect, the members and managers encourage the reinvestment of profits and in addition they keep their tax obligations in order. About the product, they have certification for food safety of the client, additionally, they have exclusive facilities and machinery for production. Finally, regarding marketing, the product does not have a logo or trademark, nor is it registered with the Intellectual Property Institute, nor does it have advertising tools.

7) Don Isaac

The organizational structure of the microenterprise has a well-defined organizational chart and strategic plan for the fulfillment of short and long-term objectives and additionally it has legal personnel and a RUC. In the financial aspect, the reinvestment of profits is managed to keeping an appropriate accounting to comply with the tax obligations. About the product, it has insufficient certifications and production licenses. The facilities are exclusive and adapted to increased production. Finally, when referring to marketing, the product if it had its own brand and logo duly registered within the Intellectual Property Institute, could improve, however, it does not have advertising tools.

The Don Isaac tequila factory, despite obtaining a score of 85% over 100% in the table of companies with possible export potential, will not be able to export the liquor it manufactures because, in the first place, the number of people who work in the manufacture of liquors is limited--they only have 5 employees to produce the product and, as a result, this affects the number of production units that can be produced if there were an international offer. Second, the raw material is finite and it takes a long time to process it. The micro-company Don Isaac, only has the capacity to distill between 30 and 40 bottles of agave liqueur per day which would give a total of 1,500 bottles per month, that is, it would barely be able to satisfy the points of sale in the cities of Cuenca and Loja. Therefore, it still does not have the productive capacity necessary to internationalize. Finally, the microenterprise must obtain the respective certificates of quality and export permits to be able to market their products abroad, including complying with the ISO 9000, ISO 9001, ISO 9004 and ISO 2200 certifications that are the most important about a company quality.

2.3.4. Oña Canton

Company name	Type	Products	Qualification
Asociación de pequeños tenedores de ganado lechero de los Páramos de Morasloma	Association	Milk	83/185 44.87%/100%
Asociación de Productores de Cuy Nueva Esperanza	Association	Cuy	121/185 65%/100%

Table 2.3.4.1: SMEs analyzed in Oña
Authors: Carlos Brito and Josué Maldonado. Sources: Diagnosis of the Azuay exportable offer

Next, each of the aforementioned SMEs will be analyzed:

1) Asociación de lácteos de Morasloma

The organizational structure of the association does not have an established organizational chart or strategic plan, however, it has legal personality and a RUC. In the financial aspect, it is not specified if they reinvest their profits but they keep their tax obligations in order. Regarding the product, it does not have any production licenses or certifications. Finally, regarding marketing it does not have its own logo or brand and they do not use advertising tools.

2) Asociación de Productores de Cuy Nueva Esperanza

The organizational structure of the association does not have an administrative organizational chart, but it has an established mission and vision. It also has legal status and RUC. In the financial aspect, it is not specified if they reinvest their profits, but they keep their tax obligations in order. Regarding the product it does not have certifications but with cantonal recognitions they also have exclusive production facilities. Finally, about marketing, they do not handle advertising tools.

2.3.5. Cuenca Canton

Company name	Products	Qualification (exportaudit)	Type
Vitefama	Wooden furtniture	238/285 83.51%/100%	Medium sized enterprise
Maderas Valdez	Flooring, terraces, formwork.	12.0/285	Micro enterprise

		42.11%/100%	
Artemueble	Wooden furtniture	208/285 72.98%/100%	Micro enterprise
Officenter	Kitchen furniture	203/285 71.23%/100%	Small enterprise
Diserval	Wooden furtniture	234/285 82.11%/100%	Small enterprise
Juguetes y material didáctico “Pato”	Supplements for education, school furniture	150/285 52.63%/100%	Micro enterprise
Burgués	Wooden furtniture	204/285 71.6%/100%	Medium sized enterprise
Madeform	Wooden furtniture	167/285 58.60%/100%	Micro enterprise
Stilo Mueble	Home furnishing	149/285 52.28%/100%	Micro enterprise
Moblime	Metal and wood furniture	198/285 69.47%/100%	Small enterprise
Arquiprod	Home and office furnishing	166/285 58.25%/100%	Micro enterprise
Disar	Home furnishing	155/285 54.39%/100%	Micro enterprise
Santana Muebles	Home furnishing	210/285 73.68%/100%	Micro enterprise
Unpluss	Furniture and decoration	135/285 47.37%/100%	Micro enterprise
Muebles J y B	Home furnishing	149/285 52.28%/100%	Micro enterprise
Mobeline	Furniture for construction and home	149/285 52.28%/100%	Micro enterprise
Megamuebles Belén	Home and office furnishing	154/285 54.04%/100%	Micro enterprise
Madernova	Wooden furtniture	168/285 58.95%/100%	Micro enterprise

Muebles Novoa	Wooden furtniture	184/285 64.56%/100%	Micro enterprise
Muebles Chelita	Wooden furtniture	174/285 61.05%/100%	Micro enterprise
Innovacentro	Metal and wood furniture	208/285 72.96%/100%	Micro enterprise

Table 2.3.5.1: SMEs analyzed in Cuenca
Authors: Carlos Brito and Josué Maldonado. Sources: Diagnosis of the Azuay exportable offer

Next, each of the aforementioned SMEs will be analyzed:

1) Vitefama

Company name:	Year of establishment	Products offered	Production time	Prices:
Vitefama muebles	1998	Bedrooms; Dining rooms; Exterior furtniture and wooden furtnite in general	They produce 200 bedrooms per month and approximately 2,400 bedrooms per year.	There is no information

Table 2.3.5.2: Information about Vitefama
Authors: Carlos Brito and Josué Maldonado. Sources: Vitefama

Based on "Diagnosis of the Azuay exportable offer", it is indicated that administratively the company has a great capacity that has allowed them to develop an effective strategic plan for the local market and that is why the organization does not focus on drawing up a plan for foreign markets. In fact, it is recorded that during the interviews conducted by the authors, the company disassociated itself from all participation abroad because they believe that the lack of competitiveness of the company is untimely when referring to the country itself against others, which is why this factor has prevented them from being able to make constant exports for a long time.

In financial terms, management is very active on a monthly basis. This has allowed them to opt for the automation of an accounting system that should bring better advantages when it comes to obtaining reports. Although they have credits from private banks, they have not considered being used in future projects, in fact, the orientation is to continue improving what is already known so that a general budget management for export has no place in the current company.

On the productive side, the management believes that there are problems regarding an investigation of markets abroad. The lack of tools that allow them to know the real situation as well as the potential market and the number of potential buyers is not clear or precise. While working on processes that involve the different requirements of quality standards such as ISO 9001, at the time when the interview was conducted by the authors as part of the first phase, there was no certification that endorses the processes carried out by the company as of the year 2018.

In the sales aspect it is well known that the company performs impeccable work within the canton, not only offering quality products but also assisting clients with after-sales programs that allow them to be known at a national level. The only drawback is that their slogan does not have legal protection so they compete against imitations within the market which affects them slightly as to sales.

On the subject of innovation, the company strives to change the designs of its products which is why they always have added value for the client but the designs that are handled continue like the traditional ones of the local market because the nationals still believe that the everyday is better and think that anything different is not part of their customs. The image in the product concept for many is habitual and it is not observed as something that adds an improvement.

Finally, as to personal capacity, the company is managed according to what is defined in its strategic plans. Tangible resources such as financial resources, intangible resources such as reputation and human resources as well as the knowledge of their staff, allow them to develop and allow them to generate a high degree of differentiation but they can be delayed by a capacity to respond to potential demand of a foreign market because its staff is not prepared to face the export process.

2) Maderas Valdez

Administratively, they have a strategic plan that is not clear. Financially, it has indicated that the biggest problem facing the company is the lack of an accounting department. In the productive area, it was found that the company does not have certificates that endorse its processes. In sales, they have drawbacks which are part of the problems that the company has in the local market as they face competition already identified by hundreds of customers of the canton. In innovation, it is incipient. Finally, regarding personal capacity, it should be indicated that it is not appropriate because it generates many disadvantages by not having a scheme that requires improvement or training towards quality or better service.

3) Artemueble

In administrative terms, it was found that its strategic plan does not provide information on how the functions of all personnel should be performed correctly. In financial, the only drawback lies in the lack of analysis of the cost calculations. On the productive side, the lack of certifications is again evident which is present as the common factor of the logging companies of Cuenca. In sales, they could not be maximized with respect to previous years. Innovation does not take into account diversification or how a distinction should be achieved over products. Finally, on the personal capacity, it is normal since they are able to sustain themselves as a company thanks to experience and, in some cases, to over-hiring.

4) Officenter

In the administrative area, there is evidence that internal process changes are being made to achieve improvement. Financially there are good expectations despite the fact that, in the future they could focus on reaching an international market but they do not carry out any study on how to reach a foreign market or even which market they should reach. In the productive arena, there is a great gap on the subject of market research. In sales, the only need is not having more qualified personnel in the sales and marketing areas. In innovation, it can be indicated that there is no record of the application of diversification to its products. Finally, on personal capacity it is shown that the company does not have personnel for a more competitive market.

5) Diserval

Company name	Year of establishment	Products offered	Production time	Prices
Diserval	1995	Furniture for home, office and construction	They produce around 90 office stations per month.	There is no information

Table 2.3.5.3: Information about Diserval
Authors: Carlos Brito and Josué Maldonado. Sources: Diserval

In the administrative area, the company has a very clear functional organization chart where it is planned according to how the national market varies because it works on demand. The control systems of the company should be further improved if they planned to export to other markets since the planning of this should be done regularly based on the market conditions as well as the requirements that are being updated.

In financial terms, it was indicated that they should not forget to manage their financial statements up to date; they should have all this information updated especially if they wish to work on new financial projects such as expanding to another country.

On the productive side, problems arise in the market research towards the exterior as well as failures in the development and design of new products. Again, here is the case of a company that does not have quality certifications and this is a great impediment, as explained throughout this investigation, in terms of exports.

For sales, the strategy used by Diserval is very effective and should only be improved when advertising material that is used so that new potential public can be reached as well as the fact that they should promote even more in social networks.

In innovation, Diserval tries to be at the forefront in terms of image, product and production but foreign companies play this role better by having several branches in several countries allowing them to "put" new markets into the market. They adapt to all their needs.

Finally, in personal capacity, the company knows how to manage its resources and capabilities, but it must develop them more in order to be able to export since not all potential customers would like to work with the "on request" modality since, in fact, they must extract more products for the general public.

6) Juguetes y material didáctico “Pato”

Administratively, they are still restructuring their entire organizational aspect. Financially, the sales of the company projections collapsed. In the productive aspect, all orientation was lost in terms of producing to send abroad. In sales, a decrease was identified that decreased locally in the last period. On innovation, the biggest problem is that there is too much competition. Finally, on personal capacity the company is no longer functioning in accord with the initial objectives.

7) Burgués

In the administrative area, its strategic plan has many flaws. In financial terms, it qualified as explained but the company had problems in managing flow since they accounted for only one year. In the productive sector, the company has no current predisposition towards a deeper market study. In sales, its only fault is not having a defined budget. In innovation, the company does not develop new products. Finally, as to personal capacity indicators suggest that the company should focus on attracting more customers.

8) Madeform

In the administrative aspect, the objectives that were raised have been met informally. In the financial area, the company has serious problems regarding investment. In the productive sector, its most serious problem is the lack of updating a market study. In sales, they decreased due to its low advertising campaign. On innovation, the company maintains a very traditional model. Finally, on personal capacity the company has had ups and downs with its number of personnel.

9) Stilo Mueble

Administratively, they are projected only in the short term. Financially the problems of this aspect are reflected in the non-handling of updated information. In the productive sector, the company has a serious problem by not industrializing most of its processes. In sales, there are large red figures and this is summarized in advertising flaws. In innovation, the company continues to carry out processes by hand. In personal capacity, it has been reduced and there are no spaces for training.

10) Moblime

In the administrative area, very good performance was not found and this is due to the fact that there is no updated strategic plan. In financial terms, the company does not currently have a budget for new projects. On the productive side, the company, as it is in the process of changes, does not yet have a department for exports. In sales, the company does not have a customer service system. In innovation, it must be indicated that the company is attending workshops to improve its added value. In personal capacity, the company is working to improve the internal situation.

11) Arquiprod

Administratively, the company still continues to develop its mission and vision, however, it manages a basic organizational chart to maintain communication among the 7 employees that work in the company. In financial terms, the company does not have a general budget for the year. The productive capacity of the company is very limited since they only manufacture 7 doors per month. The sales and marketing department is not developing its capabilities to create and expose the brand nationally.

12) Disar

In the administrative and organizational part, the company has not yet developed its mission and vision, it also lacks an organizational chart. In the financial area, it does not have a fixed budget because it depends on the production part to invest. In the productive, the furniture that is manufactured has high added value. Sales are not made through sales agents but independently by the manager and companions. With respect to marketing, they do it through social networks to advertise the brand.

13) Santana muebles

In the administrative and organizational aspects, the company has vision and mission, however, they lack an organization chart. In the financial area, the company makes reports to measure expenses and income, besides its debts which are financed with their own capital. In the productive area, the furniture is made under customized and serial designs under industrial and artisan processes. Sales are made through a specialized department in business. Finally, the advertising material is transmitted through social networks and television.

14) Unpluss

In the administrative and organizational part the company does not have a strategic plan or an established organizational chart. In the financial area the annual budget is not immovable but variant with the purchasing power that the company has. In the productive the furniture is customized according to the tastes of the client. Sales and marketing are generated exclusively by the manager.

15) Muebles J y B

Administratively, it does not have a mission and vision, therefore, it does not have a defined strategic plan. In financial terms, the company receives financing from banks through loans. In the productive area, the furniture has high added value perceived by the client. The sales and marketing area does not have personnel to develop such activities.

16) Mobeline

On administrative and organizational subjects, the company has a strategic plan and has medium-term objectives. In financial terms, the company does not have an immovable budget for the year but the accountant keeps track of income and expenses. In the productive sector, furniture does not have quality standards and is designed according to the market trend. In the sales and marketing area, the manager is the only one in charge and that person sells and makes publications through social networks.

17) Megamuebles Belén

In the administrative and organizational areas, the company does not have mission and vision and additionally it lacks a functional organizational chart. In the financial area, the company modifies its budget according to the market situation. In the productive zone, the furniture is made under specific designs proposed by the client. In the area of marketing and sales, the company does not have enough personnel for work there.

18) Madernova

Administratively and organizationally, the company does not have a mission or vision and lacks a functional organizational chart. In the financial area, the company keeps monthly income and expense reports. In the productive area, the furniture is made under a standard model so it is perceived with little added value. The marketing and sales area does not have qualified personnel.

19) Muebles Novoa

Administratively and organizationally, the company does not have a mission or vision and lacks a functional organizational chart. In the financial aspect of the company, it tries to finance itself with 80% of its own capital. In the productive area, furniture is designed under established and personalized parameters. The area of marketing and sales are responsible for 4 people who manage a variable budget for advertising.

20) Muebles Chelita

Administratively and organizationally, the company does not have a mission or vision and lacks a functional organizational chart. In financial terms, the company has an accountant who reports monthly income and expenses. In terms of production, the furniture is made according to specific standards and has high craftsmanship value. Two people who have a low budget for promotion and advertising are responsible for the marketing and sales area.

21) Innovacentro

In administrative and organizational matters, the company has an established mission and vision, however, it does not have a functional organizational chart. In the financial area, the company works with the public budget through the Empresa Pública Municipal de Desarrollo Ecónomico de Cuenca (EDEC). In the productive area, the furniture does not have quality certificates. The advertising is done through flyers and web pages.

2.3.6. Selected companies

In separating SMEs into the categories of companies with export capacity and companies that are not able to export, we have the following:

- **Category 1. Companies with a score higher than 80%**

Here are listed the MSMEs whose results obtained in the first phase of the " Diagnosis of the Azuay exportable offer" and they indicate that if they comply with the appropriate assessment that was evaluated towards certain internal processes of the 4 areas of the company, they can be considered as companies that are able to export their products.

Cuenca:

- Vitefama

Since they are a medium-sized company, it has a high productive capacity that gives it great benefits within the local market. They handle high quality processes despite not having certifications that support the processes they carry out. The human and financial resources that they have allow them to act with speed in the face of the requirements of the clients. The problem lies in not having a complete plan prepared to branch in exportation, since, despite having entered into an inconsistent methodology with a few clients abroad. Instead, they are focused on growing within the Ecuadorian market and have decided not to pursue the idea of venturing out of the country.

- Diserval

This is a company with a high demand for clients at the cantonal level due to its designs. It has the potential to export despite not having quality certifications that are necessary for this process. The productive characteristic is the one that should present improvements if that goal is to be achieved. In addition, there must be better human resources within the accounting department since they do not keep all their accounts up to date and work in that way within the international arena. Economic losses as well are not being properly managed.

It is worth mentioning that, although there are certain clusters (associativity) of MSMEs from different sectors such as wood, with almost 15 companies, there is no evidence as to whether that number of companies demonstrated improvements towards production and sales abroad. The situation regarding the creation of a cluster in 2009, thanks to the former Ministry of Industries and Competitiveness (now the Ministry of Industries and Productivity) and the extinct Agency for Development and Regional Integration (ACUDIR) of Cuenca, indicates that it was not possible to improve the situation of this sector in particular that in the Sierra Sur region there is a lot of commercial and extractive activity. It is possible that the companies that made up these clusters have not achieved positive objectives of both financial improvement and sales.

This is why this study can help these associations to improve the wood sector of the province and beyond the country, since, although large companies such as Colineal help to generate a little foreign investment, it is not enough for the economic advancement of the wood sector.

- **Category 2. Companies with a score less than or equal to 79%**

The following is a list of the MSMEs whose results obtained in the first phase of the “Diagnosis of the Azuay exportable offer" indicate that they do not comply with the appropriate assessment that was evaluated towards internal processes of the 4 areas of the company. Thus, the following companies are considered as those that find their capacity limited and, as such, do not allow them to export their products.

Girón:

- Asociación Agro productores Girón.
- Asociación de Productores Agropecuarios 3 de noviembre
- Asociación de Productores de Cuyes Leocapac Unidos.
- Asociación de Plantas Medicinales Chumblín "Kimsacocha".

San Fernando:

- Lácteos San Fernando.
- Asociación Natividad de Chumblín.
- Asociación Vida y Naturaleza.

Nabón:

- Asociación de productores de Horchata Nabón – Cochapata.
- Tequila Don Isaac.
- Asociación de Productores de Fresas del Cantón Nabón.
- Asociación de Salud Intercultural de Nabón.
- Asociación de Artesanos del cantón Nabón.
- Asociación de tequileros de Nabón.
- Asociación de productores de cuy 13 de junio.

Oña:

- Asociación de pequeños tenedores lecheros de Morasloma.
- Asociación de productores de cuy "Nueva Esperanza".

Cuenca:

- Maderas Valdez.
- Artemueble.
- Juguetes y material didáctico "Pato".
- Burgués.
- Madeform.
- Stilo Mueble.
- Officenter.
- Moblime.
- Arquiprod
- Disar
- Santana Muebles
- Unpluss
- Muebles J y B
- Mobeline
- Megamuebles Belén
- Madernova
- Muebles Novoa
- Muebles Chelita

- Innovacentro

2.4. Determination of the Critical Success Factors

Prior to the identification of the CSF, it must be indicated that the theory treats them as a developed model. Victor Alonso indicates that the CSF participate as actors in the "evaluation of the competitiveness of destinations" in different approaches such as strategic management, competitiveness evaluation models, business integration, business satisfaction, achievement of objectives, etc. (Alonso Ferreras, 2010). In turn, John F. Rockart, in proposing the CSF as part of a system, textually defines the key or critical factors as an "asset" that is for business "a limited number of areas in which the results, if these are satisfactory, will guarantee a successful competitive performance for the organization. These are main areas where things should enable the business to flourish: if the results in these areas are not adequate the efforts of the organization, for that period, will not be defined and the management objectives cannot be achieved" (Rockart, 1979).

Continuing with the determination of the CSF and once the clients that would be the companies and their needs are identified (that are translated into internationalization) it must be taken into account that the benchmarking study is the one that will be conducted thanks to the CSF. Authors such as Tijerina Acosta, naming one of the predecessors of benchmarking as Spendolini, the same who, in 1994, created a text on everything that concerns benchmarking, argues that 3 levels of specificity within the CSF should be "traversed":

The first level is defined as a broad area of key processes (such as a department or purchasing function, marketing, processes, among others); the second, which would be a more specific area defining a topic or "aggregate measure" (such as the number of complaints received, the number of promotions made, etc). and finally the third level, which is much more specific, more profound (such as the description or classification of processes that helps generate the information that can be compared) (Tijerina Acosta, 1999).

Spendolini, using the Xerox case as an example, provides certain questions that must be asked when analyzing the CSF:

1. What is the highest CSF for the company, function or sector?

2. What factors cause the greatest problems?
3. What are the products that are offered to the public and what service is given to them?
4. What are the factors that demonstrate customer satisfaction?
5. What operational problems are found in the company?
6. Where are the "competitive pressures" that are palpated in the company located?
7. What are the biggest costs of the company?
8. What are the functions that represent the highest percentage of costs in the company?
9. What are the functions that are most likely to make improvements?
10. Which functions have the greatest potential to differentiate the company from the other competitors in the market or sector? (Luna González, 2015).

Although the companies that were selected and shown below are from the Cuenca canton, it could have been the case that one or more companies from the other cantons had been chosen and some CSF are similar, but it must be taken into account that the situation of a main canton of the province such as Cuenca is not similar to the rest of the cantons. The farther away from Cuenca people find a company from Azuay, the less capabilities people can find in it therefore, there is no same method of export audit from Cuenca to the cantons.

