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ASSOCIATIVENESS: A SME'S SUCCESSFUL STRATEGY TO FOREIGN MARKET¹

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ABSTRACT

In Colombia, the SMEs counts for the 96.4% of the total companies, 63% of the employment and 45% of manufacturing production. However, they only count for less than 20% of the total Colombian exports. Now, when the country is involved in the globalization process, the internationalization of SMEs has become an import topic. Notwithstanding, the benefits derived from exporting in an increasingly globalized marketplace has not foresee by the majority of the SMEs and the foreign trade path is facing many obstacles. This paper, offers a comprehensive analysis of 156 business owners answers about the possibility of the associativeness as the best strategy to solve some of the barriers hindering the small business export development.

INTRODUCTION

This research is centered in how to open possibilities and to habilitate the Colombian SME's participation in the global markets promoting these firms to achieve a sustainable economical and social development. This purpose could be defined as to open a "more ethic route" to reach competitiveness by contrast with the characteristic way of the companies in the undeveloped and developing countries works (Colombia, for example), who to compete often restricts the wages and profit margins instead to improve the productivity, the salaries and the profits. A comparable example is given when the reduction of export prices is more fast than the increase of the export volumes, getting worse the status of the enterprise, of the country or both.

A complete different process is that one that increase and improve the participation in the global economy, reaching an sharp grow in the incomes. The difference between one and the other course of action to reach the competitiveness has the explanation through of the different production capacities of the SMEs to achieve "competitive progress". This is the hypothetical subject of this early stage of the study.

Those enterprises face up the "neoliberal" economic model, enforced force in mostly of the countries under the "umbrella" of the International Monetary Fund and the World

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Bank and since 1991, that economic model has mean a total transformation of the colombian enterprises, mainly the SMEs, because the liberalization of the colombian market, the new technologies, the position global and regional multinationals, the capital flows and all this factors, leading -in the best of the cases- to an stand-still of the companies.

The Colombian SME´ s covers all productive sectors, and are localized all over the country and it is one of the main sources of new jobs, usually intensive in not qualified having a high social importance.

Their future is nothing promising in those economical sectors where the scale economy keeps its validity, but it is hopeful where the markets are strong segments with plenty of markets niches, where the specialization brings with it different options for products with high aggregated value, where the special features of the product is essential and the difference is definitive.

The international market constitute a very serious concern since the globalization demand high competitive indexes. Between the different estrategies to promote the development of the SME´ s, one of importance is **Associativeness**, in order to be able to to reach the foreign commercial scenario with competitive selling prices, volumes and quality.

An arrival in those conditions to the global market is a challenge for the SME ´ s and it constitutes the cornerstone to grow. If they do not prepare to compete, a lot of them will disappear. For that reason, to find a common objective can propitiante the creation of a consortium of SME´ s that offers different alternatives for the producers if they want to compete in the foreign markets.

THE PROBLEM APPROACH

The Colombian SME´ s become the economic sector, with the biggest strategic potential to grow and develop in the Colombian economy, because already represents around 96% of the total of the enterprises and more of the 35% of the GNP, generating almost the 65% of the labor. But, only 13% of the SME´ s are exporting firms, other 6% has intended it and the 81% remaining never has exported.

From the other side, increasing global competition means that all enterprises, regardless of size, must adopt multinational perspectives. The circumstances –as a result of the globalization- that face up the Colombian SME´ s are not propitious and has seriously affected their grow. Their future is very uncertain, because of the arrival of imports products (from China, mainly) and a consistent increase of the competition for a weak internal demand each time more demanding and selective.

As a fact, those productive units –that grew in a context characterized by a minimum inter-connection with the rest of the world, and mainly basing their growth in the dynamism of the local market, “closed” by the imports substitution model, that was

adopted by the government at the end of the '60s and where the exports alternative was and still is, only an exception or an accidental business, depending only of the “ups and downs” of the local market and –some times- depending on the revaluations of the Colombian money. Now days they confront an unexpected scenario where they must face a strongest competition from all over the world.

This difficult situation has conducted to the disappearance of thousands of SME´s and a minimum grow of the survivors, because the unfavorable condition of the local demand in the last years (unemployment of 15%, and less than US\$ 2.400 income per capita). This situation has been acting as a motivation “motor” to some SME´s to explore the foreign markets (mainly our partners in the Andean Pact), with a relative but a significant success. In spite of the numerous groups of manufacturing companies, the value of their individual exports is not big enough and their permanence in the future is very questionable.