Isolating the companies that are entered in category 1 and knowing in advance the perception of the 2 selected companies (thanks to questions asked in phase 1) with the purpose of facilitating future answers or inquiries towards the companies in Cuenca against the CSF obtained, indicating the behavior of the companies, looking for new CSF, answering the questions to observe and know the reality of the sector, investigating what the basin companies lack to export and compete internationally and qualifying them based on the Likert scale, behavior within the wood sector is demonstrated. Certain CSF that are created first-hand are binding for the improvement of companies in this sector that have been taken into account (these and again emphasizing factors that were obtained in phase 1 implicitly and others that were found). What is observed in yellow are the appraisals that the managers of the lumber companies in Cuenca have in the face of the CSF that could be determined given the type of sector.

- Vitefama

Key processes CSF	Not important	Slightly important	Moderately important	Important	Very important
Availability of a strategic plan for the local market					
Correct use of the documentary information of the company					
Administration with an accounting/financial department					
Availability of a research department for foreign trade					
Development of new products (diversification) and/or processes					
Quality assurance within the production systems					
Availability of raw material (suppliers)					
Environmental responsibility practices					
Market share/Sales (marketing)					
Use of industrialized processes (technology)					

Table 2.4.1: Selection of the first CSF level from Vitefama
Authors: Carlos Brito and Josué Maldonado. Sources: Diagnosis of the Azuay exportable offer

From the above table, it can be seen that the company considers having a foreign trade department as most essential to continue growing.

Aggregate measure CSF	Not important	Slightly important	Moderately important	Important	Very important
Performance level					
Budgets					
Support infrastructure					
Response time					
Promotions					
Benefits					
Customer service					
Availability of products					
Availability of labor					
Value-added criteria					

Table 2.4.2: Selection of the second CSF level from Vitefama
Authors: Carlos Brito and Josué Maldonado. Sources: Diagnosis of the Azuay exportable offer

From the previous table, it can be seen that the level of performance is what the company considers essential for growth but it does not consider as either good or bad the management of budgets and the criterion of added value and this question will depend completely on the internal management carried out by the company and if it modifies its actions to intervene in local improvement actions or improve for internationalization.

Specific CSF	Not important	Slightly important	Moderately important	Important	Very important
Periods of production process (continuity)					
Production volume (quantity)					
Profitability on sales					
Social perception					
Permits for operation					
Availability of certificates (quality)					
Distribution channels					
Investment in training					

Table 2.4.3: Selection of the third CSF level from Vitefama
Authors: Carlos Brito and Josué Maldonado. Sources: Diagnosis of the Azuay exportable offer

Finally, the previous table shows that Vitefama looks at the continuity of production, high production and high profitability as essential for the development of the enterprise and therefore considers the sector in this case. What is negative and is reflected in the next company shown is that they do not consider quality certificates for internationalization being something of little importance, but they believe that this CSF is not going to generate or improve the sector or that it is a path for export. This criterion was probably addressed very quickly in the interview conducted in phase 1 and, for this reason, the companies were not interested in addressing further why they are not interested in adapting certifications to their products.

- Diserval

Key processes CSF	Not importa nt	Slightly important	Moderately important	Important	Very important
Availability of a strategic plan for the local market					
Correct use of the documentary information of the company					
Administration with an					

accounting/financial department					
Availability of a research department for foreign trade					
Development of new products (diversification) and/or processes					
Quality assurance within the production systems					
Availability of raw material (suppliers)					
Environmental responsibility practices					
Market share/Sales (marketing)					
Use of industrialized processes (technology)					

Table 2.4.4: Selection of the first CSF level from Diserval
Authors: Carlos Brito and Josué Maldonado. Sources: Diagnosis of the Azuay exportable offer

From the previous table, there can already be seen certain trends about some CSF that can soon be positioned as essential in the sector, but remember this will be known when dealing with the perception of certain companies in the same sector in a country with a model of economic development similar to Ecuador in order to find a better appreciation of the CSF.

Aggregate measure CSF	Not important	Slightly important	Moderately important	Important	Very important
Performance level					
Budgets					
Support infrastructure					
Response time					
Promotions					
Benefits					
Customer service					
Availability of products					
Availability of labor					
Value-added criteria					

Table 2.4.5: Selection of the second CSF level from Diserval
Authors: Carlos Brito and Josué Maldonado. Sources: Diagnosis of the Azuay exportable offer

Specific CSF	Not important	Slightly important	Moderately important	Important	Very important
Periods of production process (continuity)					
Production volume (quantity)					
Profitability on sales					
Social perception					
Permits for operation					
Availability of certificates (quality)					
Distribution channels					
Investment in training					

Table 2.4.6: Selection of the third CSF level from Diserval

Authors: Carlos Brito and Josué Maldonado. Sources: Diagnosis of the Azuay exportable offer

Observing the need to summarize the CSF, because they are numerous, the final objective of this step is to try to group them so that, when conducting the interviews, it is not very long in terms of time and, above all, that the goal is to make it more understandable. For this, priority is given (as part of the benchmarking theory describes it--to have information of the most truthful internal processes) to the CSF of key processes. Of these, more specific CSF will be sought and they will articulated based on its characteristics or common themes; from this the following was obtained:

CSF to compare:

1. Strategic plan/management indicators;
2. Personnel training;
3. Quality as a process and/or as a product;
4. Certifications/quality standards;
5. Department of foreign trade;
6. Financing Department;
7. Diversification of products and/or processes;
8. Industrialization;
9. Supplier control system;
10. Environmental responsibility;
11. Investment in marketing.

2.5. Chapter conclusions

In this chapter we dealt with the companies in the cantons assigned to us and we briefly learned about the reality of different sectors and MSMEs in the province. It was determined that the SMEs of Girón, San Fernando, Nabón and Oña do not have the capacity or the range that allows them to be able to export although this does not happen with two companies in the Cuenca wood sector since their export audit showed that they have the capacity to become internationalized. From the wood sector, it was possible to determine a large list of CSF that are considered essential within this, but given the limited interviews will be grouped to form a final list of the most important CSF for the sector and thus can be conducted with brief, clear interviews with executives of the model companies that will be subsequently selected.

Chapter 3. General analysis of international SMEs and their best business practices.

3.1. Introduction of the chapter

In this third chapter, all Latin American countries will be analyzed and from these countries there will be chosen those that share or have a model of economic development more similar to Ecuador. This is in order to know how certain companies or foreign SMEs that are in "equality" of conditions "managed to internationalize within the wood sector. Additionally, it allows us to know which country provides a better development environment for MSMEs.

3.2. Success of companies internationally

It is common knowledge that not all companies, of which there are millions around the world, can progress to become the pioneers of their sector or the most "acclaimed" or the most highly sought companies. Those which today are known worldwide have had to undergo changes, improvements, reductions and even drastic restructurings that have led them to be in the positions they occupy.

There is no perfect manual for international success because, not only would it be utopian but also the system itself is variable. What one day generated the best advantage for a company to take off internationally today is no longer the best way. So, what strategies are those that lead a company to achieve international success? Well, first, the type of success managers need to be measured who want to achieve within the company. Because the strategies could be economic, which is the most common, success as a brand or as an industry, product sales success or personalized attention, etc.

Success, obviously, should be to maximize profits and reach markets that, at first, seemed impossible and that would be the goal that several Ecuadorian SMEs seek. Again, there is no manual but there are recommended steps to follow and examples of models from other similar companies that can help to improve the idea of where are we going.

Enrique Claver and Diego Quer, in their text "Strategies of internationalization of the company", make statements regarding the challenge of the SME in the face of the globalization or internationalization. In this text, they point out that reaching the new markets, achieving more efficient production and distribution, finding the lowest production costs, monopolizing the largest number of clients, etc., are the global needs of all companies so strategies almost always repeat themselves but the variable is in the way they do it.

As it is in many international publications, certain strategies that sound repetitive in many countries coincide but the difference is the approach in which each company has to achieve them. Knowing the best exportable business model, getting to know the best clients, assigning the best human resources, having sufficient economic resources, having a strategic plan/detailed organizational model for cultural change, adaptation of services, infrastructure in general, etc. (Claver Cortés & Quer Ramón, 2000) are a few, but from the point of view of many they are the most essential. What should be done next is to see if the true intention of the company is to venture internationally and use their efforts of both human and economic resources to reach that foreign market and start working as the market demands. The result will not always be positive so the company must be prepared for any adversity and adopt changes if necessary.

3.3. Countries with economic development models similar to Ecuador

Amilcar Fernández, a researcher at the School of International Economics at the Autonomous University of Chihuahua, presented an essay in 2009 evaluating six Latin American countries to assess the state of economic development there. He used certain indicators to find similarities or differences that can serve to observe behaviors among countries of the region, through these, find features of tendencies similar to the model country or subject of study to be compared. In the case of this research, it endeavors to find these behaviors to indicate features of similarity of certain Latin American countries in terms of economic attainability that are similar to Ecuador to know if there are similar economic models to select the most analogous among them.

Fernández believes that the following macro indicators should be taken into account:

- Economic growth: GDP, GDP per capita and GDP growth rate.
- Income distribution: Gini coefficient, percentage of income by quintiles.

– Satisfaction of basic needs: coefficient of the poverty and indigence gap, percentage of the population living with less than 1 or 2 dollars, percentage of the population living below the minimum level of consumption.

– Sustainable development: CO2 emissions, forests as a percentage of total land.

– Human development: human development index, life expectancy, mortality rate.

– Subjective development: migration, degree of happiness (Fernández Domínguez, 2009).

As a first step, we will proceed by taking into account the aforementioned indicators to analyze the twenty countries considered in Latin American that share a natural block or similar economic development given their geography. Then, we will analyze with graphs if there are tendencies or similarities in the indicators. This will help us, as Amilcar Fernández indicates, to observe if there are certain characteristics that help to demonstrate that another model of foreign economic development is actually similar to that of Ecuador. Subsequently, the four countries that have greater macroeconomic similarities to Ecuador in the aspects already discussed will be analyzed.

- Ecuador:

Economic growth:	GDP (PPP): In 2017 it was $192 billion dollars	GDP per capita (PPP): In 2017 it was $11,587.45 dollars	GDP growth rate: In the year 2017 it was 2.99%.
Income distribution:	Gini coefficient: In 2016 it was 0.46 points.	Percentage of income by quintiles: 2nd: 9.4 3rd: 14.1 4th: 21.4	
Satisfaction of basic needs:	Coefficient of the national poverty gap: In 2016 it was 8.5%.	Percentage of the population living on less than $1.90 (PPP): In 2016 it was 1.2%.	Percentage of the population living below the minimum level of consumption: In 2016 it was 3.52%
Sustainable development:	CO2 emissions (kt): From 1960 to 2014 it has increased from 1,763.83 tons to 43,919 tons.	Forests as a percentage of the total land: From 1990 to 2015 it has decreased from 52.85% to 50.52%.	
Human development:	Human development Index: In 2017 it was 0.75 points.	Life expectancy: In 2016 it was 76 years.	Mortality rate:

			In 2016 it was 5.12%
Subject development:	Immigration: In 2017 there were 399,068 people.	Degree of happiness: In 2017 it was 6.0	

Table 3.3.1: Macroeconomic indicators from Ecuador
Authors: Carlos Brito and Josué Maldonado. Sources: BCE, World Bank, CEPAL, ONU, CIA Factbook, Knoema

Ecuador is placed as first in the list to compare it with the rest of the countries, so at the end of the following tables shown below we will proceed by means of some trend graphs to select the 4 countries that best fit the reality of Ecuador.

- Argentina:

Economic growth:	GDP (PPP): In 2017 it was $920 billion dollars	GDP per capita (PPP): In 2017 it was $20,784.77 dollars	GDP growth rate: In the year 2017 it was 2.86%.
Income distribution:	Gini coefficient: In 2016 it was 0.42 points.	Percentage of income by quintiles: 2nd: 9.8. 3rd: 15. 4th: 23.4.	
Satisfaction of basic needs:	Coefficient of the national poverty gap: In 2016 it was 10%.	Percentage of the population living on less than $1.90 (PPP): In 2016 it was 0.3%.	Percentage of the population living below the minimum level of consumption: In 2016 it was 0.49%.
Sustainable development:	CO2 emissions (kt): From 1960 to 2014 it has increased from 48,815.10 tons to 204,024 tons.	Forests as a percentage of the total land: From 1990 to 2015 it has decreased from 12.71% to 9.91%.	
Human development:	Human development Index: In 2017 it was 0.83 points.	Life expectancy: In 2016 it was 77 years.	Mortality rate: In 2016 it was 7.56%.
Subject development:	Immigration: In 2017 it were 2,164,524 people.	Degree of happiness: In 2017 it was 6.6.	

Table 3.3.2: Macroeconomic indicators from Argentina
Authors: Carlos Brito and Josué Maldonado. Sources: World Bank, CEPAL, ONU, CIA Factbook, Knoema

- Bolivia:

Economic growth:	GDP (PPP): In 2017 it was $83 billion dollars	GDP per capita (PPP): In 2017 it was $7,559.64 dollars	GDP growth rate: In the year 2017 it was 4.20%.
Income distribution:	Gini coefficient: In 2016 it was 0.45 points	Percentage of income by quintiles: 2nd: 9.5. 3rd: 14.9. 4th: 22.8.	

Satisfaction of basic needs:	Coefficient of the national poverty gap: In 2016 it was 16.8%.	Percentage of the population living on less than $1.90 (PPP): In 2016 it was 3%.	Percentage of the population living below the minimum level of consumption: In 2016 it was 7.24%.
Sustainable development:	CO2 emissions (kt): From 1960 to 2014 it has increased from 1,044.76 tons to 20,410 tons	Forests as a percentage of the total land: From 1990 to 2015 it has decreased from 57.97% to 52.73%.	
Human development:	Human development Index: In 2017 it was 0.69 points	Life expectancy: In 2016 it was 69 years.	Mortality rate: In 2016 it was 7.30%.
Subject development:	Immigration: In 2017 it were 148,837 thousand people.	Degree of happiness: In 2017 it was 5.8	

Table 3.3.3: Macroeconomic indicators from Bolivia
Authors: Carlos Brito and Josué Maldonado. Sources: World Bank, CEPAL, ONU, CIA Factbook, Knoema

- Brazil:

Economic growth:	GDP (PPP): In 2017 it was $3 trillion dollars	GDP per capita (PPP): In 2017 it was $15,483.54 dollars	GDP growth rate: In the year 2017 it was 0.98%.
Income distribution:	Gini coefficient: In 2016 it was 0.51 points	Percentage of income by quintiles: 2nd: 7.9. 3rd: 12.7. 4th: 19.7.	
Satisfaction of basic needs:	Coefficient of the national poverty gap: In 2016 it was 4.8%.	Percentage of the population living on less than $1.90 (PPP): In 2016 it was 1.2%.	Percentage of the population living below the minimum level of consumption: In 2016 it was 3.30%.
Sustainable development:	CO2 emissions (kt): From 1960 to 2014 it has increased from 46,908.26 tons to 529,808 tons	Forests as a percentage of the total land: From 1990 to 2015 it has decreased from 31.80% to 30.83%.	
Human development:	Human development Index: In 2017 it was 0.76 points	Life expectancy: In 2016 it was 76 years.	Mortality rate: In 2016 it was 6.17%.
Subject development:	Immigration: In 2017 it were 735,557 thousand people	Degree of happiness: In 2017 it was 6.6	

Table 3.3.4: Macroeconomic indicators from Brasil
Authors: Carlos Brito and Josué Maldonado. Source: World Bank, CEPAL, ONU, CIA Factbook, Knoema

- Chile:

Economic growth:	GDP (PPP): In 2017 it was $444 billion dollars	GDP per capita (PPP): In 2017 it was $24,634.97 dollars	GDP growth rate: In the year 2017 it was 1.49%.
Income distribution:	Gini coefficient: In 2016 it was 0.48 points	Percentage of income by quintiles: 2nd: 8.9. 3rd: 13. 4th: 19.7.	
Satisfaction of basic needs:	Coefficient of the national poverty gap: In 2016 it was 3.7%.	Percentage of the population living on less than $1.90 (PPP): In 2016 it was 0.8%.	Percentage of the population living below the minimum level of consumption: In 2016 it was 1.15%.
Sustainable development:	CO2 emissions (kt): From 1960 to 2014 it has increased from 13 490.89 tons to 82,562 tons	Forests as a percentage of the total land: From 1990 to 2015 it has increased from 20.53% to 23.85%.	
Human development:	Human development Index: In 2017 it was 0.77 points	Life expectancy: In 2016 it was 80 years.	Mortality rate: In 2016 it was 6.12%.
Subject development:	Immigration: In 2017 it were 488,571 thousand people	Degree of happiness: In 2017 it was 6.7	

Table 3.3.5: Macroeconomic indicators from Chile
Authors: Carlos Brito and Josué Maldonado. Sources: World Bank, CEPAL, ONU, CIA Factbook, Knoema

- Colombia:

Economic growth:	GDP (PPP): In 2017 it was $710 billion dollars	GDP per capita (PPP): In 2017 it was $14,472.61 dollars	GDP growth rate: In the year 2017 it was 1.77%.
Income distribution:	Gini coefficient: In 2016 it was 0.51 points	Percentage of income by quintiles: 2nd: 8. 3rd: 12.6. 4th: 19.9.	
Satisfaction of basic needs:	Coefficient of the national poverty gap: In 2016 it was 10.3%.	Percentage of the population living on less than $1.90 (PPP): In 2016 it was 1.7%.	Percentage of the population living below the minimum level of consumption: In 2016 it was 4.46%.
Sustainable development:	CO2 emissions (kt): From 1960 to 2014 it has increased from 16,409.83 tons to 84 091 tons	Forests as a percentage of the total land: From 1990 to 2015 it has decreased from 58.06% to 50.55%.	
Human development:	Human development Index: In 2017 it was 0.75 points	Life expectancy: In 2016 it was 74 years.	Mortality rate: In 2016 it was 6.01%.
Subject development:	Immigration:	Degree of happiness: In 2017 it was 6.3	

	In 2017 it were 142,319 thousand people		

Table 3.3.6: Macroeconomic indicators from Colombia
Authors: Carlos Brito and Josué Maldonado. Sources: World Bank, CEPAL, ONU, CIA Factbook, Knoema

- Costa Rica:

Economic growth:	GDP (PPP): In 2017 it was $150 billion dollars	GDP per capita (PPP): In 2017 it was $17,073.52 dollars	GDP growth rate: In the year 2017 it was 3.19%.
Income distribution:	Gini coefficient: In 2016 it was 0.48 points	Percentage of income by quintiles: 2nd: 8.3. 3rd: 12.8. 4th: 20.6.	
Satisfaction of basic needs:	Coefficient of the national poverty gap: In 2016 it was 8.8%.	Percentage of the population living on less than $1.90 (PPP): In 2016 it was 0.6%.	Percentage of the population living below the minimum level of consumption: In 2016 it was 2.04%.
Sustainable development:	CO2 emissions (kt): From 1960 to 2014 it has increased from 491.378 tons to 7 759 tons	Forests as a percentage of the total land: From 1990 to 2015 it has decreased from 50.22% to 53.98%.	
Human development:	Human development Index: In 2017 it was 0.79 points	Life expectancy: In 2016 it was 80 years.	Mortality rate: In 2016 it was 4.94%.
Subject development:	Immigration: In 2017 it were 414,214 thousand people	Degree of happiness: In 2017 it was 7.1	

Table 3.3.7: Macroeconomic indicators from Costa Rica
Authors: Carlos Brito and Josué Maldonado. Sources: World Bank, CEPAL, ONU, CIA Factbook, Knoema

- Cuba

Economic growth:	GDP (PPP): In 2017 it was $85 billion dollars	GDP per capita (PPP): In 2017 it was $7,465.00 dollars	GDP growth rate: In the year 2017 it was 4.44%.
Income distribution:	Gini coefficient: In 2016 it was 0.22 points	Percentage of income by quintiles: 2nd, 3rd and 4th: NO UPDATED DATA	
Satisfaction of basic needs:	Coefficient of the national poverty gap: NO CURRENT DATA	Percentage of the population living on less than $1.90 (PPP): NO CURRENT DATA	Percentage of the population living below the minimum level of consumption: NO CURRENT DATA
Sustainable development:	CO2 emissions (kt):	Forests as a percentage of the total land:	

	From 1960 to 2014 it has increased from 13,699.91 tons to 34,836 tons	From 1990 to 2015 it has decreased from 19.16% to 30.76%.	
Human development:	Human development Index: In 2017 it was 0.78 points	Life expectancy: In 2016 it was 80 years	Mortality rate: In 2016 it was 8%.
Subject development:	Immigration: In 2017 it were 13,136 thousand people	Degree of happiness: NO CURRENT DATA	

Table 3.3.8: Macroeconomic indicators from Cuba
Authors: Carlos Brito and Josué Maldonado. Sources: World Bank, CEPAL, ONU, CIA Factbook, Knoema

- El Salvador:

Economic growth:	GDP (PPP): In 2017 it was $51 billion dollars	GDP per capita (PPP): In 2017 it was $8,006.06 dollars	GDP growth rate: In the year 2017 it was 2.37%.
Income distribution:	Gini coefficient: In 2016 it was 0.40 points	Percentage of income by quintiles: 2nd: 10.6 3rd: 15.2 4th: 21.9	
Satisfaction of basic needs:	Coefficient of the national poverty gap: In 2016 it was 10.8%.	Percentage of the population living on less than $1.90 (PPP): In 2016 it was 0.4%.	Percentage of the population living below the minimum level of consumption: In 2016 it was 1.57%.
Sustainable development:	CO2 emissions (kt): From 1960 to 2014 it has increased from 619.123 tons to 6 285 tons	Forests as a percentage of the total land: From 1990 to 2015 it has decreased from 18.20% to 12.79%.	
Human development:	Human development Index: In 2017 it was 0.67 points	Life expectancy: In 2016 it was 74 years	Mortality rate: In 2016 it was 6.73%.
Subject development:	Immigration: In 2017 it were 42,323 thousand people	Degree of happiness: In 2017 it was 6.0	

Table 3.3.9: Macroeconomic indicators from El Salvador
Authors: Carlos Brito and Josué Maldonado, Sources: World Bank, CEPAL, ONU, CIA Factbook, Knoema

- Guatemala:

Economic growth:	GDP (PPP): In 2017 it was $137 billion dollars	GDP per capita (PPP): In 2017 it was $8,150.25 dollars	GDP growth rate: In the year 2017 it was 2.76%.
Income distribution:	Gini coefficient: In 2016 it was 0.48 points	Percentage of income by quintiles: 2nd: 8.6 3rd: 13.2 4th: 20.1	
Satisfaction of basic needs:	Coefficient of the national poverty gap:	Percentage of the population living on less than $1.90 (PPP):	Percentage of the population living below the minimum

	In 2016 it was 15.2%.	In 2016 it was 2.5%.	level of consumption: In 2016 it was 8.16%.
Sustainable development:	CO2 emissions (kt): From 1960 to 2014 it has increased from 1,345.789 tons to 18,327 tons	Forests as a percentage of the total land: From 1990 to 2015 it has decreased from 44.31% to 33.04%.	
Human development:	Human development Index: In 2017 it was 0.65 points	Life expectancy: In 2016 it was 73 years	Mortality rate: In 2016 it was 4.83%.
Subject development:	Immigration: In 2017 it were 81,528 thousand people	Degree of happiness: In 2017 it was 6.5	

Table 3.3.10: Macroeconomic indicators from Guatemala
Authors: Carlos Brito and Josué Maldonado. Sources: Banco Mundial, CEPAL, ONU, CIA Factbook, Knoema

- Honduras:

Economic growth:	GDP (PPP): In 2017 it was $46 billion dollars	GDP per capita (PPP): In 2017 it was $4,986.23 dollars	GDP growth rate: In the year 2017 it was 4.8%.
Income distribution:	Gini coefficient: In 2016 it was 0.50 points	Percentage of income by quintiles: 2nd: 7.8 3rd: 13.3 4th: 21.5	
Satisfaction of basic needs:	Coefficient of the national poverty gap: In 2016 it was 60.9%.	Percentage of the population living on less than $1.90 (PPP): In 2016 it was 6.3%.	Percentage of the population living below the minimum level of consumption: In 2016 it was 16.1%.
Sustainable development:	CO2 emissions (kt): From 1960 to 2014 it has increased to 9,471 tons	Forests as a percentage of the total land: From 1990 to 2015 it has decreased to 41.04%	
Human development:	Human development Index: In 2017 it was 0.62 points	Life expectancy: In 2016 it was 71 years	Mortality rate: In 2016 it was 4.80%.
Subject development:	Immigration: In 2017 it were 38,700 thousand people	Degree of happiness: In 2017 it was 5.2	

Table 3.3.11: Macroeconomic indicators from Honduras
Authors: Carlos Brito and Josué Maldonado. Sources: World Bank, CEPAL, ONU, CIA Factbook, Knoema

- Mexico:

Economic growth:	GDP (PPP): In 2017 it was $2 trillion dollars	GDP per capita (PPP): In 2017 it was $18,273.48 dollars	GDP growth rate: In the year 2017 it was 2.0%.
Income distribution:	Gini coefficient: In 2016 it was 0.43 points	Percentage of income by quintiles: 2nd: 9.8	

		3rd: 14 4th: 20.4	
Satisfaction of basic needs:	Coefficient of the national poverty gap: In 2016 it was 43.6%.	Percentage of the population living on less than $1.90 (PPP): In 2016 it was 0.6%.	Percentage of the population living below the minimum level of consumption: In 2016 it was 2.48%.
Sustainable development:	CO2 emissions (kt): From 1960 to 2014 it has increased to 480 ,270 tons	Forests as a percentage of the total land: From 1990 to 2015 it has decreased to 33.97%	
Human development:	Human development Index: In 2017 it was 0.77 points	Life expectancy: In 2016 it was 76 years	Mortality rate: In 2016 it was 4.85%.
Subject development:	Immigration: In 2017 it were 1,224 169 million people	Degree of happiness: In 2017 it was 6.6	

Table 3.3.12: Macroeconomic indicators from México
Authors: Carlos Brito and Josué Maldonado. Sources: World Bank, CEPAL, ONU, CIA Factbook, Knoema

- Nicaragua:

Economic growth:	GDP (PPP): In 2017 it was $36 billion dollars	GDP per capita (PPP): In 2017 it was $5,842.17 dollars	GDP growth rate: In the year 2017 it was 4.9%.
Income distribution:	Gini coefficient: In 2016 it was 0.46 points	Percentage of income by quintiles: 2nd: 9.2 3rd: 13.7 4th: 20	
Satisfaction of basic needs:	Coefficient of the national poverty gap: In 2016 it was 24.9%.	Percentage of the population living on less than $1.90 (PPP): In 2016 it was 0.7%.	Percentage of the population living below the minimum level of consumption: In 2016 it was 3.22%.
Sustainable development:	CO2 emissions (kt): From 1960 to 2014 it has increased to 4 862 tons	Forests as a percentage of the total land: From 1990 to 2015 it has decreased to 25.88%	
Human development:	Human development Index: In 2017 it was 0.67 points	Life expectancy: In 2016 it was 74 years	Mortality rate: In 2016 it was 4.78%.
Subject development:	Immigration: In 2017 it were 41,159 thousand people	Degree of happiness: In 2017 it was 6.1	

Table 3.3.13: Macroeconomic indicators from Nicaragua
Authors: Carlos Brito and Josué Maldonado. Sources: World Bank, CEPAL, ONU, CIA Factbook, Knoema

- Panama:

Economic growth:	GDP (PPP): In 2017 it was $100 billion dollars	GDP per capita (PPP): In 2017 it was $24,468.94 dollars	GDP growth rate: In the year 2017 it was 5.4%.
Income distribution:	Gini coefficient: In 2016 it was 0.50 points	Percentage of income by quintiles: 2nd: 8 3rd: 12.9 4th: 21	
Satisfaction of basic needs:	Coefficient of the national poverty gap: In 2016 it was 22.1%.	Percentage of the population living on less than $1.90 (PPP): In 2016 it was 0.5%.	Percentage of population living below the minimum level consumption: In 2016 it was 2.44%.
Sustainable development:	CO2 emissions (kt): From 1960 to 2014 it has increased to 8 800 tons	Forests as a percentage of the total land: From 1990 to 2015 it has decreased to 62.11%	
Human development:	Human development Index: In 2017 it was 0.79 points	Life expectancy: In 2016 it was 79 years	Mortality rate: In 2016 it was 5.02%.
Subject development:	Immigration: In 2017 it were 190,728 thousand people	Degree of happiness: In 2017 it was 6.4	

Table 3.3.14: Macroeconomic indicators from Panama
Authors: Carlos Brito and Josué Maldonado. Sources: World Bank, CEPAL, ONU, CIA Factbook, Knoema

- Paraguay:

Economic growth:	GDP (PPP): In 2017 it was $89 billion dollars	GDP per capita (PPP): In 2017 it was $13,081.58 dollars	GDP growth rate: In the year 2017 it was 0.8%.
Income distribution:	Gini coefficient: In 2016 it was 0.48 points	Percentage of income by quintiles: 2nd: 8.6 3rd: 13.2 4th: 20.6	
Satisfaction of basic needs:	Coefficient of the national poverty gap: In 2016 it was 26.4%.	Percentage of the population living on less than $1.90 (PPP): In 2016 it was 0.3%.	Percentage of population living below minimum level consumption: In 2016 it was 1.47%.
Sustainable development:	CO2 emissions (kt): From 1960 to 2014 it has increased to 5,702 tons	Forests as a percentage of the total land: From 1990 to 2015 it has decreased to 38.57%	
Human development:	Human development Index: In 2017 it was 0.70 points	Life expectancy: In 2016 it was 78 years	Mortality rate: In 2016 it was 5.73%.
Subject development:	Immigration: In 2017 it were 160,519 thousand people	Degree of happiness: In 2017 it was 5.5	

Table 3.3.15: Macroeconomic indicators from Paraguay
Authors: Carlos Brito and Josué Maldonado. Sources: World Bank, CEPAL, ONU, CIA Factbook, Knoema

- Peru:

Economic growth:	GDP (PPP): In 2017 it was $432 billion dollars	GDP per capita (PPP): In 2017 it was $13,434.23 dollars	GDP growth rate: In the year 2017 it was 2.5%.
Income distribution:	Gini coefficient: In 2016 it was 0.44 points	Percentage of income by quintiles: 2nd: 9.7 3rd: 14.8 4th: 22	
Satisfaction of basic needs:	Coefficient of the national poverty gap: In 2016 it was 20.7%.	Percentage of the population living on less than $1.90 (PPP): In 2016 it was 0.9%.	Percentage of the population living below the minimum level of consumption: In 2016 it was 3.42%.
Sustainable development:	CO2 emissions (kt): From 1960 to 2014 it has increased to 61,744 tons	Forests as a percentage of the total land: From 1990 to 2015 it has decreased to 57.80%	
Human development:	Human development Index: In 2017 it was 0.75 points	Life expectancy: In 2016 it was 74 years	Mortality rate: In 2016 it was 5.65%.
Subject development:	Immigration: In 2017 it were 93,780 thousand people	Degree of happiness: In 2017 it was 5.7	

Table 3.3.16: Macroeconomic indicators from Peru
Authors: Carlos Brito and Josué Maldonado, Sources: World Bank, CEPAL, ONU, CIA Factbook, Knoema

- Puerto Rico:

Economic growth:	GDP (PPP): In 2017 it was $129 billion dollars	GDP per capita (PPP): In 2017 it was $38,867.36 dollars	GDP growth rate: In the year 2017 it was -2.6%.
Income distribution:	Gini coefficient: In 2016 it was 0.55 points	Percentage of income by quintiles: 2nd, 3rd and 4th: NO UPDATED DATA	
Satisfaction of basic needs:	Coefficient of the national poverty gap: NO CURRENT DATA	Percentage of the population living on less than $1.90 (PPP): NO CURRENT DATA	Percentage of the population living below the minimum level of consumption: NO CURRENT DATA
Sustainable development:	CO2 emissions (kt): NO UPDATED DATA	Forests as a percentage of the total land: From 1990 to 2015 it has increased to 55.91%	
Human development:	Human development Index: In 2017 it was 0.85 points	Life expectancy: In 2016 it was 81 years	Mortality rate: NO DATA
Subject development:	Immigration: NO CURRENT DATA	Degree of happiness: NO CURRENT DATA	

Table 3.3.17: Macroeconomic indicators from Puerto Rico
Authors: Carlos Brito and Josué Maldonado. Sources: World Bank, CEPAL, ONU, CIA Factbook, Knoema

- The Dominican Republic:

Economic growth:	GDP (PPP): In 2017 it was $172 billion dollars	GDP per capita (PPP): In 2017 it was $16,029.62 dollars	GDP growth rate: In the year 2017 it was 4.6%.
Income distribution:	Gini coefficient: In 2016 it was 0.45 points	Percentage of income by quintiles: 2nd: 9.1 3rd: 13.9 4th: 20.9	
Satisfaction of basic needs:	Coefficient of the national poverty gap: In 2016 it was 30.5%.	Percentage of the population living on less than $1.90 (PPP): In 2016 it was 1.6%.	Percentage of the population living below the minimum level of consumption: In 2016 it was 1.86%.
Sustainable development:	CO2 emissions (kt): From 1960 to 2014 it has increased to 21 539 tons	Forests as a percentage of the total land: From 1990 to 2015 it has decreased to 41.05%	
Human development:	Human development Index: In 2017 it was 0.74 points	Life expectancy: In 2016 it was 71 years	Mortality rate: In 2016 it was 6.10%.
Subject development:	Immigration: In 2017 it were 424,964 thousand people	Degree of happiness: In 2017 it was 5.3	

Table 3.3.18: Macroeconomic indicators from Dominican Republic
Authors: Carlos Brito and Josué Maldonado. Sources: World Bank, CEPAL, ONU, CIA Factbook, Knoema

- Uruguay:

Economic growth:	GDP (PPP): In 2017 it was $77 billion dollars	GDP per capita (PPP): In 2017 it was $22,562.46 dollars	GDP growth rate: In the year 2017 it was 2.7%.
Income distribution:	Gini coefficient: In 2016 it was 0.40 points	Percentage of income by quintiles: 2nd: 10.5 3rd: 15.4 4th: 22.4	
Satisfaction of basic needs:	Coefficient of the national poverty gap: In 2016 it was 39.7%.	Percentage of the population living on less than $1.90 (PPP): In 2016 it was 0.1%.	Percentage population living below minimum level consumption: NO DATA
Sustainable development:	CO2 emissions (kt): From 1960 to 2014 it has increased to 6 747 tons	Forests as a percentage of the total land: From 1990 to 2015 it has decreased to 10.54%	
Human development:	Human development Index: In 2017 it was 0.80 points	Life expectancy: In 2016 it was 78 years	Mortality rate: In 2016 it was 9.37%.
Subject development:	Immigration: In 2017 it were 79,586 thousand people	Degree of happiness: In 2017 it was 6.4	

Table 3.3.19: Macroeconomic indicators from Uruguay
Authors: Carlos Brito and Josué Maldonado. Sources: World Bank, CEPAL, ONU, CIA Factbook, Knoema

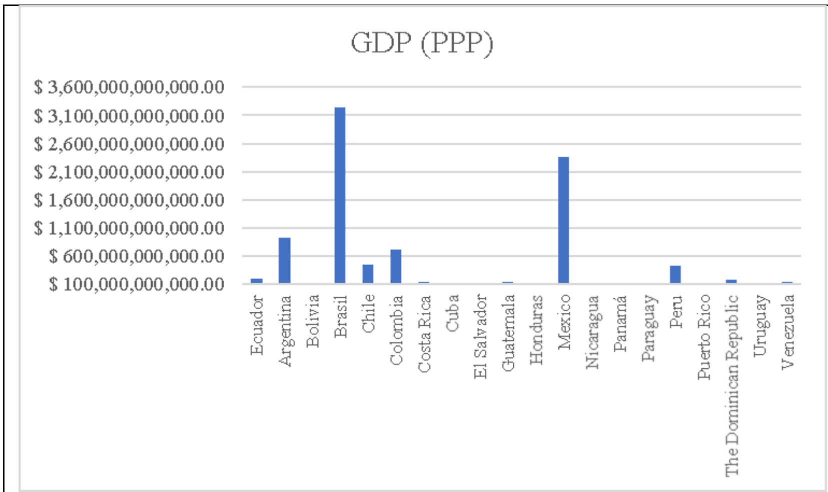
- Venezuela:

Economic growth:	GDP (PPP): In 2017 it was $150 billion dollars	GDP per capita (PPP): In 2017 it was $1,000.00 dollars	GDP growth rate: In the year 2017 it was -3.9%.
Income distribution:	Gini coefficient: In 2016 it was 0.47 points	Percentage of income by quintiles: 2nd: 9.2 3rd: 14.5 4th: 22.3	
Satisfaction of basic needs:	Coefficient of the national poverty gap: In 2016 it was 33.1%.	Percentage of the population living on less than $1.90 (PPP): In 2016 it was 9.2%.	Percentage of the population living below the minimum level of consumption: In 2016 it was 7.82%.
Sustainable development:	CO_2 emissions (kt): From 1960 to 2014 it has increased to 185,220 tons	Forests as a percentage of the total land: From 1990 to 2015 it has decreased to 52.03%	
Human development:	Human development Index: In 2017 it was 0.76 points	Life expectancy: In 2016 it was 76 years	Mortality rate: In 2016 it was 5.61%
Subject development:	Immigration: In 2017 it were 1,426,336 people	Degree of happiness: In 2017 it was 5.3	

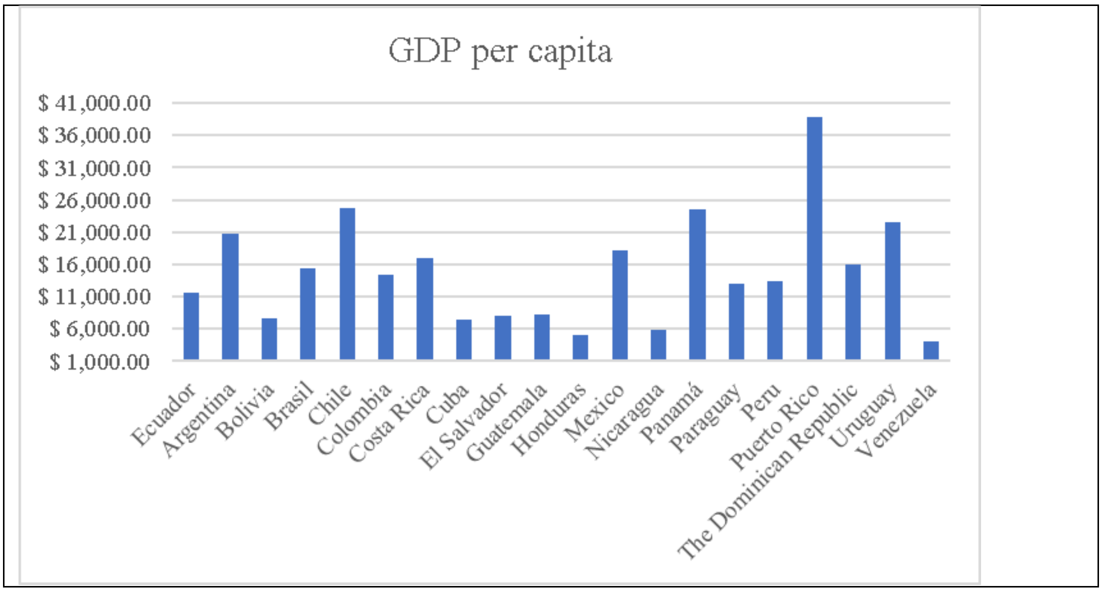
Table 3.3.20: Macroeconomic indicators from Venezuela
Authors: Carlos Brito and Josué Maldonado. Sources: World Bank, CEPAL, ONU, CIA Factbook, Knoema

From all the above, we proceed to make a comparative or trend table among the indicators of the different countries against the reference country, Ecuador, based on the study conducted by Amilcar Fernández:

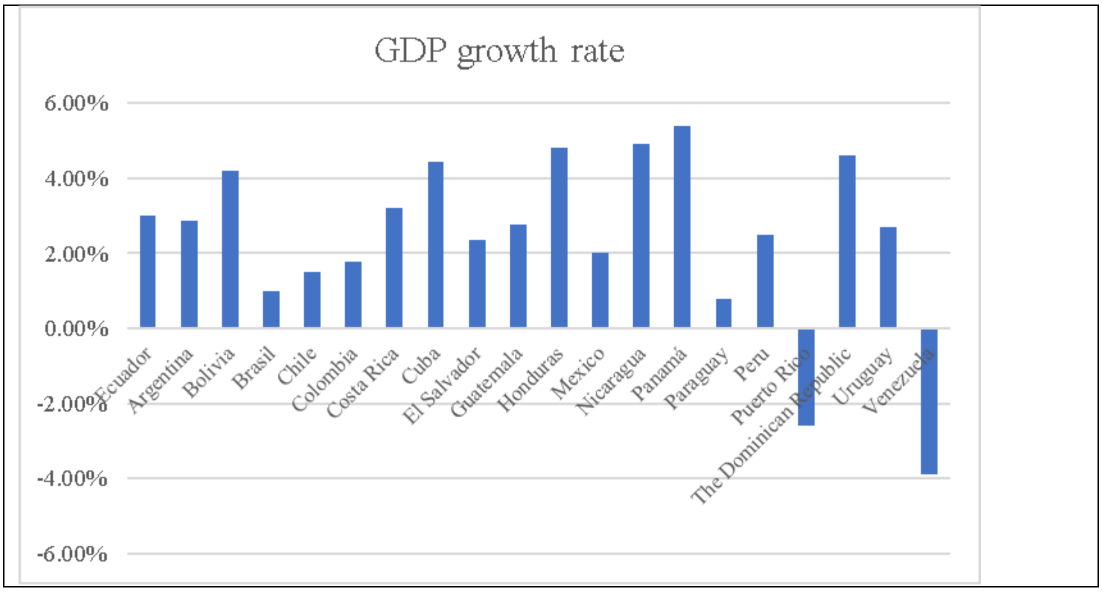
- **Economic growth**:



Graphic 3.3.1: GDP at current prices
Authors: Carlos Brito and Josué Maldonado. Sources: World Bank, CEPAL, ONU, CIA Factbook, Knoema



Graphic 3.3.2: GDP per capita
Authors: Carlos Brito and Josué Maldonado. Sources: World Bank, CEPAL, ONU, CIA Factbook, Knoema



Graphic 3.3.3: GDP growth rate
Authors: Carlos Brito and Josué Maldonado. Sources: World Bank, CEPAL, ONU, CIA Factbook, Knoema