Thus, this research proposes to explore the following questions related to the internationalization of the Colombian SME´s:

- ¿Which is the best strategy for those enterprises in order to “survive” the risks of the globalization and drive them to fulfill their roll as the engine of the Colombian economy?
- ¿Which is the best strategy to begin exporting to foreign markets in a sustainable way?
- ¿How can the SME´s answer fits the changes of the local and international field and how can they answer to the increase of the competency in the local and international market?

JUSTIFICATION

Having in mind these symptoms and causes that lead us to think that their prognostic of lasting can not be optimistic. The Colombian SME´s must act rapidly and must face up these circumstances without any delay, since others SME´s all over the world and even the large multinationals, are arriving to the market and eventually will be finishing with the efforts of many years.

This situation has no difference with others countries such Mexico, where the SME´s are suffering a difficult situation since NAFTA has been introduce.

In this context, to generate mechanisms and tools that could support and impel the SME´s qualitative improvement in their participation in the local market and their entry to the international business -as an answer to the weakness of the local demand- is one of most important challenge for the Colombian government , the SME´s sector and the Academy facing the new century.

A biggest SME's participation in the exports activation will contribute not only to generate more foreign exchange for the commercial balance in favor of the country, resulting in new good exports with high added value, intensive qualified labor, amplifying and complementing the Colombian exports of commodities, strengthening an economic sector distinguished for their high generation of new sources of employment.

To develop an overseas market represents a strategic move that is not an easy task and it is far away of any SME's, because that will require not only to change a "Mediterranean" culture, but the introduction of new management style in its relation with all the value chain including marketing, organization structure and distribution channels, and that is not an easy work to do individually, because the amount of human, financial and technical resources are out of the possibilities of those enterprises.

According to the international experience (Italy, Spain and Germany, for example), clearly shows that, in relation with those problems, the cooperation and articulation of efforts between SME's contributes in an effective way to solve those restrictions, reason why our R&D Group considers that a research about how support and incentive the development of the **Associativeness** could be translated in the improvement their economic results in the local market and in the process to reach better conditions to start their internationalization.

Reviewing the literature, we have found that exists a growing consensus not only at the level of governments of the development countries but also in the level of analysts, management consultants and universities about that the economies global competitiveness depends each time more in the possibility that the SME's can interact and cooperate effectivately in order to reach their economical grow and development, either in the local and in the international market.

REFERENCE FRAMEWORK

Research on small and medium-size enterprises has emerged as one of the most important topics of debates in business schools and among entrepreneurs, business leaders and government institutions all over the world, but in Colombia only a few institutions very recently has dedicated to study about them and only there is a very few studies about the internationalization of SME's in subjects as export competitive patterns, export performance, barriers hindering small business export development, logistics, foreign entry mode but almost nothing about what is a SME's imperative: identifying & developing **Associativeness**, detecting a lack of existing literature concerning this kind of strategy to internationalization of enterprises in Colombia, indicating that it is necessary to make efforts in the production of research in this specific area, contributing at the same time to enhance the **Associativeness** theory and empirical.

The few studies about it have concluded that the fact is to find a common objective that can propitiate the formation of consortiums or partnerships **Associativeness** offering alternatives for the producers firms that wish to compete without obstacles in the ambient of foreign trade. If they can identify those obstacles (distrust, mainly) that usually have

the SMEs, it is possible to begin to look the possibility to collaborate mutually in order that when they will associate there is an opportunity to face up successfully the big investment in all kind of resources that the global competition means.

In relation with the conceptual framework, the meaning of the main words used is:

- Associativeness: strategy of cooperation between small and medium-sized enterprises, where each participant company, keeping its juridical independence y management autonomy, decide voluntary to participate in a joined effort with the others participants for the search of a common objective, with the following advantages, among others:
 - To overcome the limited offer in volume and variety of the SMEs
 - Learning from interchange experiences
 - Increase in the negotiation power
 - Resources economy (Country and business men)
 - Feasibility increase of the export effort
 - Increase in the promotion cover. More opportunities
- Internationalization: is a process on the basis of the foreign demand, permanence in the foreign market, own brand, without commercial intermediary and with selling prices to the final consumer. In others words, is to accomplish an accelerating “opening” of new products and services to the foreign market to development at maximum our comparatives advantages adding competitive advantages internals and externals.