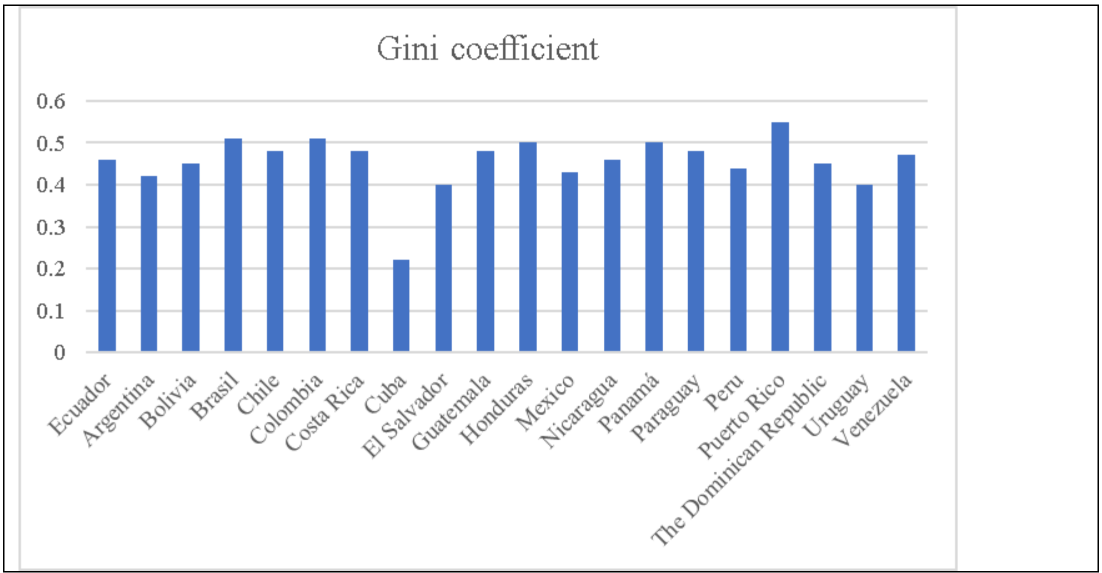
From the previous three tables corresponding to indicators of economic growth we have that:

- Argentina resembles Ecuador in 1 aspect (GDP growth rate);
- Bolivia resembles Ecuador in 1 aspect (GDP at current prices);
- Brazil resembles Ecuador in 0 aspects;

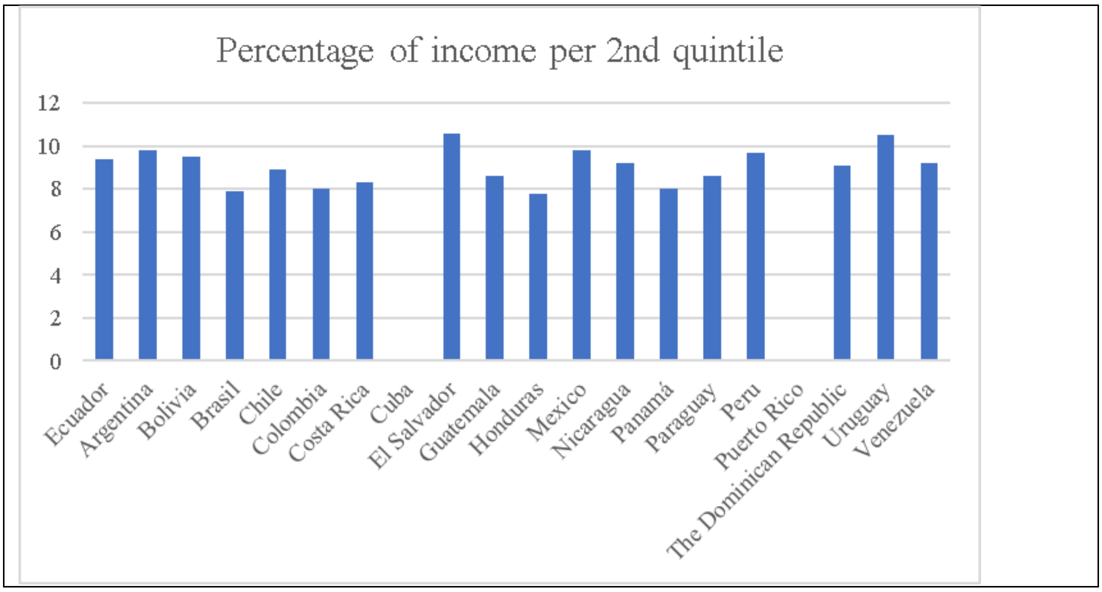
- Chile resembles Ecuador in 1 aspect (GDP at current prices);
- Colombia resembles Ecuador in 1 aspect (GDP per capita at current prices);
- Costa Rica resembles Ecuador in 2 aspects (GDP at current prices and GDP growth rate);
- Cuba resembles Ecuador in 1 aspect (GDP at current prices);
- El Salvador resembles Ecuador in 0 aspects;
- Guatemala resembles Ecuador in 1 aspect (GDP at current prices);
- Honduras resembles Ecuador in 0 aspects;
- Mexico resembles Ecuador in 0 aspects;
- Nicaragua resembles Ecuador in 0 aspects;
- Panama resembles Ecuador in 0 aspects;
- Paraguay resembles Ecuador in 0 aspects;
- Peru resembles Ecuador in 1 aspect (GDP per capita);
- Puerto Rico resembles Ecuador in 1 aspect (GDP at current prices);
- The Dominican Republic resembles Ecuador in 1 aspect (GDP per capita);
- Uruguay resembles Ecuador in 0 aspects;
- Finally, Venezuela resembles Ecuador in 0 aspects.

From all the above we can surmise that the country with the greatest similarity in terms of economic growth is Costa Rica.

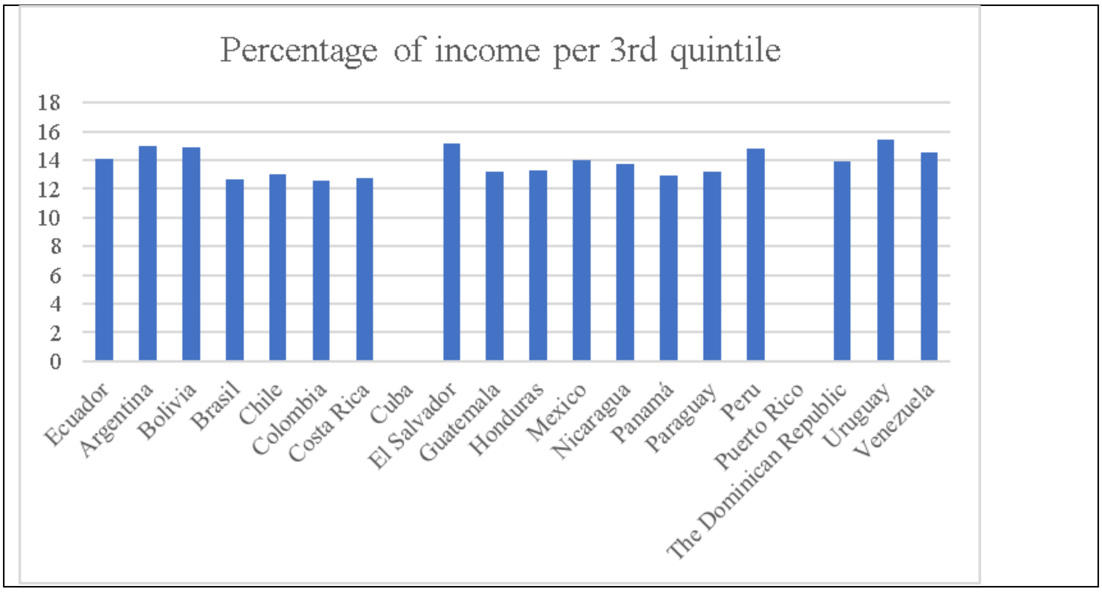
- **Income distribution**:



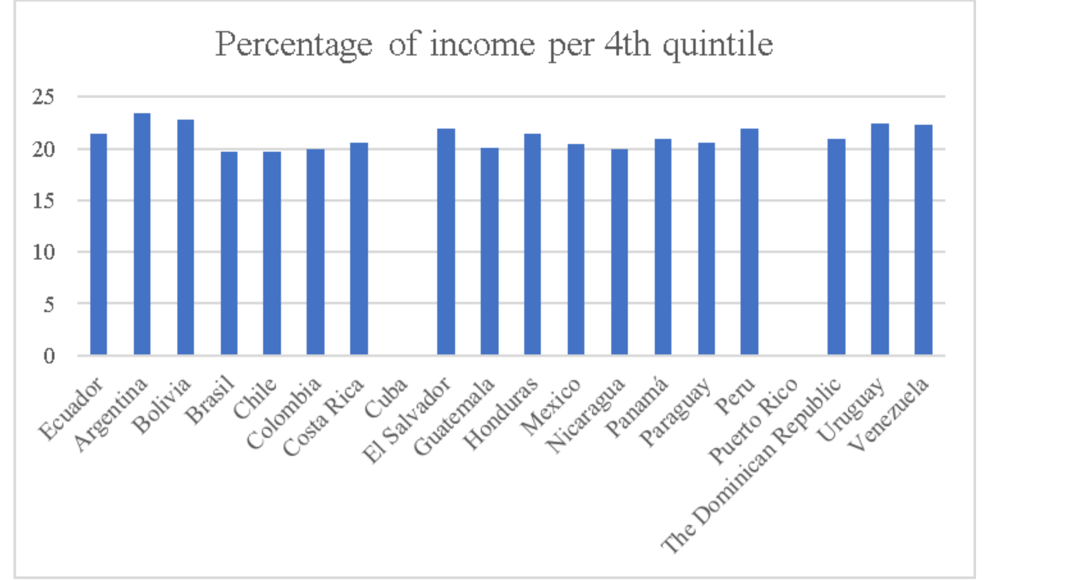
Graphic 3.3.4: Gini coefficient
Authors: Carlos Brito and Josué Maldonado. Sources: World Bank, CEPAL, ONU, CIA Factbook, Knoema



Graphic 3.3.5: Second quintile
Authors: Carlos Brito and Josué Maldonado. Sources: World Bank, CEPAL, ONU, CIA Factbook, Knoema



Graphic 3.3.6: Third quintile
Authors: Carlos Brito and Josué Maldonado. Sources: World Bank, CEPAL, ONU, CIA Factbook, Knoema



Graphic 3.3.7: Fourth quintile
Authors: Carlos Brito and Josué Maldonado. Sources: World Bank, CEPAL, ONU, CIA Factbook, Knoema

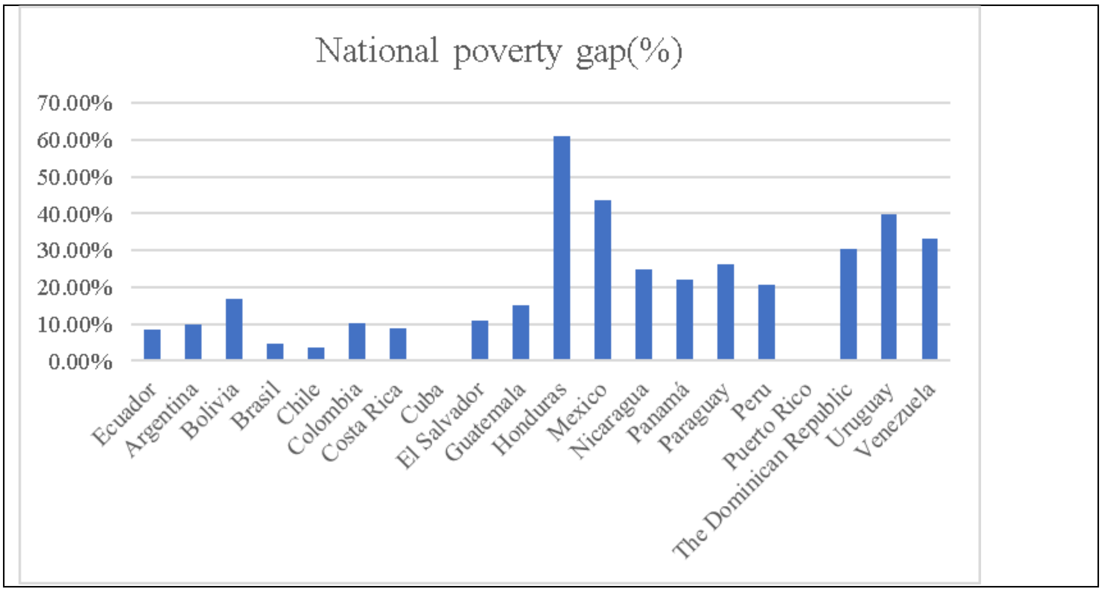
From the previous 4 tables corresponding to indicators of income distribution we have that:

- Argentina resembles Ecuador in 0 aspects;
- Bolivia resembles Ecuador in 2 aspects (Gini coefficient and 2nd quintile);
- Brazil resembles Ecuador in 0 aspects;
- Chile resembles Ecuador in 1 aspect (Gini coefficient);
- Colombia resembles Ecuador in 1 aspect (4th quintile);
- Costa Rica resembles Ecuador in 2 aspects (Gini coefficient and 4th quintile);
- Cuba resembles Ecuador in 0 aspects (unfortunately no current data were found for the comparison in this indicator);
- El Salvador resembles Ecuador in 1 aspect (4th quintile);
- Guatemala resembles Ecuador in 1 aspect (4th quintile);
- Honduras resembles Ecuador in 2 aspects (3rd and 4th quintile);
- Mexico resembles Ecuador in 2 aspects (3rd and 4th quintile);
- Nicaragua resembles Ecuador in 3 aspects (Gini Coefficient, 2nd and 3rd quintile);
- Panama resembles Ecuador in 1 aspect (4th quintile);
- Paraguay resembles Ecuador in 2 aspects (Gini Coefficient and 4th quintile);
- Peru resembles Ecuador in 2 aspects (2nd and 4th quintile);

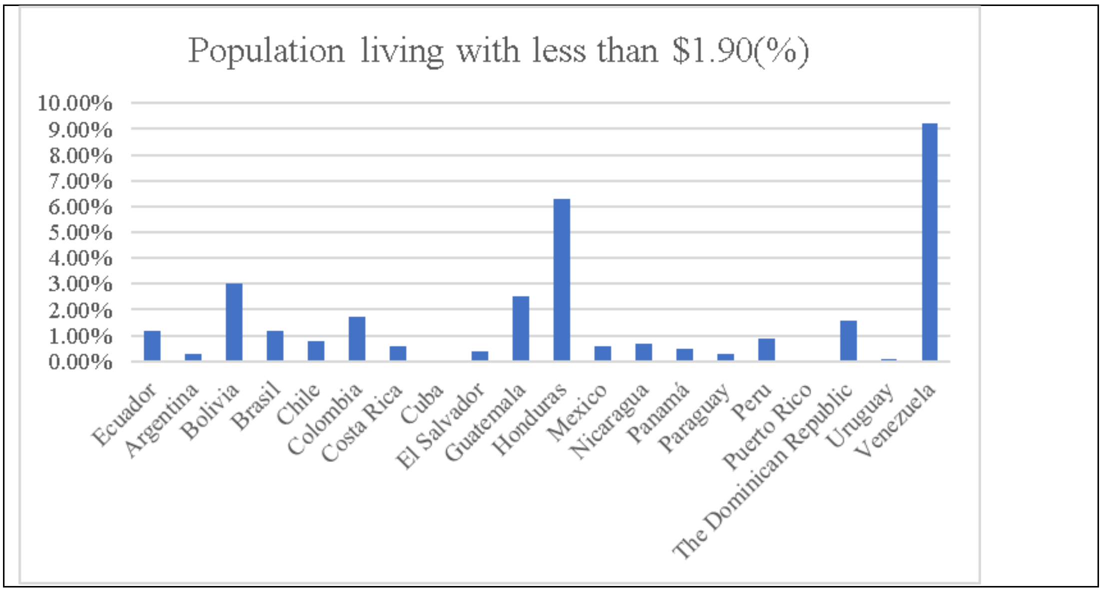
– Puerto Rico resembles Ecuador in 0 aspects (like Cuba, it was not possible to access updated information);
– The Dominican Republic resembles Ecuador in 2 aspects (Gini coefficient and 3rd quintile);
– Uruguay resembles Ecuador in 0 aspects;
– Finally, Venezuela resembles Ecuador in 2 aspects (Gini coefficient and 3rd quintile).

From all of the above, it can be seen that the country with the greatest similarity in terms of income distribution is Nicaragua.

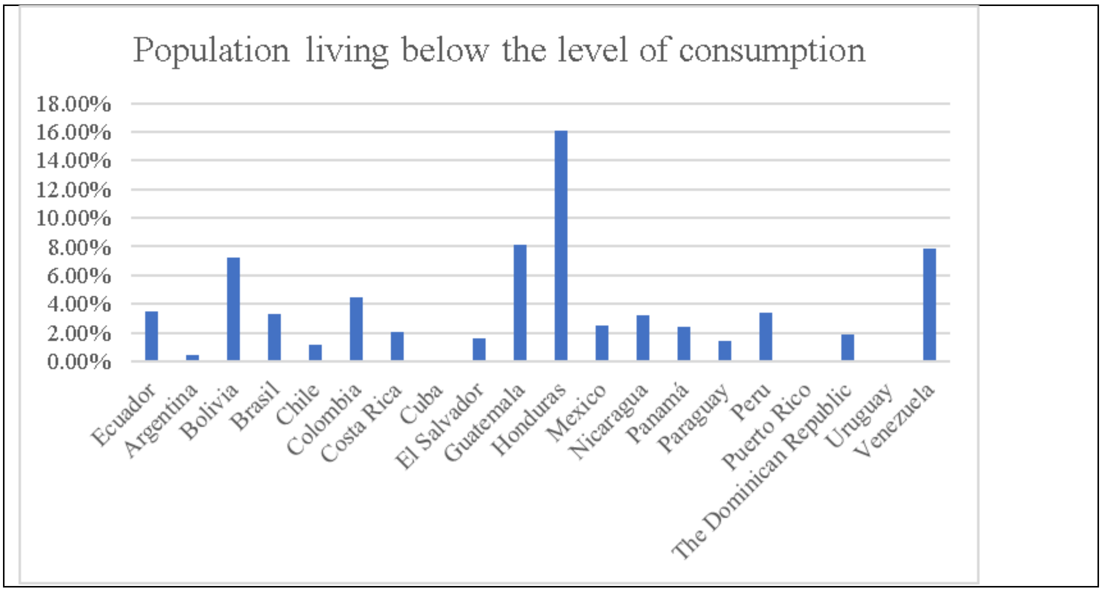
- **Satisfaction of basic needs:**



Graphic 3.3.8: Poverty gap
Authors: Carlos Brito and Josué Maldonado. Sources: World Bank, CEPAL, ONU, CIA Factbook, Knoema



Graphic 3.3.9: Population with less than $ 1.90
Authors: Carlos Brito and Josué Maldonado. Sources: World Bank, CEPAL, ONU, CIA Factbook, Knoema



Graphic 3.3.10: Population living low consumption level
Authors: Carlos Brito and Josué Maldonado. Sources: World Bank, CEPAL, ONU, CIA Factbook, Knoema

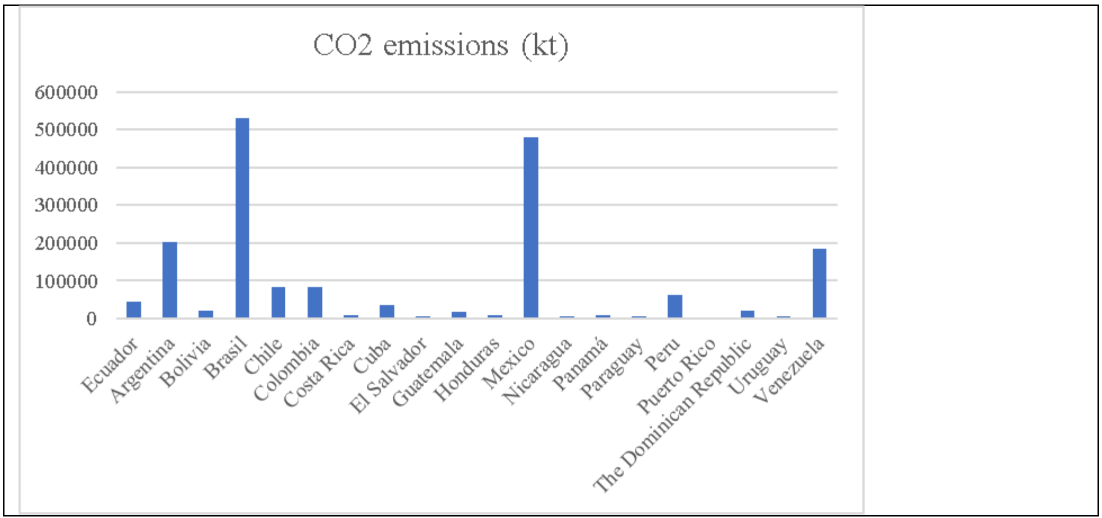
From the previous 3 tables corresponding to indicators of satisfaction of basic needs we have that:

- Argentina resembles Ecuador in 1 aspect (Poverty gap);
- Bolivia resembles Ecuador in 0 aspects;
- Brazil resembles Ecuador in 2 aspects (Population living with less than $ 1.90 and Population living below the level of consumption);
- Chile resembles Ecuador in 0 aspects;

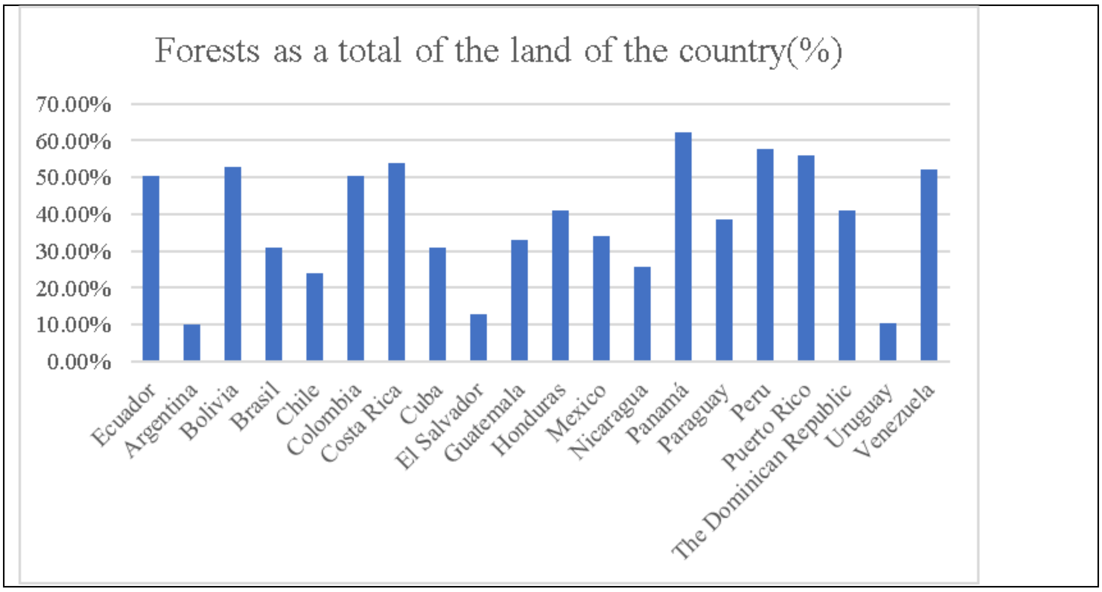
- Colombia resembles Ecuador in 1 aspect (Poverty gap);
- Costa Rica resembles Ecuador in 1 aspect (Poverty gap);
- Cuba resembles Ecuador in 0 aspects (unfortunately no updated data were found for the comparison in this indicator);
- El Salvador resembles Ecuador in 1 aspect (Poverty gap);
- Guatemala resembles Ecuador in 0 aspects;
- Honduras resembles Ecuador in 0 aspects;
- Mexico resembles Ecuador in 0 aspects;
- Nicaragua resembles Ecuador 0 aspects;
- Panama resembles Ecuador in 0 aspects;
- Paraguay resembles Ecuador in 0 aspects;
- Peru resembles Ecuador in 2 aspects (Population living with less than $ 1.90 and Population living below the level of consumption);
- Puerto Rico resembles Ecuador in 0 aspects (it was not possible to access updated information);
- The Dominican Republic resembles Ecuador in 0 aspects;
- Uruguay resembles Ecuador in 0 aspects;
- Finally, Venezuela resembles Ecuador in 0 aspects.

From all of the above, it can be concluded that the country with the greatest similarity in terms of satisfaction of basic needs is Peru.

- **Sustainable development**:



Graphic 3.3.11: CO^2 emissions
Authors: Carlos Brito and Josué Maldonado. Sources: World Bank, CEPAL, ONU, CIA Factbook, Knoema



Graphic 3.3.12: Forests as total of the land
Authors: Carlos Brito and Josué Maldonado. Sources: World Bank, CEPAL, ONU, CIA Factbook, Knoema

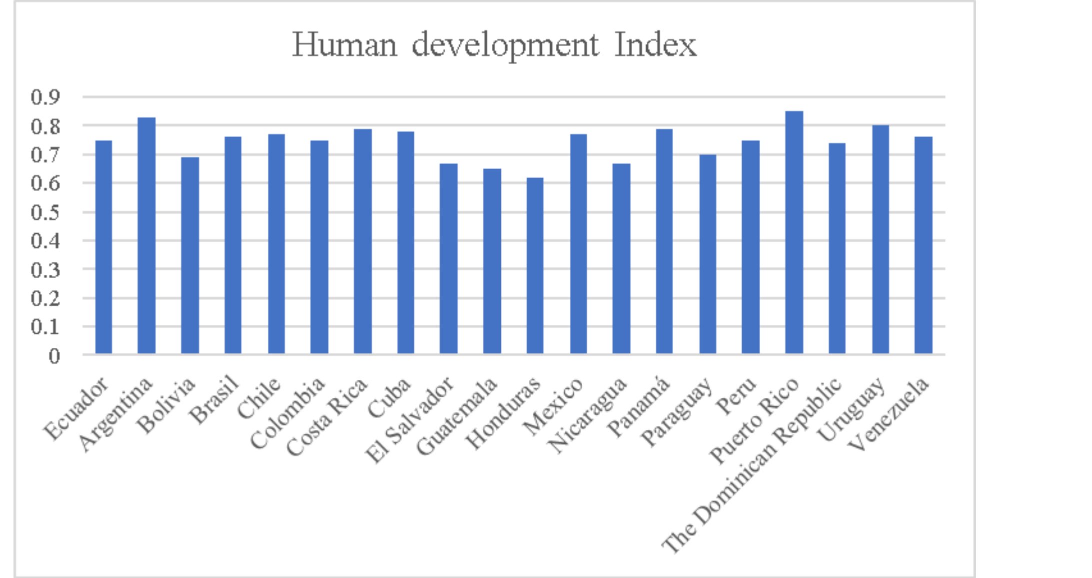
From the previous 2 tables corresponding to indicators of sustainable development we have that:

- Argentina resembles Ecuador in 0 aspects;
- Bolivia resembles Ecuador in 1 aspect (Forests as total land in the country);
- Brazil resembles Ecuador in 0 aspects;
- Chile resembles Ecuador in 0 aspects;
- Colombia resembles Ecuador in 1 aspect (Forests as total land in the country);
- Costa Rica resembles Ecuador in 0 aspects;
- Cuba resembles Ecuador in 0 aspects;
- El Salvador resembles Ecuador in 0 aspects;
- Guatemala resembles Ecuador in 0 aspects;
- Honduras resembles Ecuador in 0 aspects;
- Mexico resembles Ecuador in 0 aspects;
- Nicaragua resembles Ecuador 0 aspects;
- Panama resembles Ecuador in 0 aspects;
- Paraguay resembles Ecuador in 0 aspects;
- Peru resembles Ecuador in 0 aspects;
- Puerto Rico resembles Ecuador in 0 aspects;
- The Dominican Republic resembles Ecuador in 0 aspects;

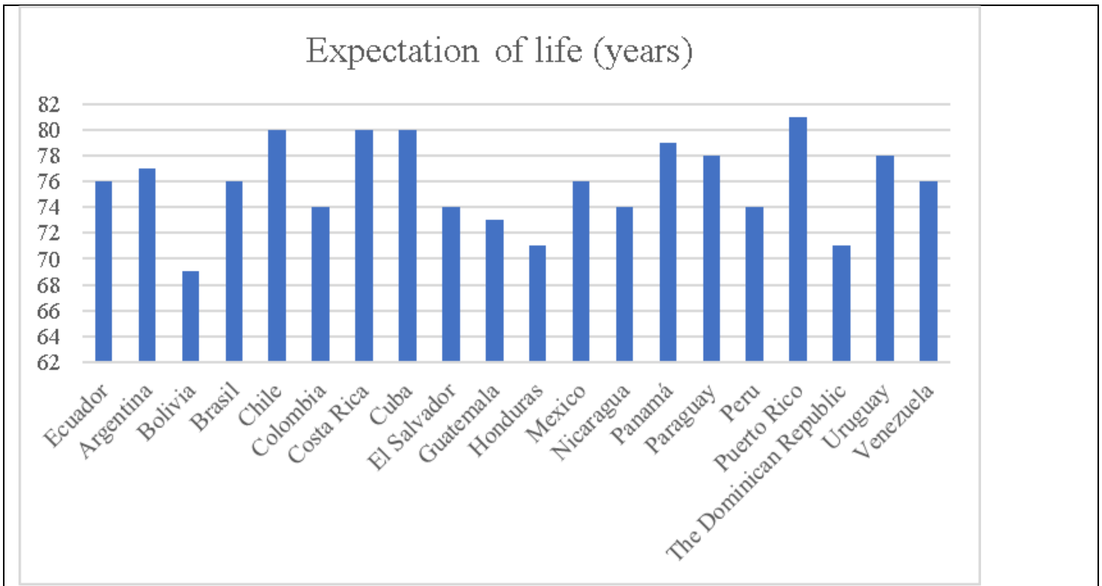
- Uruguay resembles Ecuador in 0 aspects;
- Finally, Venezuela resembles Ecuador in 1 aspect (Forests as total land in the country).

From all of the above, the country with the greatest similarity in terms of sustainable development is Colombia.

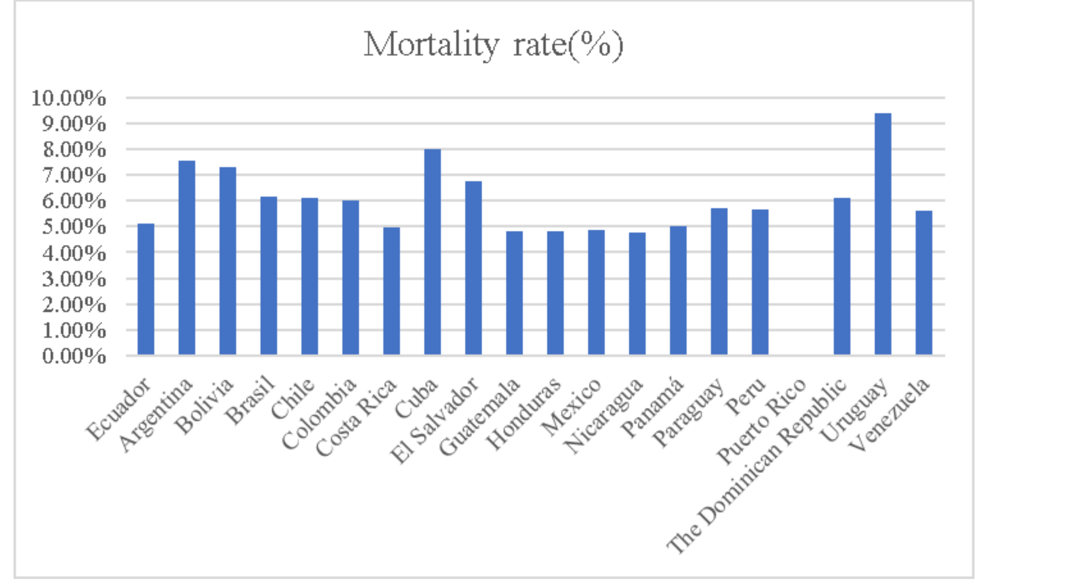
- **Human development**:



Graphic 3.3.13: Human development Index
Authors: Carlos Brito and Josué Maldonado. Sources: World Bank, CEPAL, ONU, CIA Factbook, Knoema



Graphic 3.3.14: Expectation of life
Authors: Carlos Brito and Josué Maldonado. Sources: World Bank, CEPAL, ONU, CIA Factbook, Knoema



Graphic 3.3.15: Mortality rate
Authors: Carlos Brito and Josué Maldonado. Sources: World Bank, CEPAL, ONU, CIA Factbook, Knoema

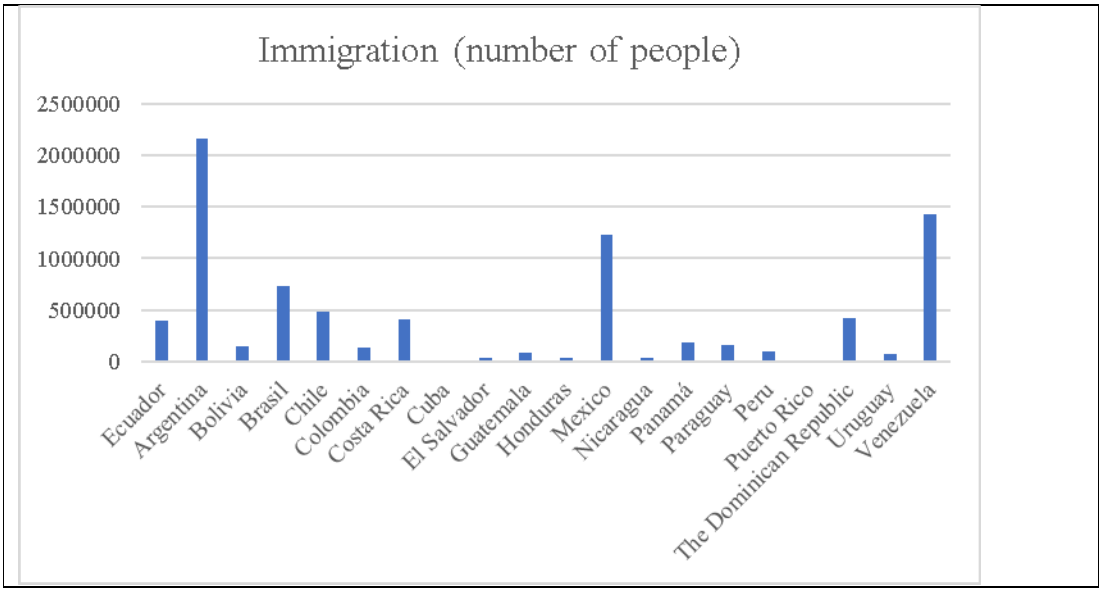
From the previous 3 tables corresponding to indicators of human development we have that:

- Argentina resembles Ecuador in 1 aspect (Life Expectancy);
- Bolivia resembles Ecuador in 0 aspects;
- Brazil resembles Ecuador in 2 aspects (Human development index and life expectancy);
- Chile resembles Ecuador in 1 aspects (Human Development Index);
- Colombia resembles Ecuador in 1 aspect (Life Expectancy);
- Costa Rica resembles Ecuador in 1 aspect (mortality rate);
- Cuba resembles Ecuador in 1 aspect (Life Expectancy);
- El Salvador resembles Ecuador in 0 aspects;
- Guatemala resembles Ecuador in 1 aspect (mortality rate);
- Honduras resembles Ecuador in 1 aspect (mortality rate);
- Mexico resembles Ecuador in 2 aspects (Life Expectancy and Mortality Rate);
- Nicaragua resembles Ecuador 1 aspect (Mortality rate);
- Panama resembles Ecuador in 1 aspect (mortality rate);
- Paraguay resembles Ecuador in 0 aspects;
- Peru resembles Ecuador in 0 aspects;
- Puerto Rico resembles Ecuador in 1 aspect (Human Development Index);

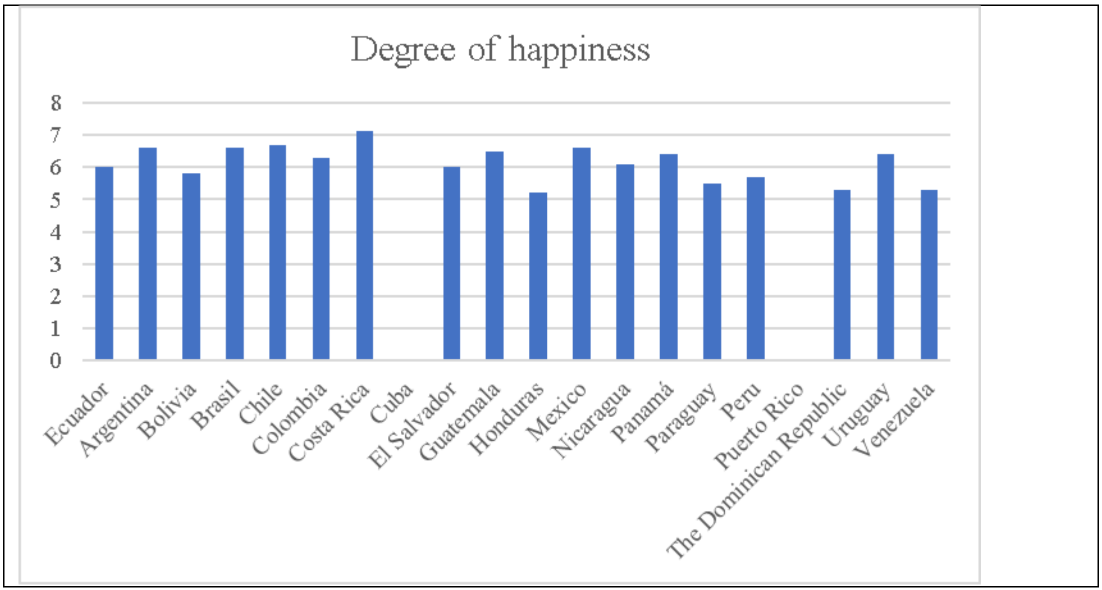
– The Dominican Republic resembles Ecuador in 1 aspect (Human Development Index);
– Uruguay resembles Ecuador in 0 aspects;
– Finally, Venezuela resembles Ecuador in 2 aspects (Human development index and life expectancy).

From all of the above, it should be noted that was is known beforehand that there is a great economic difference with Brazil and Mexico (in terms of a higher GDP than Ecuador) and with Venezuela (having a large margin of political instability) so observing that situation, analysis should be conducted with Chile.

- **Subjective development**:



Graphic 3.3.16: Inmigration
Authors: Carlos Brito and Josué Maldonado. Sources: World Bank, CEPAL, ONU, CIA Factbook, Knoema



Graphic 3.3.17: Degree of happiness
Authors: Carlos Brito and Josué Maldonado. Sources: World Bank, CEPAL, ONU, CIA Factbook, Knoema

From the previous 2 tables corresponding to indicators of subjective development we have that:

- Argentina resembles Ecuador in 0 aspects;
- Bolivia resembles Ecuador in 0 aspects;
- Brazil resembles Ecuador in 0 aspects;
- Chile resembles Ecuador in 1 aspect (Immigration);
- Colombia resembles Ecuador in 1 aspect (Degree of happiness);
- Costa Rica resembles Ecuador in 1 aspect (Immigration);
- Cuba resembles Ecuador in 0 aspects (no updated data was obtained);
- El Salvador resembles Ecuador in 1 aspect (Degree of happiness);
- Guatemala resembles Ecuador in 0 aspects;
- Honduras resembles Ecuador in 0 aspects;
- Mexico resembles Ecuador in 0 aspects;
- Nicaragua resembles Ecuador 1 aspect (Degree of happiness);
- Panama resembles Ecuador in 0 aspects;
- Paraguay resembles Ecuador in 0 aspects;
- Peru resembles Ecuador in 1 aspect (Degree of happiness);
- Puerto Rico resembles Ecuador in 0 aspects (like Cuba, more current data was not obtained);

- The Dominican Republic resembles Ecuador in 1 aspect (Immigration);
- Uruguay resembles Ecuador in 0 aspects;
- Finally, Venezuela resembles Ecuador in 0 aspects.

From all the above we can see that the country with the greatest similarity in terms of subjective development is El Salvador.

If we obtain percentage scores to know which countries share the greatest number of similarities with Ecuador we have:

- Argentina: 17.65%;
- Bolivia: 23.53%;
- Brazil: 23.53%;
- Chile: 23.53%
- Colombia: 35.29%;
- Costa Rica: 41.18%;
- Cuba: 11.76%;
- El Salvador: 17.65%;
- Guatemala: 17.65%;
- Honduras: 17.65%;
- Mexico: 23.53%;
- Nicaragua: 29.41%;
- Panama: 11.76%;
- Paraguay: 11.76%;
- Peru: 35.29%;
- Puerto Rico: 11.76%;
- The Dominican Republic: 29.41%;
- Uruguay: 2.94%
- Finally, Venezuela: 29.41%.

3.3.1. Selection of the best country with a development model similar to Ecuador

In the second step, the countries of Colombia, Costa Rica, Nicaragua and Peru will be analyzed, in depth, at a microeconomic level, since these are the ones that have presented more similar trends in terms of the economic development model presented by the country of Ecuador given the macro indicators studied above.

- **Ecuador**:

"Opening new markets": In 2017 a score of 8 points was assigned.	Global competitiveness index: In 2017 it was 55.86 points
Doing business: In 2017 it had a score of 57.94 points	
12 pillars:	
Institutions: In 2017 it had a score of 3.1	Infrastructure: In 2017 it had a score of 4.1
Macroeconomic environment: In 2017 it had a score of 4.3	Health and primary education: In 2017 it had a score of 5.9
Higher education and training: In 2017 it had a score of 4.3	Goods market efficiency: In 2017 it had a score of 3.7
Labour market efficiency: In 2017 it had a score of 3.4	Financial market development: In 2017 it had a score of 3.3
Technological readiness: In 2017 it had a score of 3.6	Market size: In 2017 it had a score of 3.9
Innovation: In 2017 it had a score of 2.9	Business sophistication: In 2017 it had a score of 3.6
Most problematic factors for doing business:	
Policy instability: In 2017 it had a score of 16.6	Tax rates: In 2017 it had a score of 14.2
Restrictive labor regulations: In 2017 it had a score of 11.8	Corruption: In 2017 it had a score of 11.8
Access to financing: In 2017 it had a score of 6.9	Foreign currency regulations: In 2017 it had a score of 2.9
Inflation: In 2017 it had a score of 1.2	Inadequate supply of infrastructure: In 2017 it had a score of 0.3
Inefficient government bureaucracy: In 2017 it had a score of 9.9	Tax regulations: In 2017 it had a score of 7.2
Crime and theft: In 2017 it had a score of 0.9	Inadequately educated workforce: In 2017 it had a score of 4.9
Government instability/coups: In 2017 it had a score of 5.8	Insufficient capacity to innovate: In 2017 it had a score of 2.9
Poor work ethic in national labor force: In 2017 it had a score of 2.5	Poor public health: In 2017 it had a score of 0.1

Table 3.3.1.1: Microeconomic indicators from Ecuador
Authors: Carlos Brito and Josué Maldonado. Sources: World Economic Forum and World Bank

From the above table, we can see three important indicators for doing business in a country: "market opening", competitiveness index and ease of doing business. Of these three, it must be indicated that the higher their values are, the more they translate into a better environment for the business of the companies to occur. It must be said that the World Economic Forum presents what are considered twelve essential pillars to measure the efficiency of a country as compared to the rest. In addition, finding out the most inconvenient factors that may arise when engaging in any type of business in those countries is achieved. It should be indicated that of the twelve "pillars" those that have a score closer to seven points are those that are more efficient. On the other hand, among the most problematic factors are those that come closest to high numbers and are the ones that must be taken into account since they are very risky for the health of the country. Finally, regarding the score that is given to the opening of new markets, those closer to ten have more advantages brings.

Additionally, it is indicated that in order to discard countries, not only will their microeconomic situation be seen but the situation of SMEs will be briefly summarized in those countries and adverse situations that do not allow them to improve financially.