RESEARCH METHODOLOGY

This exploration and descriptive in-process research proposed the use of a mail survey and telephone interview, using a questionnaire that included several open-ended questions, applied to 156 SMEs located in Bogotá, D.C., originally selected from the Chamber of Commerce of Bogotá list of independent and privately SME´s in 2004, as a highly valuable qualitative research strategy. The choice of a survey method was based in the valuable experience of others research made by the Research Center of the University that shows a high exploratory power and allows dynamic, decision-making process to be more deeply investigated.

In this case in particular and since all the firms were relatively new at the time the sample was drawn, the survey methodology is applicable to the discovery of the actual process of Associativeness in the SME´s sector in the main city of Colombia.

HYPOTHESIS

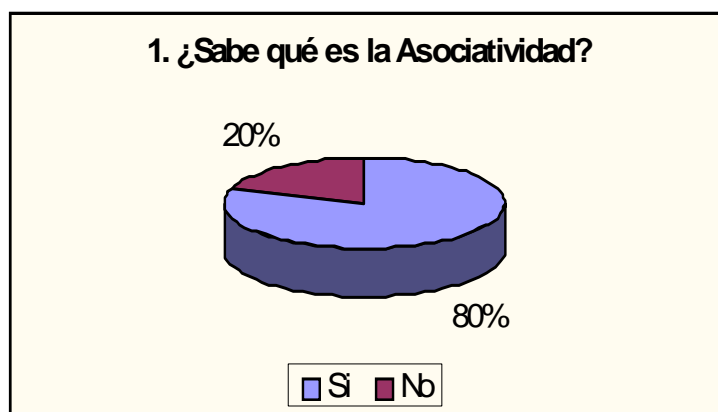
The Associativeness is the more feasible strategy to face up the competence in the local and foreign market derived of the globalization process.

RESULTS

In developing of the specific objectives of this research oriented to determine the level of knowledge that has the Colombian business managers about their motivation for developing an international strategy, the results of the survey are the following:

1. What DO you know about associativeness?

- 80% of answers are affirmative, they know what associativeness is. The other 20% do not know what internationalization is.



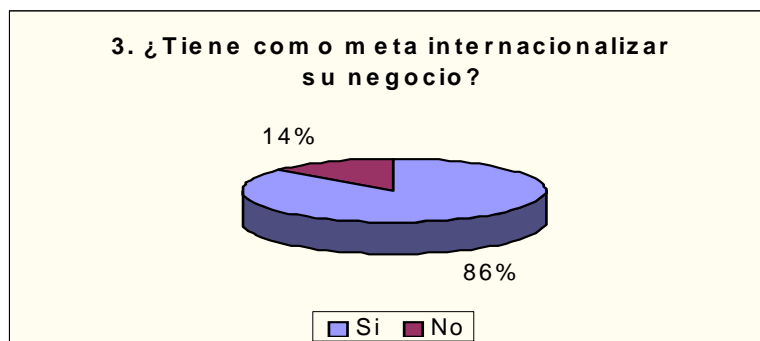
2. Do you know what internationalization is?

- With regards to internationalization, 90% know what it and the other 10% do not know about internationalization.



3. Do you have as a goal to be an international company?

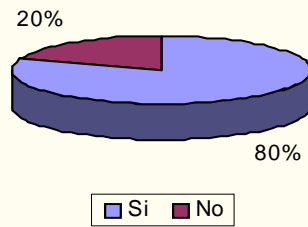
- 86% would like to be an international company, and 14% would not.



4. If your answer to question before was yes, Have you thought that to participate in an associative project will be useful to obtain efficiency in your operations?

- 80% consider useful to participate in an associative project and 20% consider that it is not useful.

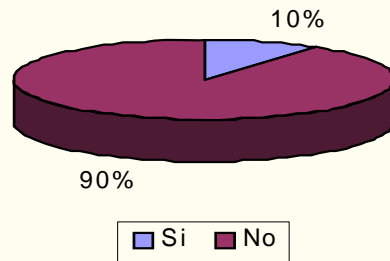
4. Si su respuesta a las anteriores preguntas fue "Si". ¿Ha pensado que formar parte de un proyecto asociativo le sería útil para lograrlo eficientemente?