- **Colombia**:

"Opening new markets": In 2017 a score of 6 points was assigned.	Global competitiveness index: In 2017 it was 61.29 points
Doing business: In 2017 it had a score of 69.24 points	
12 pillars:	
Institutions: In 2017 it had a score of 3.2	Infrastructure: In 2017 it had a score of 3.8
Macroeconomic environment: In 2017 it had a score of 4.8	Health and primary education: In 2017 it had a score of 5.5
Higher education and training: In 2017 it had a score of 4.5	Goods market efficiency: In 2017 it had a score of 4
Labour market efficiency: In 2017 it had a score of 4	Financial market development: In 2017 it had a score of 4.6
Technological readiness: In 2017 it had a score of 4.3	Market size: In 2017 it had a score of 4.8
Innovation: In 2017 it had a score of 3.3	Business sophistication: In 2017 it had a score of 4.1
Most problematic factors for doing business:	
Policy instability: In 2017 it had a score of 7.9	Tax rates: In 2017 it had a score of 14.2
Restrictive labor regulations: In 2017 it had a score of 7.5	Corruption: In 2017 it had a score of 17.6
Access to financing: In 2017 it had a score of 4.4	Foreign currency regulations: In 2017 it had a score of 2.6
Inflation:	Inadequate supply of infrastructure:

In 2017 it had a score of 4.5	In 2017 it had a score of 8.7
Inefficient government bureaucracy: In 2017 it had a score of 9.2	Tax regulations: In 2017 it had a score of 5.7
Crime and theft: In 2017 it had a score of 5.6	Inadequately educated workforce: In 2017 it had a score of 3.6
Government instability/coups: In 2017 it had a score of 3.7	Insufficient capacity to innovate: In 2017 it had a score of 1.8
Poor work ethic in national labor force: In 2017 it had a score of 1.8	Poor public health: In 2017 it had a score of 1.3

Table 3.3.1.2: Microeconomic indicators from Colombia
Authors: Carlos Brito and Josué Maldonado. Sources: World Economic Forum, Banco Mundial

From the above table, it can be seen that Colombia has serious problems of corruption, high tax rates, bureaucratic inefficiency, inadequate infrastructure and political instability, however, the environment for companies is still healthy. As the Ministry of Commerce, Industry and Tourism (Mincomercio) argues, this does not indicate that SMEs like the ones we are analyzing in this research (wood companies) do not receive the support to continue to grow. And as they published on their official website "do not generate cases where SMEs that were already working for five years are left in oblivion due to the lack of attention they received from competent authorities" (Ministry of Commerce , Industry and Tourism, 2016).

In addition, in an article in the economic magazine Dinero, it is explained that Colombian furniture exports have continued to increase since the end of 2014, its main destination being the United States. In the section, we continue to observe the situation of wood companies where it is indicated that, in an analysis conducted by ProColombia, the factors of innovation, environment and high supply make these 5,060 national companies to be quoted at international level (without counting the twenty large companies). As additional data, it is presented that the digital commerce that these companies are doing makes it much easier to get clients, something that can be detailed in the exact models they require (Revista Dinero, 2018).

For these reasons, Colombia is selected as the first option where model companies are searched to find the gaps which is the objective of this work.

- **Costa Rica**:

"Opening new markets": In 2017 a score of 4 points was assigned.	Global competitiveness index: In 2017 it was 64.29 points
Doing business: In 2017 it had a score of 68.89 points	
12 pillars:	
Institutions: In 2017 it had a score of 4.2	Infrastructure: In 2017 it had a score of 4.2
Macroeconomic environment: In 2017 it had a score of 4.5	Health and primary education: In 2017 it had a score of 6.2
Higher education and training: In 2017 it had a score of 5.1	Goods market efficiency: In 2017 it had a score of 4.4
Labour market efficiency: In 2017 it had a score of 4.2	Financial market development: In 2017 it had a score of 4.4
Technological readiness: In 2017 it had a score of 4.9	Market size: In 2017 it had a score of 3.5
Innovation: In 2017 it had a score of 3.7	Business sophistication: In 2017 it had a score of 4.5
Most problematic factors for doing business:	
Policy instability: In 2017 it had a score of 3.7	Tax rates: In 2017 it had a score of 10.4
Restrictive labor regulations: In 2017 it had a score of 9.0	Corruption: In 2017 it had a score of 4.5
Access to financing: In 2017 it had a score of 9.3	Foreign currency regulations: In 2017 it had a score of 1.1
Inflation: In 2017 it had a score of 1.6	Inadequate supply of infrastructure: In 2017 it had a score of 18.4
Inefficient government bureaucracy: In 2017 it had a score of 23.1	Tax regulations: In 2017 it had a score of 7.5
Crime and theft: In 2017 it had a score of 1.4	Inadequately educated workforce: In 2017 it had a score of 3.8
Government instability/coups: In 2017 it had a score of 0.7	Insufficient capacity to innovate: In 2017 it had a score of 3.6
Poor work ethic in national labor force: In 2017 it had a score of 1.8	Poor public health: In 2017 it had a score of 0.0

Table 3.3.1.3: Microeconomic indicators from Costa Rica
Authors: Carlos Brito and Josué Maldonado. Sources: World Economic Forum, World Bank

From the above table it can be seen that Costa Rica has serious problems of government inefficiency, inadequate infrastructure, high tax rates and low access to financing and restrictive labor regulations. These things suppose a great risk for the SMEs of the country as well as for the possible SMEs that wish to penetrate the market of that country. Additionally, what is indicated in the report on the State of Situation of SMEs in Costa Rica in 2016, prepared by the Ministry of Economy, Industry and

Trade (where it is indicated that the production of SMEs in the wood sector) has not been favorable as in previous periods.

It continues to be mentioned that the technological application of these industries has been one of several factors so that their attributes do not rise in terms of national production, the most affected being small businesses. In addition to this question, it is said that this sector attracts 77,462 more people. In conclusion, they say that this sector and the agricultural one only indicate a 6% participation of the state market since it is not favoring an improvement in the national added value (Ministry of Economy, Industry and Commerce, 2017).

- **Nicaragua**:

"Opening new markets": In 2017 a score of 3 points was assigned.	Global competitiveness index: In 2017 it was 56.43 points
Doing business: In 2017 it had a score of 55.64 points	
12 pillars:	
Institutions: In 2017 it had a score of 3.2	Infrastructure: In 2017 it had a score of 3.6
Macroeconomic environment: In 2017 it had a score of 5.1	Health and primary education: In 2017 it had a score of 5.5
Higher education and training: In 2017 it had a score of 3.4	Goods market efficiency: In 2017 it had a score of 3.9
Labour market efficiency: In 2017 it had a score of 3.9	Financial market development: In 2017 it had a score of 3.6
Technological readiness: In 2017 it had a score of 3.1	Market size: In 2017 it had a score of 3.0
Innovation: In 2017 it had a score of 2.5	Business sophistication: In 2017 it had a score of 3.2
Most problematic factors for doing business:	
Policy instability: In 2017 it had a score of 8.7	Tax rates: In 2017 it had a score of 6.7
Restrictive labor regulations: In 2017 it had a score of 2.7	Corruption: In 2017 it had a score of 15.7
Access to financing: In 2017 it had a score of 8.6	Foreign currency regulations: In 2017 it had a score of 0.4
Inflation: In 2017 it had a score of 0.6	Inadequate supply of infrastructure: In 2017 it had a score of 7.6
Inefficient government bureaucracy: In 2017 it had a score of 19.1	Tax regulations: In 2017 it had a score of 3.6
Crime and theft: In 2017 it had a score of 1.0	Inadequately educated workforce: In 2017 it had a score of 9.8
Government instability/coups:	Insufficient capacity to innovate:

In 2017 it had a score of 3.4	In 2017 it had a score of 6.5
Poor work ethic in national labor force: In 2017 it had a score of 3.4	Poor public health: In 2017 it had a score of 2.2

Table 3.3.1.4: Microeconomic indicators from Nicaragua
Authors: Brito and Maldonado. Sources: World Economic Forum, World Bank

From the above table it is obvious that the biggest problems in Nicaragua are bureaucratic inefficiency, corruption, inadequate work force, political instability and lack of access to financing; The fact is, the country is currently going through much harsh government tension in all its sectors, hitting the pockets of the inhabitants and generating a constant struggle against a poverty that pitifully tends to increase.

The Association of Producers and Exporters of Nicaragua (APEN) feels that the biggest challenge for their SMEs to get out of the "sinkhole" in which they find themselves lies in implementing the innovation that their companies need so that they can combat this "state of poverty "and encourage new buyers to participate in commercial activity (Association of Producers and Exporters of Nicaragua, 2016). Similarly, the Superior Council of the Private Enterprise of Nicaragua (COSEP) indicates that as regards the situation of SMEs in the country, there is a problem of size and capacity and that is why hundreds of thousands of small businesses, among which there are many wooden companies, cannot develop in an inadequate environment (Centeno Caffarena).

- **Peru**:

"Opening new markets": In 2017 a score of 6 points was assigned.	Global competitiveness index: In 2017 it was 60.29 points
Doing business: In 2017 it had a score of 68.83 points	
12 pillars:	
Institutions: In 2017 it had a score of 3.2	Infrastructure: In 2017 it had a score of 3.8
Macroeconomic environment: In 2017 it had a score of 5.4	Health and primary education: In 2017 it had a score of 5.4
Higher education and training: In 2017 it had a score of 4.1	Goods market efficiency: In 2017 it had a score of 4.3
Labour market efficiency: In 2017 it had a score of 4.3	Financial market development: In 2017 it had a score of 4.5
Technological readiness: In 2017 it had a score of 3.7	Market size: In 2017 it had a score of 4.5
Innovation: In 2017 it had a score of 2.8	Business sophistication: In 2017 it had a score of 3.8
Most problematic factors for doing business:	
Policy instability: In 2017 it had a score of 3.2	Tax rates: In 2017 it had a score of 10.0

Restrictive labor regulations: In 2017 it had a score of 8.3	Corruption: In 2017 it had a score of 18.0
Access to financing: In 2017 it had a score of 5.5	Foreign currency regulations: In 2017 it had a score of 0.1
Inflation: In 2017 it had a score of 1.0	Inadequate supply of infrastructure: In 2017 it had a score of 8.8
Inefficient government bureaucracy: In 2017 it had a score of 13.9	Tax regulations: In 2017 it had a score of 4.8
Crime and theft: In 2017 it had a score of 8.0	Inadequately educated workforce: In 2017 it had a score of 6.8
Government instability/coups: In 2017 it had a score of 3.8	Insufficient capacity to innovate: In 2017 it had a score of 3.3
Poor work ethic in national labor force: In 2017 it had a score of 3.7	Poor public health: In 2017 it had a score of 0.8

Table 3.3.1.5: Microeconomic indicators from Perú
Authors: Brito and Maldonado. Sources: World Economic Forum, World Bank

Concerning Peru, certain parentheses or reasons must be highlighted, like Costa Rica and Nicaragua were not selected to serve as the best model country for economic development for Ecuador. In the first place, the opening of new markets is not the best in the region and this is due to the fact that companies feel threatened by the entry of new foreign products. Secondly, although the SME sector contributes 42% of national production it involves many companies that follow a model of accumulation that is then discharged to the body that controls the Ministry of Production.

In the third place, Edgar Alva observes in his scientific thesis, that the indicator such as management factors (delay in payment of clients, lack of experience in contracts, lack of experience in lines of work, very poor use in project management techniques and replacement of key level), financial factors (fluctuation in material costs of manufacturing that involve processes with wood, low profit margin due to high competition, dependence on banks for financing and high interest, contracts won at the price lower and lower in the national economy) and external factors (closure, limitations and policies of the banks, import limitations for raw materials, poor climate for deforestation and natural disasters) are allowing the failure of many MSMEs in the country, since the characteristics make many companies in the medium term do not prosper (Alva, 2017).

Finally, considering all the above described, the intention is to have a selected model country or country that shares the highest trend with the MSMEs wood companies from Ecuador to the country of Colombia because this is the one that presents the most similar economic development model to Ecuador.

3.4. Performance analysis of successful SMEs in the selected country

1,500,000 million is the number of SMEs that until, the end of 2017, were registered by the data of the Colombian Confederation of Chambers of Commerce (Confecámaras). The "LeyMipyme", (a law) of Colombia, is the one that establishes the standards to which all those companies must be subject for the correct fulfillment of their legal activities, as well as indicate the benefits to which the hundreds of thousands of companies that cover 80% of employment in the country (Colombian Confederation of Chambers of Commerce, 2018).

A case in which it one can see how the performance of SMEs seek to increase the benefit of the country is that which is granted through preferential lines of credit for investment, programs to support growth and innovation, among others. These seek to create a strengthening focus for new business development programs of Colombian SMEs. It also endeavors to improve innovative ways and improve productivity and meet the challenge of growth that, according to several sources, has fallen behind the 5 years of operation of a company (Sabogal, 2018).

If we delve into the framework of international business for the country it should be noted that, while it is true that SMEs represent the highest source of employment, it does not represent the highest source of Colombian exports. Analysts say that SMEs that are represented only by a contribution of 5% for export is a failure that must be changed. Additionally, it is indicated that 531 large companies contributed to the remaining 95% because they do not work with non-traditional exports (Revista Dinero, 2017).

It is evident that, for SMEs establishing business with foreign buyers, it is limited by external competition and the intentions of potential customers to buy the best products from the best sellers. The outputs proposed by connoisseurs of the subject, as well as the Colombian institutions that watch over this issue, have to do with the increase in their investments thus reflecting their "business performance and obtaining positive figures that lead to greater productivity. These options can be maximized thanks to the repetitive discourse of acquiring financing.

The problem is that everything is promoted to acquire indebtedness and a culture is being created and generalized that indicates that if a Colombian SME wants success or improvement, both locally and internationally, it is obliged to go to a banking institution, acquire financing and start up their improvement plan or "return to the client market". It doesn’t neglect the taking advantage of human capital or innovation in all areas, but these will continue to weaken if there is not enough financing to allow an SME to make progress.

Given the facts, the successful SMEs of the country are those that have been able to grow thanks to financing or to their able management of economic capital. Although there is no formula for an SME to be perfect or achieve its objectives, there are ways in which the objectives of sustainability, economic growth/sales or continuous improvement can be achieved and these are translated into the need or step to have better economic resources for business progress. Again, this discourse is what has led many to consider this step as essential that every SME must consider for success.

3.5. Chapter conclusions

In this chapter, it was possible to analyze the reality of all the Latin American countries to be able to compare them to the model country of Ecuador in order to find which is the best pilot country or that presents the ideal model of economic development similar to ours. Although there were three other options such as Costa Rica, Nicaragua and Peru, Colombia proved to be the ideal country for this study because there are many incentives from private sources such as private banks which publicized by government ministries for the insertion of better levels of innovation that face what have been the problems suffered by Colombian SMEs up to 2014. In addition, the MSMEs debt is promoted where improvement plans are prepared to hoard new customer markets. Colombia presents a model that generates entrepreneurship that is achievable by presenting a potential of 80% of localized employment in the different SMEs that seek to maximize innovation and break the 5-year premature death scheme for companies in that country.

What will proceed next is to identify the "best companies" that export wood and its derivatives in Colombia to find gaps that help us determine the aspects that have led these companies to the internationalization of products and that the wood sector in particular continues to grow and contribute to the country.

Chapter 4. Analysis of gaps from the best practices of the SMEs models at an international level and local SMEs.

4.1. Introduction to the chapter

In this last chapter, we proceed to find a database of wood companies that participate in the export trade in Colombia. Initially, the investigation tried to analyze 10 companies that would be selected through a study that finds the best model activities; it can help to determine the gaps between these companies and the Ecuadorian ones. Due to limitations of handling information, we proceeded to contact the different companies by email where the orientation and management of this investigation were purposed. Subsequently, telephone calls were made to continue with the study process. Finally, answers were received from the companies and were followed as indicated forthwith.

4.2. General information of the selected companies

The following companies were contacted for the research:

Companies:	Size:	Activities:
Aerogroup – FELOT S.A.	Medium Company	Manufacture of office furniture
Rey Muebles	Small Company	Furniture manufacturing
Bosquema S.A.S.	Small Company	Furniture manufacturing
Malagana Design	Microenterprise	Design and manufacture of contemporary furniture in wood and related materials
Casanare Maderas S.A.S.	Microenterprise	Manufacture of transformation furniture, industrialization of fine and ordinary woods, drying of wood and general carpentry
Decormaderas International Ltda.	Small Company	Manufacture of furniture for home and office
Scanform S.A.	Small Company	Manufacture of furniture for home and office
Formas Modulares S.A.	Small Company	Manufacture of furniture for home and office, installation of wiring for furniture
Compumuebles	Small Company	Manufacture of furniture for home and office, installation of wiring for furniture
Especimaderas	Small Company	Manufacture of furniture for home and office

Amplex de Colombia S.A.S.	Small Company	Manufacture of office furniture
Muebles RTA	Small Company	Manufacture of furniture for home and office
Industria de Muebles del Valle S.A.	Medium Company	Manufacture of office furniture
Ducon S.A.	Medium Company	Manufacture of furniture for home and office
Maderables Ltda.	Small Company	Furniture manufacturing
Muebles y Montajes S.A.S.	Small Company	Manufacture of furniture for home and office
Maderas y Terminados EU	Small Company	Manufacture of office furniture
Madera&Arte Industrial	Small Company	Furniture manufacturing
Muebles & Co.	Small Company	Furniture manufacturing

Table 4.2.1: Selected Colombian companies
Authors: Carlos Brito and Josué Maldonado. Sources: Web pages of the different companies and RUES

4.3. Model of the interview about CSF towards MSMEs of the Colombian wood sector

The objective of the interview is to know how the Colombian companies work in relation to the different internal processes of the 4 important areas of any organization. The performance of the company and the previously SMEs selected will compare the results against the wood companies of Cuenca and observe the existence of a need to eliminate, change or apply processes that allow the internationalization of the Azuayan companies.

Model of the interview about CSF towards Colombian SMEs:

The following questions have been executed in a simple way to obtain quick answers and also have a duration of less than 4 minutes based on levels of acceptance and/or importance. You can mark with an X on the right side of the answer that you consider to be (or are) the option (s) most appropriate as related to the reality of your company, or you can underline with any color.

1. **¿Do you consider that the strategic plan/management indicators are a fundamental factor that has contributed to the international success of your company?**
   - Not important
   - Slightly important
   - Moderately important
   - Important

- Very important

2. **¿Do you consider that the training of the work staff has been an indispensable factor for the success of your company (referring to training in the field of updating knowledge and/or handling new technology or machinery)?**
   - Strongly disagree
   - Disagree
   - Undecided
   - Agree
   - Totally agree

3. **¿Does your company observe quality as a process at the time of elaborating the products as an important part of the international performance of the same?**
   - Not important
   - Sligthly important
   - Moderately important
   - Important
   - Very important

¿Do you consider that quality as a product provides an added value that allows a better internationalization of the company?

- Not important
- Slightly important
- Moderately important
- Important
- Very important

4. **¿Are the certifications or quality standards that support a product or are they a fundamental pillar for the internationalization of the company's products?**
   - Not important
   - Slightly important
   - Moderately important
   - Important
   - Very important

¿Which of these factors do you think a company should have for the correct internationalization?

- Patent of products
- Branding registration
- Operating permits
- Company registration

5. **¿Do you think that having a foreign trade department in the company has contributed to the improvement or success of the company in the international arena?**

- Strongly disagree
- Disagree
- Indecisive
- Agree
- Totally agree

6. ¿Do you think that having a financing department for projects, infrastructure, technology, etc., has contributed to the internationalization of the company?

- Not important
- Slightly important
- Moderately important
- Important
- Very important

¿Where are the financing efforts going? (You can check more than one option)

- New projects
- Advertising
- Training
- Infrastructure
- Continuous improvement

7. ¿Do you consider that the diversification of products has contributed to the success of the internationalization of the company?

- Not important
- Slightly important
- Moderately important
- Important
- Very important

8. ¿Do you consider that the diversification of processes has contributed to the success of the internationalization of the company?

- Not important
- Slightly important
- Moderately important
- Important
- Very important

According to the type of sector ¿Do you consider that the added value should be oriented towards products, processes or both as part of a diversification process?

- Products
- Processes
- Both

9. ¿What do you think about the premise "more machines, less human resources"? ¿Do you consider the trend of process automation within the sector important?

- Yes

- No

Observations:

……………………………………………………………………………………………………
……………………………………………………………………………………………………

10. **¿Does the company have a supplier control system?**
    - Yes
    - No

¿Is there a specific distribution channel that the company acquires for greater performance in the export process?
- Direct
- Retailer
- Distributor
- Broker

11. **Does the company look at the environmental responsibility as part of a proactive policy or do you observe it as part of a regulatory practice that must be adopted by the obligation within the sector?**
    - Proactive activity
    - Regulatory /normative activity

    ¿Do you consider important the environmental responsibility for the international success of the company?
    - Yes
    - No

12. **¿Do you think that investing in marketing is important for companies to grow in the furniture sector?**
    - Not important
    - Slightly important
    - Moderately important
    - Important
    - Very important

¿Should the marketing department focus its efforts mainly on the local level or invest them internationally?

- Focus on the local
- Focus on the international

13. **Given the type of sector, in what area should most efforts be focused by the workforce?**
    - Administrative
    - Financial
    - Commercial / Sales
    - Productive

¿Is there a predetermined number of employees for the efficiency of the company internationally?

…..

14. Focusing on the wood sector, which of the following CSF are important for the internationalization of the company? (Point with an X)

SMEs:	Very important:	Important:	Moderately important:	Slightly important:	Not important:
Strategic plan/ management indicators					
Capacitation					
Quality in the processes					
Certifications and standards					
Program/ foreign trade department					
Count on profitability (financing)					
Diversification of products and processes					
Added value					
Industrialized processes					
Providers					
Environmental management					
Marketing					
Distribution channel					
Customer service					
Response time					
Support infrastructure					
Availability of labor work					
Legal operation					

We proceeded to contact three Colombian companies by telephone and via web where the managers collaborated by answering some questions about their companies in order to support this investigation.