5. Have you been involved in an associative Project?

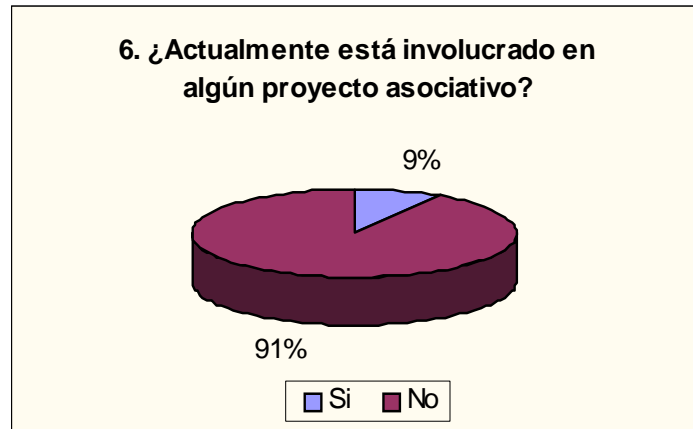
- Only 10% have been involved in an associative project. The other 90% has not.

5. ¿Ha sido parte de un proyecto asociativo?

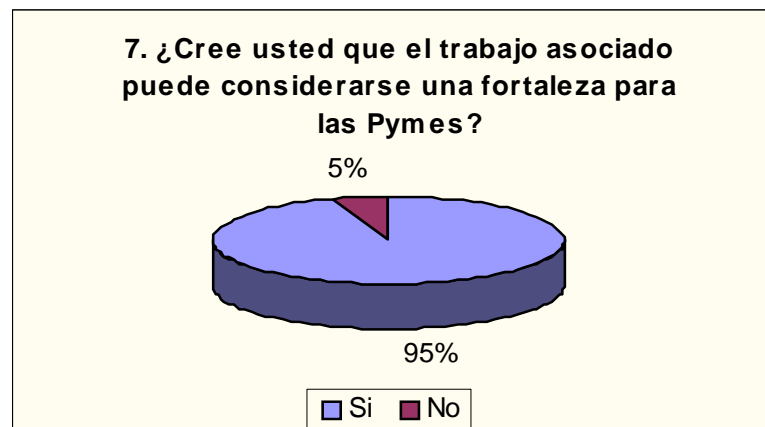


6. Are you nowadays involved in an associativeness Project?

- 9% is working in a Project of associativeness at the moment.

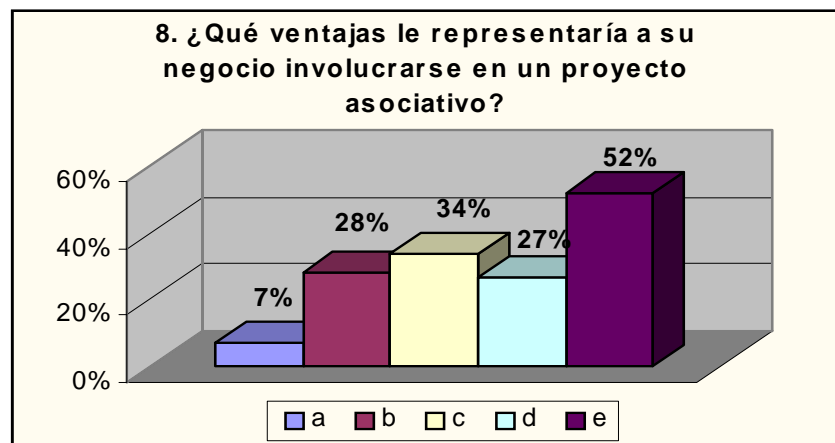


7. Do you believe that associativeness could be considered a strength for SMEs?



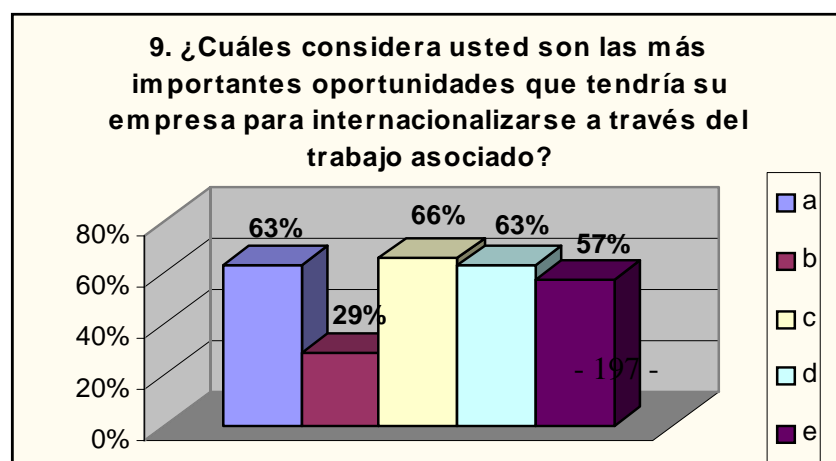
- Most answers, 95%, believe associativeness is a strength for SMEs, and only 5% do not think so.