– **Rey Muebles**

The company began twenty years ago and since then has been dedicated to the manufacture and marketing of different furniture for the home, office and in addition making other wood products. Thanks to their experience, they were able to consolidate into the national market and even reach the Venezuelan market.

According to the institutional mail received, the SME has a better relationship between the client and the company, but the oversupply of wood companies causes high competition that makes customers prefer more well-known/recommended companies. As a result, this affects exportation to different countries because foreign customers look for companies with a better catalog and opportunities.

In the pages of the Unique Business Registry of Colombia (RUES), the information was obtained to find that the company was part of the Chamber of Commerce of Cucuta and was incorporated with the business registration in 2005, (date of commencement of legal activities) renewing its concession at the beginning of 2018. The company is considered a Commercial Company with the Trade Establishment organization. As additional information, it is indicated that Rey Muebles currently has 13 employees, its legal representative being Mr. José Duarte (Rey Muebles, n.d.).

– **Muebles y Montajes**

The company is dedicated to the manufacture and marketing of furniture in wood and metal while applying quality standards. Also, the company would like to be consolidated within the 3 most important companies in the local market of the furniture sector for large areas and retail companies (Muebles y Montajes, n.d.).

The information that was provided by the general manager of Muebles y Montajes, Mr. Julio Cesar Cruz, through by email and telephone allowed us to know more about the company and its commercial activities. According to the information obtained, the company has a central building in Panama where it continues with its commercial operations in addition to having personalized service that satisfies tastes of customers.

In the RUES, it states that the company Muebles y Montajes is supported by the Chamber of Commerce of Bogota. The company was registered in 2008 and was renewed in the month of April 2018. The company is considered a commercial partnership and a type of trade establishment organization (RUES, nd.). (The textual transcription of the conversation with the manager of the company can be found in Annex 2).

- **Amplex de Colombia**

Amplex is a company with more than 15 years of experience as a furniture sales establishment in Colombia. According to a report, the company began operations in 1999. At present, Amplex is a company specializing in a variety of office furniture for any environment. They have 8 employees.

The company was consolidated in 2007 and, in that year it was possible to acquire a manufacturing plant where, three years later, they implemented complete industrialization that allowed them to achieve better quality and innovation. It is important to mention that Amplex also works with office furniture projects that are renewed on time (AMPLEX, n.d.).

4.4. Analysis of CSF of model international and national companies. Search for similarities and differences between local MSMEs and international SMEs

Throughout this research project, recognizing how the Colombian wood sector observes the CSF is key to understanding the situation of MSMEs in the same sector in the Ecuadorian case and also why Ecuadorian companies cannot achieve internationalization. Again, the selected CSF allow finding similarities or differences between companies of the model country and the companies of the country subject of study.

The interview was created with multiple choice questions as a way to expedite concise and understandable answers to know if there is a trend that defines the type of gap that will be exposed later. For now, the analysis will be limited to description by affirming or denying the answers to the questions asked in the interview presented previously by the companies. Then, the investigation will observe and determine the CSF that have allowed certain logging SMEs from Colombia to be successful for internationalization. At the same time, these can serve as a guide to know what the gaps would be of the current performance of Ecuadorian companies (practices of the Colombian company that can help us for the benefit of the national companies).

In an attempt to look for a "common factor" about the perceptions of CSF among the wood companies of Cuenca to know if there exists or not that presented CSF we have the following:

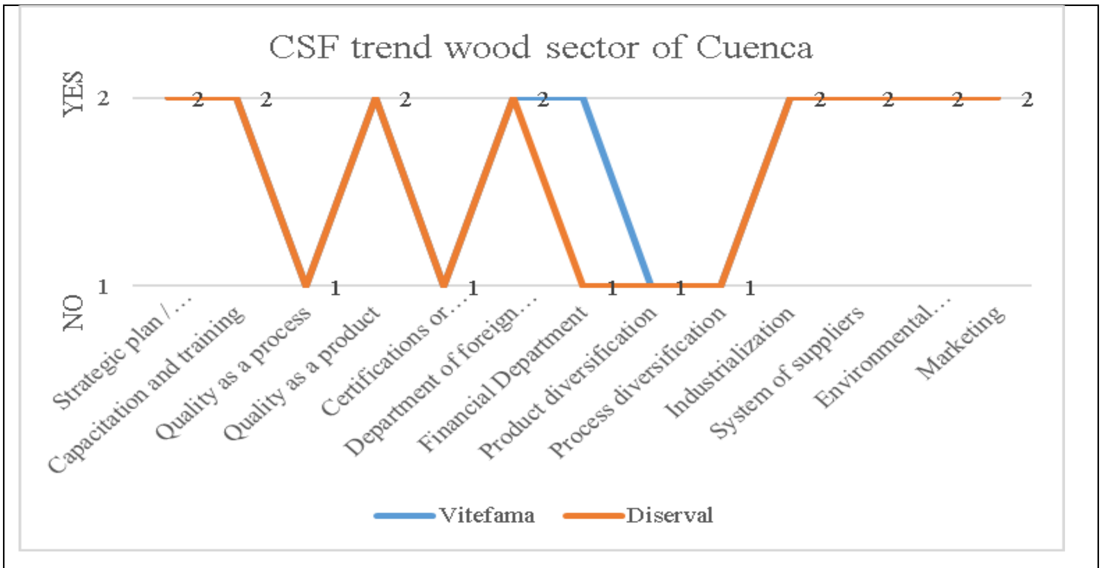
<u>Vitefama and Diserval companies:</u>

CSF	Vitefama	Diserval
Strategic plan / Management indicators	YES	YES*
Capacitation and training	YES	YES
Quality as a process	NO*	NO*
Quality as a product	YES*	YES*
Certifications or standards for exportation	NO	NO
Department of foreign trade	YES	YES
Financial Department	YES	NO
Product diversification	NO	NO
Process diversification	NO	NO
Industrialization	YES	YES
System of suppliers	YES	YES
Environmental responsibility	YES	YES
Marketing	YES	YES

Table 4.3.1: CSF of companies from Cuenca
Authors: Carlos Brito and Josué Maldonado
(* company takes into account that CSF but in an incipient form)

From the previous table, the perceptions of the two companies evaluated according to the information obtained during this investigation can be observed.

Then, the analysis will proceed to make a trend graph with the information of the lumber sector of the Cuenca companies (number 2 being affirmative and number 1, negative):



Graphic 4.3.1: Trends in the wood sector of Cuenca.
Authors: Carlos Brito and Josué Maldonado.

From the previous graphic, we obtain the tendency of the two companies of Cuenca, regarding the CSF of the sector, to appreciate how it is possible to see and differentiate the companies in the assessment of the selected CSF. The analysis shows similarities in the companies of Cuenca that consider quality as a process, the certifications, financing, and diversification as not important aspects for their local success. The notable difference appears in the assessment of Vitefama that is not an important factor as well as the product diversification.

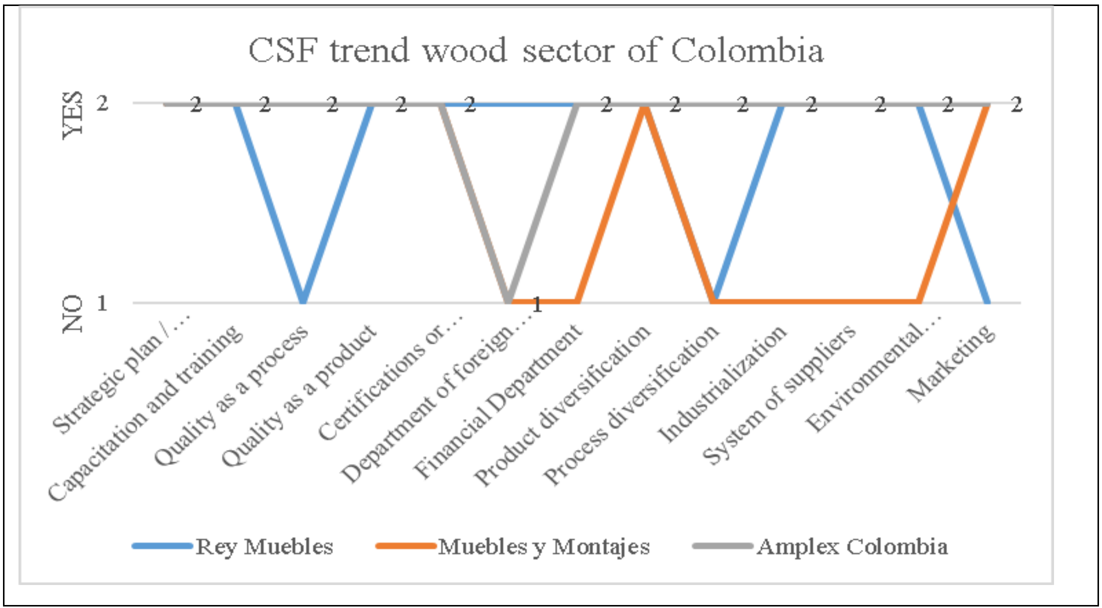
Looking for the common factors of the Ecuadorian and Colombian companies that are going to compare the trends of the CSF and the analysis of the gaps between the model companies of the investigation, we have:

The companies: Rey Muebles, Muebles y Montajes and Amplex Colombia:

Questions	**Rey Muebles**	**Muebles y Montajes**	**Amplex Colombia**
Strategic plan / Management indicators	YES	YES	YES
Capacitation and training	YES	YES	YES
Quality as a process	NO	YES	YES
Quality as a product	YES	YES	YES
Certifications or standards for exportation	YES	YES	YES
Department of foreign trade	YES	NO	NO
Financial Department	YES	NO	YES
Product diversification	YES	YES	YES
Process diversification	NO	NO	YES
Industrialization	YES	NO	YES
System of suppliers	YES	NO	YES
Environmental responsibility	YES	NO	YES
Marketing	NO	YES *	YES

Table 4.3.2: CSF of Colombian companies
Elaborted by: Carlos Brito and Josué Maldonado
(* the company takes into account that CSF but in an incipient way).

With the information obtained from Colombian companies, a trend curve will be plotted to analyze how the three companies observe their CSF and which of these factors allowed them to internationalize and then be compared with the CSF of Ecuadorian companies.



Graphic 4.3.2: Trends in the Colombian wood sector
Authors: Carlos Brito and Josué Maldonado

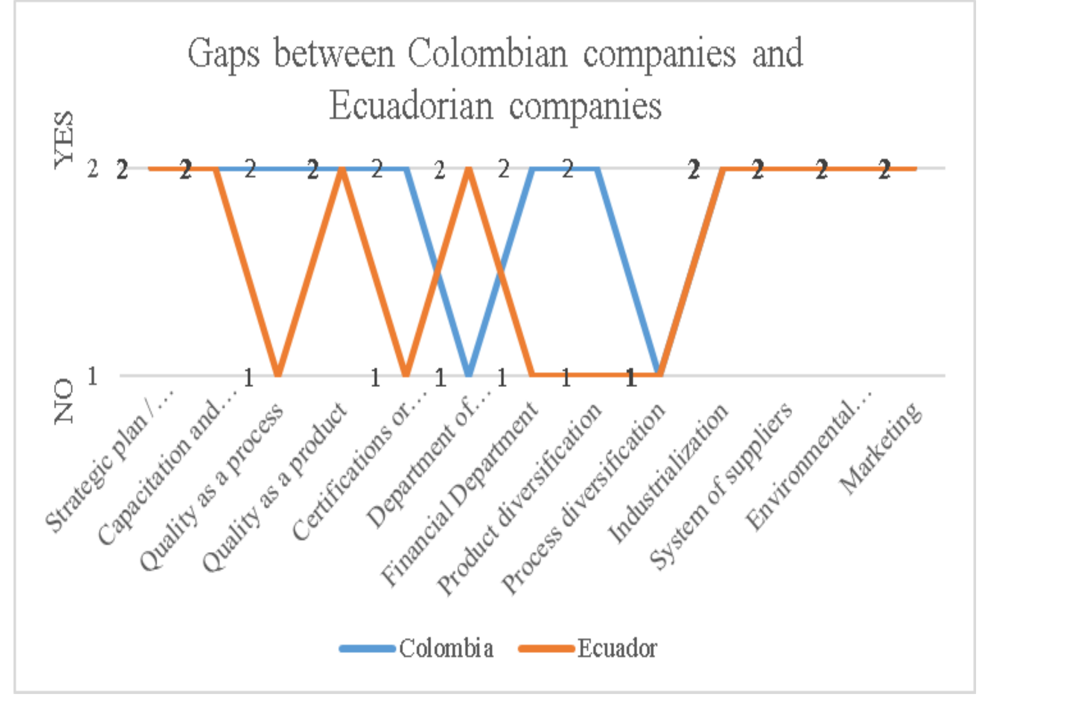
4.5. Establishment of existing gaps between local and international SMEs

Taking into account the information of the companies, we can begin to address the issue of benchmarking gaps to observe how the internal operations of Ecuadorian companies are handled and, to identify the type of competitive gap that exists against Colombian companies. For the first step, we will indicate the theory that argues the gaps and then the types of gaps to know the reality between the MSMEs of Ecuador and Colombia. For the final step, a small improvement plan will be prepared for the internalization of Ecuadorian SMEs.

The gaps in benchmarking, as defined by Gregory H. Watson, are "the difference(s) in the performance of the company or companies, which is detected through the comparative benchmarking study for a particular activity/sector in order to know the advantage that one or certain companies have over other companies in the sector" (Watson, 1995).

Before analyzing the results obtained about the CSF of the Colombian companies, we will analyze if the gaps are positive, negative or with operations in parity. The positive results will indicate that the practices of the companies studied (in this case of Ecuadorian research) are better than those realized by the model companies (the Colombian ones). Negative results indicate that the practices realized by Colombian companies are better than Ecuadorian companies. Finally, the operations in parity suggest that the practices of both Ecuadorian and Colombian companies are similar, concluding that there are not important differences (Camp, 2007).

From the two graphics 4.3.1. and 4.3.2, and the contrasts between the information of the "common factors" and CSF indicators of the 2 wood companies of Cuenca, we have the following graphic of information about the type of behavior of the competitive gap:



Graphic 4.4.1: Identification of gaps between the MSMEs of Cuenca and Colombia
Authors: Carlos Brito and Josué Maldonado

According to table 4.4.1, the following explanation is going to be about the perception of the internal processes of the Ecuadorian companies in comparison with the Colombian ones with regard to 4 areas:

- **Administrative area:**
  - The training factor has allowed Ecuadorian companies to succeed.
  - Capacitation is an issue that Ecuadorian companies in the sector take into account.
  - Cuenca companies have non-specialized departments for foreign trade as do Colombian companies but they do not have an impediment to exportation because the Colombian companies use a trusted outsourcing company.
  - The existence of a formal organization (organization chart) is almost similar between companies in both countries.

- **Financial department:**
  - Colombian companies have been better received by customers in the wood sector because they use financing networks as part of the rating parameters that are taken into account by financial institutions to approve new projects that constantly update them, in order to adapt to the new needs of buyers and new trends. Cuenca companies should know that the traditional wood sector also changes and must invest to reach those new trends.
  - In Colombia, financial activities are used for innovation purposes and continuous improvement because private banks offer several options to access financing lines as part of the improvement plan for Colombian SMEs.

- **Productive process:**
  - The Ecuadorian companies do not care about quality as a process and this does not allow internationalization.
  - Quality as a product is important for Ecuadorian companies to achieve improvement.
  - The indicator of export certifications and standards is not the strength of Ecuadorian companies because they have standards and certifications for national operations which is incipient to export to other destinations.
  - The diversification of products is the strength of Colombian companies because these support the financial operations in the country. However, Ecuadorian companies do not apply this indicator of development.
  - The diversification of processes is not seen as the solution to achieve improvement; this is the case of Colombian companies that have automated processes and only focus on changing the final result if the process does not satisfy the appropriate standard.
  - Colombian companies and the companies of Cuenca know that industrialization is an essential part of the sector, not only to produce large quantities but also to lower labor costs and achieve more technical and specific results.
  - The system of suppliers is a factor that Ecuadorian companies have taken into account within their internal processes and can be appreciated from the trend graph. This factor can allow them a better internationalization.

- The management of environmental responsibility is essential for any sector of production because it is an ethical practice to improve the environment for the next generations.

- **Sales:**
    - Finally, marketing is the most subjective indicator because certain companies have become internationalized without a marketing campaign; only the comments of the clients and the external advertising from the government institutions to recommend its products (as from certain Colombian companies) allowed for internalization. Although marketing is a key CSF for the sector, the companies that want to maximize their sales should put forth better efforts in this indicator.

As a result, wood MSMEs in Cuenca and MSMEs of Azuay have some deficits of quality control in the processes, certifications and standards for exportation, financial operations and product diversification. Additionally, the Ecuadorian companies focus their efforts on a department of foreign trade that is not completely necessary to be able to export.

4.6. Proposal for an improvement plan for the internationalization of local SMEs

Finally, certain recommendations will contribute to an improvement plan for the companies of Cuenca to achieve continuous improvement as a benchmarking objective. Furthermore, the plan benefits the internationalization of the wood sector of Cuenca and the economic sector of the country thereby contributing to fairer competitiveness:

1. Administrative area:

- The creation of an internal department for quality control "will serve as a replacement" with a single person who was responsible for performing a task because it improves the efficiency of the productive processes betting on better quality. As examples of the phases that this department would fulfill there could be:
    - Evaluating and planning (projects, objectives, results, inventory of factors that intervene in production or inputs, conditions, measures to reverse failures).

- Documenting the new quality control system with manuals, procedures, instructions, records, policies, plans.
- Audit the system weekly.
- To observe the new behavior of the quality chain where errors or waste are identified and correct them immediately.

- Foreign trade department:

  - Meetings should be established among the managers of the MSMEs to determine if the creation of the foreign trade department was truly justified by observing what was planned as long-term objectives.

  - If the foreign trade department continues its functions, the national logistics should be evolving towards an international level and involvement with the operations within this department.

  - An important question should be answered--How much staff should I invest in this department?

  - If the foreign trade department is eliminated, the company should know about the different outsourcing companies that carry out the process of sending products to other countries.

2. Financial area:

- Promoting the creation of an exclusive department for financial operations.

-Projecting expenses in order to know the possibility of investment in new projects

- A medium-term plan should be created where a savings milestone is expected to be reached in order to not depend on the constant help of local banks.

3. Productive area:

- Certifications and standards:
  - If the company decides to extract its own raw material, the application for approval of cutting programs for plantations, natural regeneration or agroforestry issued by the Forest Administration System (SAF) must be obtained.
  - The Environmental Ministry would grant the Forest Use License;

- The company should make the application for the phytosanitary certificate of Agrocalidad.
- If the company is going to export to European Union countries through chain certifications of custody (all the wood used in the value chain comes from sustainably managed forests) people must obtain the certifications with the Program for Endorsement of Forest Certification (PEFC) that guarantees ecological production, social and ethical norms. Also, the company should obtain The Forest Stewardship Council (FSC), which is a voluntary requirement that supports responsible global forest management and, the Origin and Legality of the Wood (OLB) that attributes to the correct legality of the wood products of the forestry and commercialization companies (BUREAU VERITAS, n.d.).
- If the company wants to export to North America the manager must obtain the Sustainable Forestry Initiative (SFI) certification that certifies the origin of the materials.
- The ISO 9001 standard that refers to quality of management systems must also be acquired.
- The international standard ISO 14001 that refers to environmental management systems must be acquired.

• Product diversification:
  - Ethically, the company must observe how competition acts in terms of innovation and new products that are launched into the market.

4. Sales area:

- The company should start thinking about the development of an online sales catalog that includes the possibility that customers can receive a quote for their model of furniture according to their requirements.
- The company should consider the possibility of changing the catalog of products by seasons.
- The company should not forget new fashion trends to attract a large of significant number of customers.

4.7. Chapter conclusions

The investigation helped to find the gaps between the wood MSMEs of Cuenca and the wood SMEs of Colombia. These gaps allow recommendations to be made that can benefit companies to export their products. The theory of benchmarking does not guarantee that the final recommendations for the improvement of internal processes are always successful. Also, Colombian companies take into account that there is not a perfect manual for internationalization because each company has different perceptions about certain CSF.

Vitefama and Diserval can expand to exportation if they continue to improve their efforts and concentrate on changing wrong activities. Additionally, benchmarking can lead them to improve their sales so they can advance the improvement of the wood sector of Cuenca and possibly of the country.

Conclusions

Throughout this research, it has been demonstrated that the theories of foreign trade and benchmarking contribute to the improvement of MSMEs and companies in general in a globalized world. Although MSMEs of Girón, San Fernando, Nabón and Oña cantons do not present attributes to be taken into account as exporting companies, this does not mean that they cannot achieve the objectives of continuous improvement and, in fact, they may be given pause to work to modify the internal processes that make them "stagnant" productively.

The investigation determines that Colombia is the country with a similar economic development model as that of Ecuador. In addition, the SMEs of Colombia are taken into account due to several plans, especially financing, which allows them to have better capacity for innovation, online market performance and a greater value added term in the face of external competition, among others, which makes the performance of Colombian companies in the wood sector highly valued internationally.

Additionally, this research finds gaps between wood companies in the canton of Cuenca and those of Colombia. Although a negative number is not shown, the intentions of the MSMEs in relation to exportation should be positive if they want to increase their economy while contributing to the economic growth of the country.

Finally, this investigation creates a small manual of recommendations or suggestions that companies in the wood sector of Cuenca should take into account if they want to venture into internationalization. If the companies are negatively positioned, they can also observe the gaps which they can improve to "equate" the activities with those of foreign competition.