8. What are the most important advantages you will have to entry to a foreign market through an associative project?



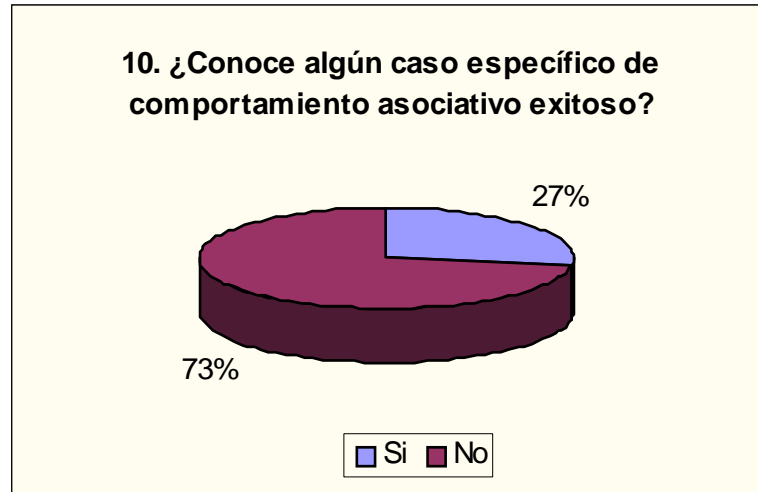
- 52% consider that an associativeness project would have advantages such as scale economies, commercial, logistic and operative strength, cost reduction and negotiation advantage; 34% only cost reduction; 28% commercial, logistic and operative strength ; el 27% negotiation power; and el 7% scale economy.

9. What do you consider the most important opportunities your company would have to internationalize through associativeness?



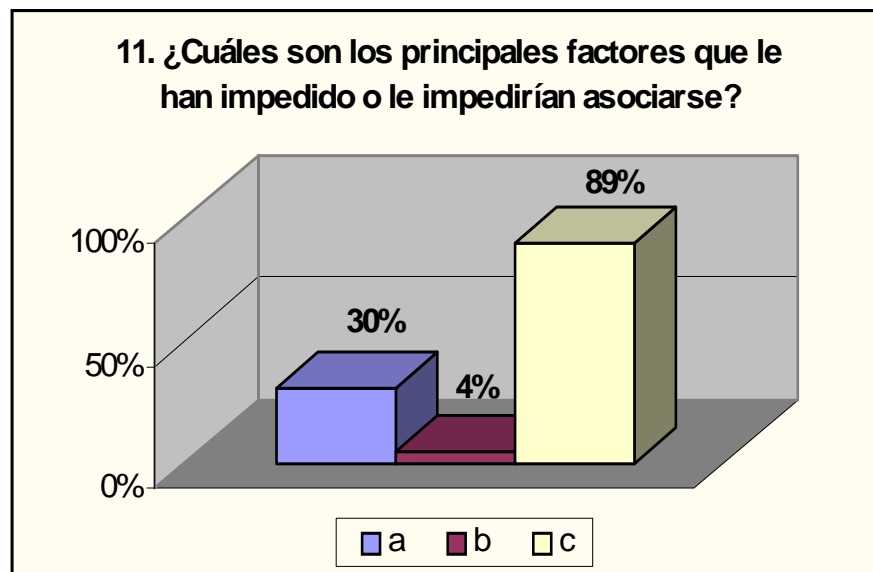
- Negotiation with suppliers and clients would be the best for 66%; commercialization with others and better sales indicators for 63%; sales indicators for 57%; and better conditions for education and certifications for 29%