Recommendations

According to this research work we can recommend the following:

- A better awareness about business development models should be generated such as benchmarking a tool that can help identify, not only needs but also mistakes of internal processes of companies that do not allow them to move towards their objectives.
- The demographic area of cantons such as Girón, San Fernando, Nabón and Oña does not allow for greater economic, social and political development such as a city like Cuenca. Generalizations should not be given to all MSMEs of those cantons that would like to venture into internationalization. In fact, they can start working in a personalized way and not only locally. The companies should look to expand to other provinces, not only in the southern region but also around the country. It is the first challenge that must be overcome for a better economy and health of MSMEs.
- The models found, thanks to different Colombian SMEs, should be used in other productive sectors to increase competitive advantages and know how to exploit them for future exportations.
- Finally, the companies must invest in competitive studies with foreign companies so they can avoid a constant insertion of foreign companies to the national market because they do not perceive local or national products as the best. The Ecuadorian companies should take advantage of such systems as benchmarking to change the reality of customers or future buyers to continue with a positive market economy that prefers Ecuadorian quality.

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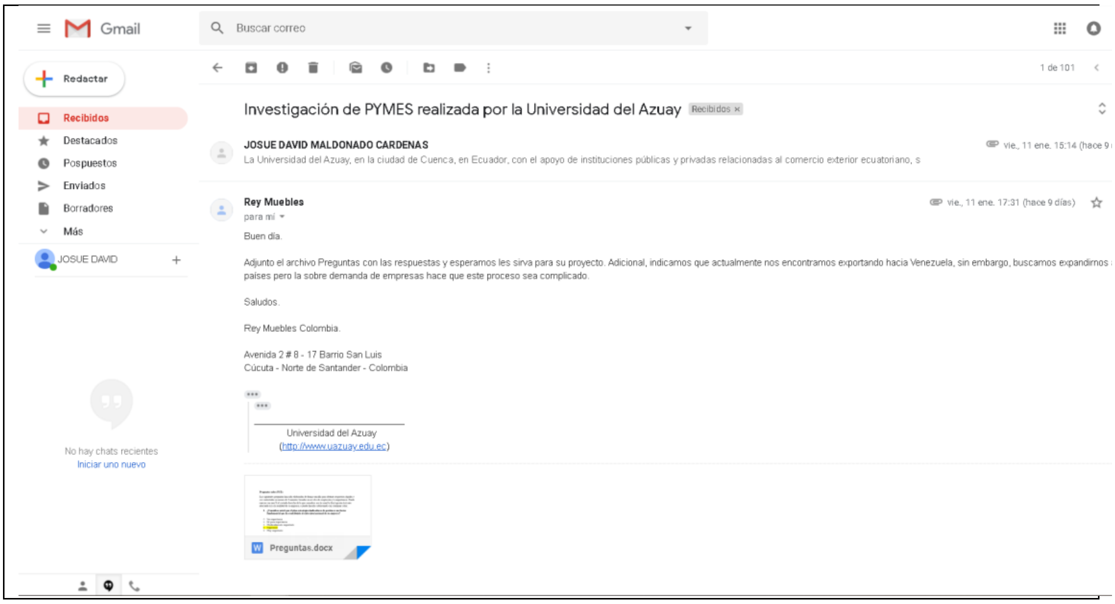
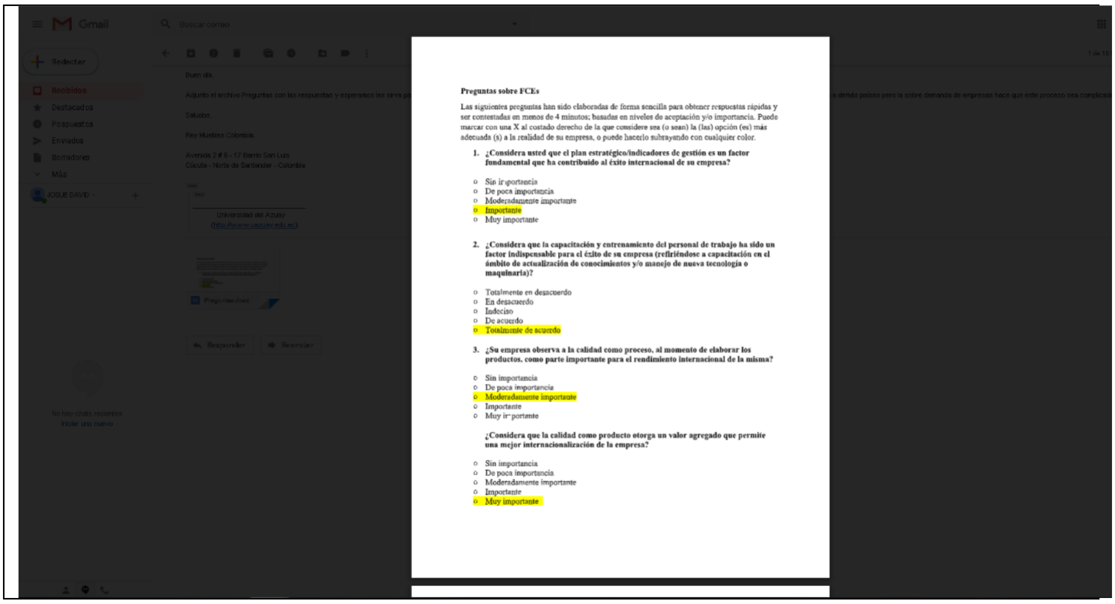
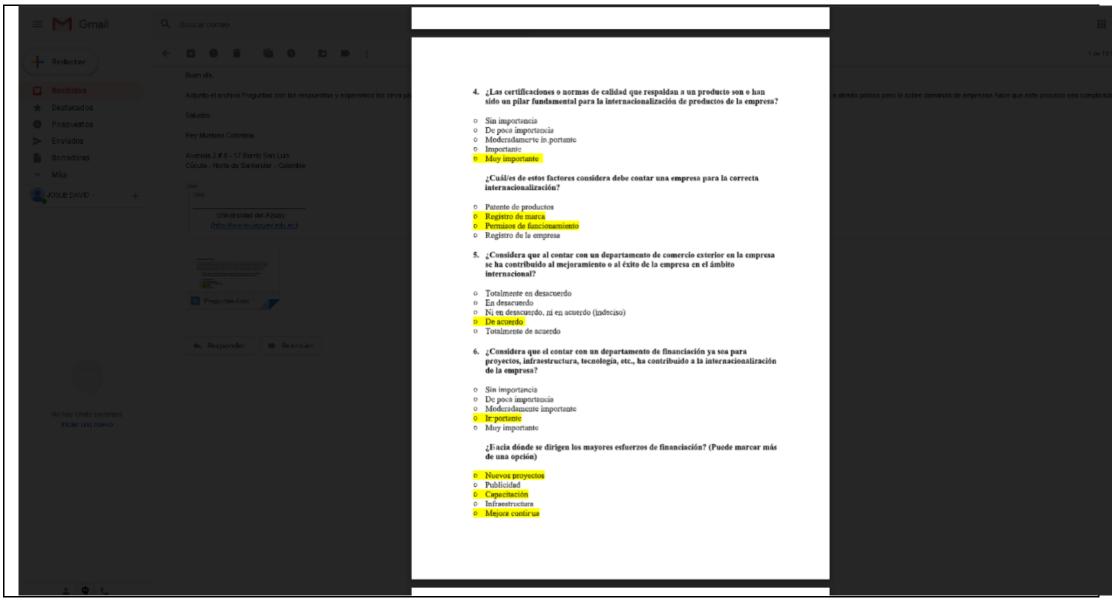
Annexes

Annex 1. Screenshots of the mail response of the Rey Muebles company:







4. **¿Las certificaciones o normas de calidad que respaldan a un producto son o han sido un pilar fundamental para la internacionalización de productos de la empresa?**

- Sin importancia
- De poca importancia
- Moderadamerte in.portante
- Importante
- Muy importante

¿Cuál/es de estos factores considera debe contar una empresa para la correcta internacionalización?

- Patente de productos
- Registro de marca
- Permisos de funcionamiento
- Registro de la empresa

5. **¿Considera que al contar con un departamento de comercio exterior en la empresa se ha contribuido al mejoramiento o al éxito de la empresa en el ámbito internacional?**

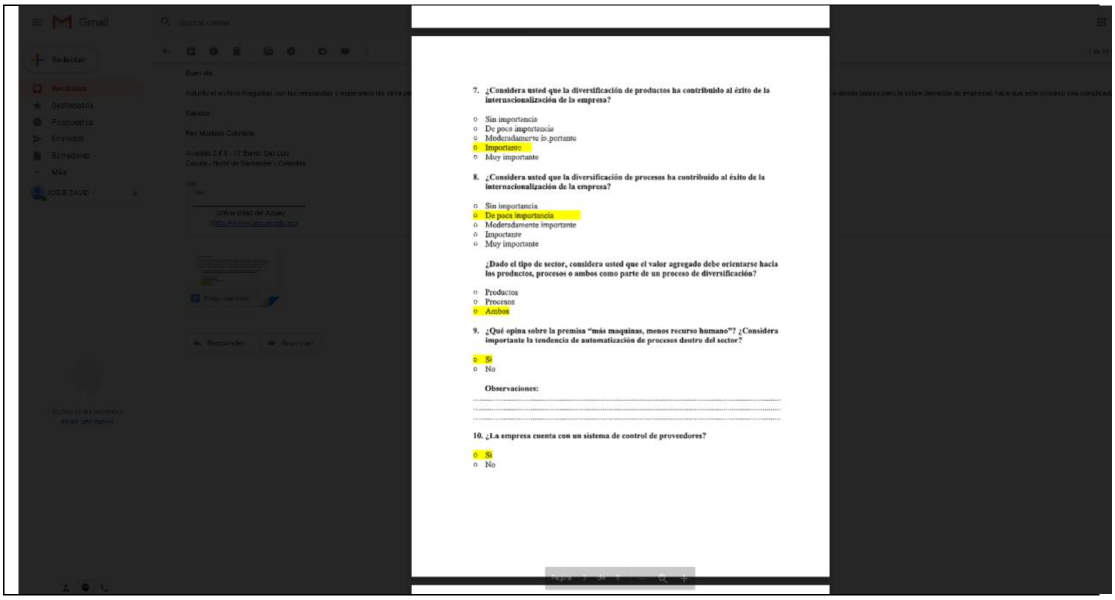
- Totalmente en desacuerdo
- En desacuerdo
- Ni en desacuerdo, ni en acuerdo (indeciso)
- De acuerdo
- Totalmente de acuerdo

6. **¿Considera que el contar con un departamento de financiación ya sea para proyectos, infraestructura, tecnología, etc., ha contribuido a la internacionalización de la empresa?**

- Sin importancia
- De poca importancia
- Moderadamente importante
- Ir.portante
- Muy importante

¿Hacia dónde se dirigen los mayores esfuerzos de financiación? (Puede marcar más de una opción)

- Nuevos proyectos
- Publicidad
- Capacitación
- Infraestructura
- Mejora contirua



7. **¿Considera usted que la diversificación de productos ha contribuido al éxito de la internacionalización de la empresa?**

- Sin importancia
- De poca importancia
- Moderadamerte in.portante
- Importante
- Muy importante

8. **¿Considera usted que la diversificación de procesos ha contribuido al éxito de la internacionalización de la empresa?**

- Sin importancia
- De poca importancia
- Moderadamente importante
- Importante
- Muy importante

¿Dado el tipo de sector, considera usted que el valor agregado debe orientarse hacia los productos, procesos o ambos como parte de un proceso de diversificación?

- Productos
- Procesos
- Ambos

9. **¿Qué opina sobre la premisa "más maquinas, menos recurso humano"? ¿Considera importante la tendencia de automatización de procesos dentro del sector?**

- Si
- No

Observaciones:

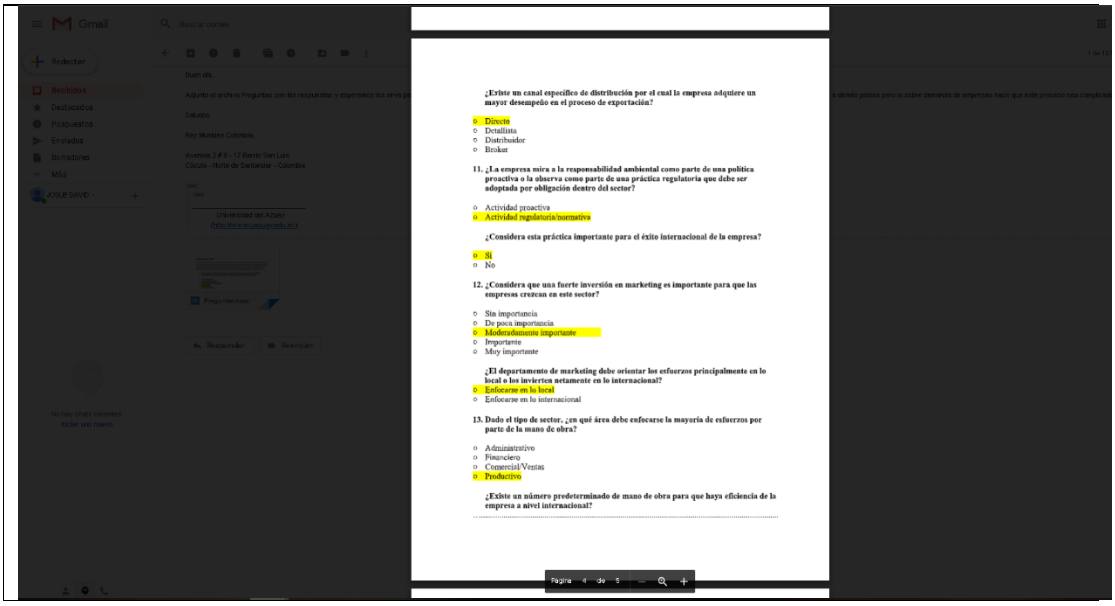
....

....

....

10. **¿La empresa cuenta con un sistema de control de proveedores?**

- Si
- No



¿Existe un canal específico de distribución por el cual la empresa adquiere un mayor desempeño en el proceso de exportación?

- Directo
- Detallista
- Distribuidor
- Broker

11. ¿La empresa mira a la responsabilidad ambiental como parte de una política proactiva o la observa como parte de una práctica regulatoria que debe ser adoptada por obligación dentro del sector?

- Actividad proactiva
- Actividad regulatoria/normativa

¿Considera esta práctica importante para el éxito internacional de la empresa?

- Si
- No

12. ¿Considera que una fuerte inversión en marketing es importante para que las empresas crezcan en este sector?

- Sin importancia
- De poca importancia
- Moderadamente importante
- Importante
- Muy importante

¿El departamento de marketing debe orientar los esfuerzos principalmente en lo local o los invierten netamente en lo internacional?

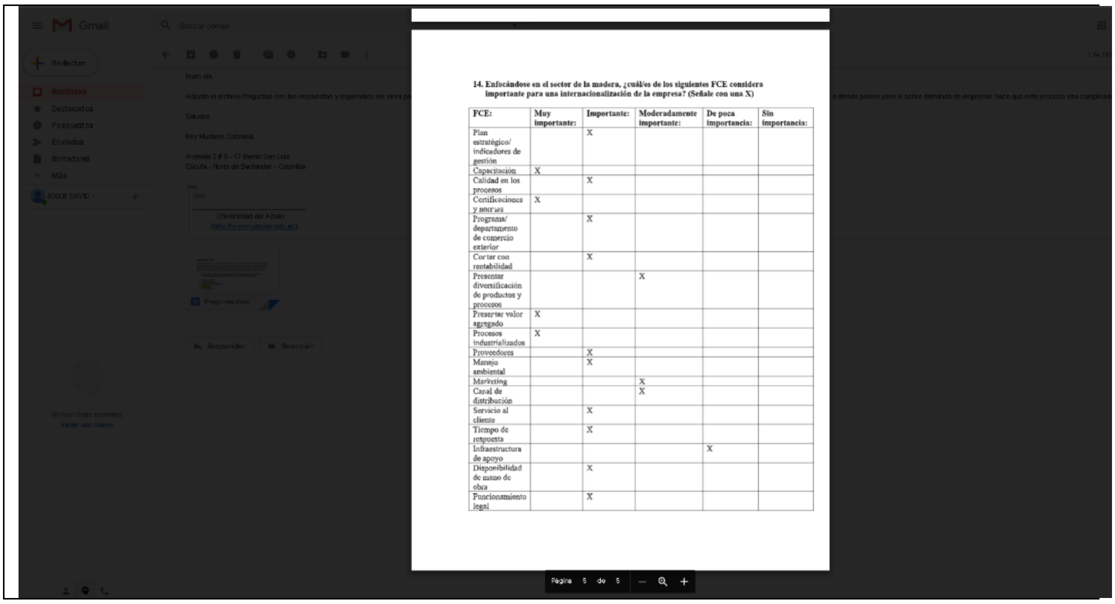
- Enfocarse en lo local
- Enfocarse en lo internacional

13. Dado el tipo de sector, ¿en qué área debe enfocarse la mayoría de esfuerzos por parte de la mano de obra?

- Administrativo
- Financiero
- Comercial/Ventas
- Productivo

¿Existe un número predeterminado de mano de obra para que haya eficiencia de la empresa a nivel internacional?

Página 4 de 5



14. Enfocándose en el sector de la madera, ¿cuál/es de los siguientes FCE considera importante para una internacionalización de la empresa? (Señale con una X)

FCE:	Muy importante:	Importante:	Moderadamente importante:	De poca importancia:	Sin importancia:
Plan estratégico/ indicadores de gestión		X			
Capacitación	X				
Calidad en los procesos		X			
Certificaciones y normas	X				
Programa/ departamento de comercio exterior		X			
Contar con rentabilidad		X			
Presentar diversificación de productos y procesos			X		
Presentar valor agregado	X				
Procesos industrializados	X				
Proveedores		X			
Manejo ambiental		X			
Marketing			X		
Canal de distribución			X		
Servicio al cliente		X			
Tiempo de respuesta		X			
Infraestructura de apoyo				X	
Disponibilidad de mano de obra		X			
Funcionamiento legal		X			

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Annex 2. Transcription of the telephone conversation held between Carlos Brito and a representative of the company Muebles y Montajes:

The textual transcription of the telephone conversation between Julio Cruz (General Manager - Production) and Carlos Brito will be presented:

Carlos Brito: Good morning, Am I speaking to Mr. Julio Cruz general manager of Muebles y Montajes?

Julio Cruz: Yes, you are. How can I help you?

Carlos Brito: How are you Julio Cesar? I'm calling to find out if you previously received an email from me. The mail expressed my interest to know more about your company through a small interview.

Julio Cesar: Of course, my secretary informed me about your calling. What is your interview about?

Carlos Brito: The interview is to learn about the success of your company as a SMEs and the internationalization of your products.

Julio Cesar: Perfect Carlos. What do you want to know?

Carlos Brito: Well, first of all, I would like to know if you consider that the strategic plan/management indicators are fundamental factors that have contributed to the international success of your company?

Julio Cesar: Well, I think the strategic plan is important because the company knows where it comes from and where it is going to. If you do not have a baseline to follow as a company we would not meet the pre-established short-term/long term goals. Additionally, the management indicators are important to control the process of the products and maintain the quality of competitive products.

Carlos Brito: Perfect. Let's continue with the following question: Do you consider that capacitation and training of the work staff have been an indispensable factor for the success of your company (referring to training in the field of updating knowledge and/or handling new technology or machinery)?

Julio César: Carlos, the capacitation is important to improve the intellectual abilities and capacities of each worker, so it is an indispensable factor, not only in our company but also all companies related to any activity.

Carlos Brito: Ok. The third question is: Does your company look at quality as a process, at the time of making products as an important part of its international performance?

Julio Cesar: Both, the quality is important in the process and service. A good process ensures the quality of the finished product and the service ensures the client prefers us over the competition.

Carlos Brito: Are the certifications or quality standards that support a product a fundamental pillar for the internationalization of the products of your company?

Julio Cesar: They are very important because without them we cannot send our products to Panama where our company works. Also, they are indispensable to support the quality of our products.

Carlos Brito: According to your experience, which of the following factors do you consider the most important? trademark registration, operation permits, product patent, and company registration. Those cited, have they helped your company to the correct internalization?

Julio Cesar: Well, I consider important the registration of the trademark, the operating permit and the registration of the company.

Carlos Brito: Do you think having a foreign trade department and a finance department in the company has contributed to the improvement or success of the company in the international arena?

Julio Cesar: I do not think the department of foreign trade within the company is indispensable because you can outsource the procedures with a foreign trade agency. However, the financial department is important because you can cover the material costs, the training of the personnel and jobs travel.

Carlos Brito: Do you consider that the diversification of products has contributed to the success of the internationalization of the company such as the diversification of processes?

Julio Cesar: We manufacture the products according to the specifications and requirements of the client. We always make our best effort to elaborate on the best product, but we do not vary the way in which we produce a product.

Carlos Brito: What do you think about the premise "more machines, less human resources"? Do you consider important the trend of automation of processes within the sector?

Julio Cesar: For me the human talent, quality of people and the capacity of our employees in each of their functions are important. However, technology has been an aid for our employees.

Carlos Brito: Does your company fulfill environmental responsibility within the city?

Julio Cesar: We always respect the environment field because is important not only when we produce our products locally but also at the international level. Additionally, we are obliged to comply with certain parameters to diminish pollution in the world.

Carlos Brito: Do you consider a big investment in marketing contributes to the growth of companies?

Julio Cesar: I do not think is important to invest too much money in marketing and advertising strategies, because sometimes generating publications on the website and newspapers at the local level are enough. At the international level, we already have buyers who know our work locally, so they buy the products.

Carlos Brito: Thank you very much for your time Julio Cesar. I hope your company continues to grow and I wish you the best success in the future.

Julio Cesar: Likewise Carlos. Have a good day.