10. Do you know a successful associative Project?



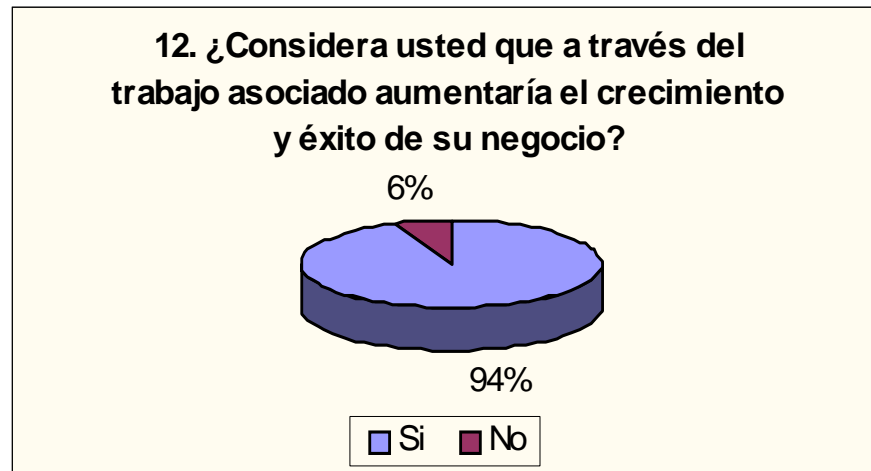
- 73% do not know any successful associativeness project and 27% know one.

11 What are the main factors that have not allowed you or would not allowed you to associate in a project?



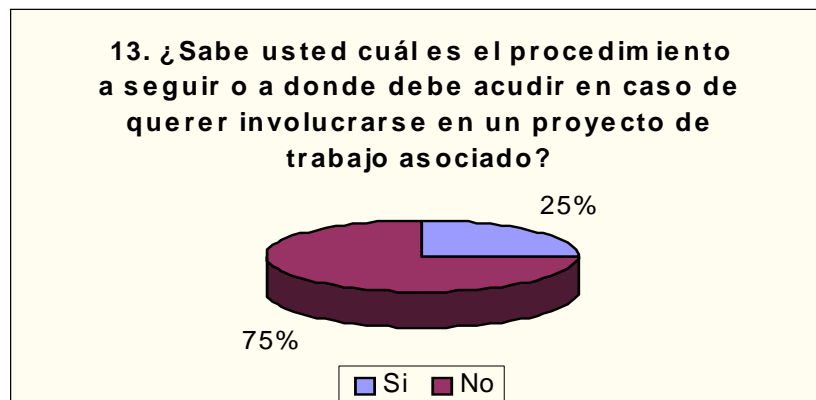
- 89% mention that lack of knowledge of associativeness is the main factor; 30 % consider they do not trust it and 4% prefer to work individually.

12. Do you think that associativeness will increase growth and success of your business?



- 94% associativeness will increase growth and success in their businesses and 6% do not agree.

13. Do you know the procedure to be included in an associative project?



- With regards to the procedure to be involved in an associativeness project, 75% know what they have to do or where to go and 25% do not know.

CONCLUSION

This paper has presented the findings of a study of the status of Associativeness knowledge, culture and feelings of SMEs and also the point of view of studies made by analysts and management experts from different countries will reflect some points, as follows:

Having in mind the importance and weakness of the SMEs, a medullar subject for them is in the strategy for their internationalization, facing up the globalization process at world level but particularization now when the internationalization process Colombia is moving forward, with the signature of commercial agreements as the CAN-MERCOSUR and the present with the United States, among others. All that, means that it is imminent the need for the SME has a strategic reorganization that allows them to strengthen and even to guarantee their permanence in the future.

In consequence, it is of the big importance to generate the conscious in the SMEs that the exports is an opportunity to grow, but it in not only generating this conscious but increase the subject of Associativeness.

In that sense, in the preceding analysis has demonstrated amply that the small and medium-sized firms believe –as the business men in Italia (Modena and Emilia Romana), Alemania (Baden-Wüttemberg) and Spain (Mondragón), that it is very important to put into action with criterion of Associativeness, identifying and developing the synergies that correspond.

For that reason, it is imperative to work very hard in Associativeness strategies between SMEs, because definitively is one of the keystone strategies at the present-day moment to compete in a global economy, because will be very difficult and very expensive to satisfy individually the volumes of the demand required by the global purchasers, and for the other side, a SME individual would be very hard to compete with multinationals characterized for practices of economy scale at world scope. The SMEs could consolidate if the association of them is effective in three dimensions: knowledge, projection and strategy.

However, it is necessary to point at the change of mentality and to start propitiating the culture of Associativeness in order to “break” the resistance to work as a team, this would be the first action to be executed.

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