

Methodology for competitive association and quality management in Ecuadorian pymes

Metodología para la asociación competitiva y gestión de la calidad en pymes ecuatorianas



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ABSTRACT

Small and medium-sized companies to which the literature has paid scant attention to date, but which nevertheless represent a high percentage of gross domestic product, and accumulate a large part of the employment generated in the main economies of the world, especially in Latin America, show difficulties such as: they do not have a structure of a consolidated institution, due largely to the lack of specific regulations that allow defining their characteristics, conditions and operability in the economic and productive sphere; they need to perfect their quality management mechanisms in order to compete in the market, since the fact of being dispersed and with lack of credit financing, causes that they do not consolidate in their position and the majority does not manage to maintain itself. This research was aimed at developing a methodology based on the cooperation or associativity of small and medium enterprises. It has a set of phases and logical steps, and with its application it is expected results such as: a better participation in the national and international markets, the reduction of operating costs, the socio-economic

RESUMEN

Las pequeñas y medianas empresas a las que la literatura ha prestado escasa atención hasta la fecha, pero que, sin embargo, suponen un elevado porcentaje del Producto Interno Bruto y acumulan buena parte del empleo generado en las principales economías del mundo, sobre todo en Latinoamérica, presentan dificultades tales como: no poseen una estructura de institución consolidada, debido en gran medida a la falta de normativas específicas que permitan delimitar sus características, condiciones y operabilidad en el ámbito económico y productivo; necesitan perfeccionar sus mecanismos de gestión de la calidad para poder competir en el mercado, ya que el hecho de estar dispersas y con falta de financiamiento crediticio, hace que no se afiancen en su posición y la mayoría no logra mantenerse. Esta investigación se trazó como objetivo: elaborar una metodología, basada en la cooperación o asociatividad de pequeñas y medianas empresas. La misma cuenta con un conjunto de fases y pasos lógicos y con su aplicación se esperan resultados tales como: una mejor participación en los mercados nacionales e internacionales, la

development of the regions, the decrease in unemployment, a greater impact on the industrial policy of the country, as well as an improvement in quality management.

Keywords: associativity; quality management; Ecuadorian pymes; competitiveness

reducción de costos de operación, el desarrollo socioeconómico de las regiones, la disminución del desempleo, un mayor impacto en la política industrial del país, así como una mejora en la gestión de la calidad.

Palabras claves: asociatividad; gestión de calidad; pymes ecuatorianas; competitividad

INTRODUCTION

Today enterprises have had to face increasingly aggressive competition, consumers are more demanding and complex, technology changes rapidly, the liberalization of international markets and the emergence of economic blocs affect the work of business organizations. This demands a high level of willingness at the level of management and administrative, because any process of change or improvement must be led by leaders. A possible solution to business strengthening could be the association of enterprises or cooperativization in the microenterprise sector.

The reality of this sector in Ecuador, according to censuses conducted by the National Institute of Statistics and Census (INEC) in recent years, is that this sector is unstable in its ventures, mainly in trade and services, which means that they do not have a strength in terms of credit financing.

The general objective of this work is to develop a methodology for competitive association and quality management in Ecuadorian pymes.

MATERIALS AND METHODS

This research is of a descriptive nature. In order to carry it out, theoretical and empirical research methods were used, such as:

The historical method made possible to analyze the evolution of competitive association and quality management in the Ecuadorian micro-business sector. The procedures used were analysis and synthesis.

The dialectical method was used to base the requirements that present the associativity in search of the strengthening of the competitive capacities of the sector, as well as to conclude about its potentialities before a globalized market and in constant transformation.

The systemic method was applied to evaluate the spheres that condition and model the performance of Mipymes.

Documentary analysis was used in the study of the difficulties of the micro-business sector in the Ecuadorian context, which allowed the design of a methodology with logical phases and steps, through the application of the logical-analytical method.

RESULTS AND DISCUSSION

Antecedents and state of the art

Cooperatives are "private law societies, formed by natural or legal persons who, without pursuing profit-making purposes, have the purpose of planning and carrying out work activities for social or collective benefit, through a jointly managed company formed with the economic, intellectual and moral contribution of its members" ("Fair Trade Act", 2013).

The cooperative is a production, procurement, consumption or credit company, with free and democratic participation, made up of people who pursue a common economic and social objective, but unlike what happens in other companies, the participation of each member in the benefit is determined by the work incorporated into the common objective and not by the amount of money contributed (Fernández, 2006).

Cooperation in Ecuador has a long historical tradition going back to pre-colonial times, as it constitutes an important factor for the organizational and cultural development of its population. In fact, in the old Quito, today Republic of Ecuador, before and after the denomination of the Incas and the conquest of the Spaniards, there were forms of voluntary cooperation of agrarian activities of family benefit, called: minga, joint work and change hands.

Those antecedents constituted what today is defined as: "...societies of private right, formed by natural or juridical persons that, without pursuing profit purposes, have for objective to plan or to carry out activities or works of social or collective benefit, through a company managed in common and formed with the economic, intellectual and moral contribution of its members" (Coque Martínez, 2002).

In the origins and consolidation of the Ecuadorian cooperative movement, at least three fundamental stages can be distinguished:

- The first began in approximately the last decade of the 19th century, when a series of craft and mutual aid organizations were created, especially in Quito and Guayaquil.
- The second began in 1937, the year in which the first law on cooperatives was passed, with the purpose of giving greater organizational scope to peasant movements, modernizing their productive and administrative structure through the use of the cooperative model.
- The third stage began in the mid-sixties with the enactment of the Agrarian Reform Law in 1964 and the new Cooperatives Law in 1966.
- According to preliminary data from the National Census of Cooperatives, carried out in 2002, there were 2668 cooperatives in the country, located practically all over the national territory, although with some concentration in the provinces of Pichincha (24%) and Guayas (16.5%).

There were more than 781,000 members and the highest percentages of membership were related to the two main areas of concentration indicated (36.2% in Pichincha and 9.1% in Guayas). Service cooperatives were the most numerous, representing 61.4% of the national total; followed in order of importance by consumer (15.2%), credit (14.3%) and production (9.1%).

During the last 15 years, transport and savings and credit cooperatives have been fundamentally strengthened and the remaining cooperatives have experienced a strong performance, particularly

agricultural production organizations and urban housing.

In terms of membership and comparing with the data of the mid-eighties, it results that savings and credit cooperatives currently occupy first place with 75.7% (in 1985 they were the last and contributed 15.8%), followed by consumption (14.6%), services (8.1%) and production (1.6%) (Da Ros, 2007).

In Ecuador, the types of cooperatives and their legal conformation according to section 3 Art. 23 of the Organic Law of Popular and Solidarity Economy (Centro Cultural de la Cooperación "Floreal Gorini", 2011), comprise four large groups; these are organized according to the provisions provided by the legal framework in: Production Cooperatives, Service Cooperatives, Marketing Cooperatives and Savings and Credit Cooperatives.

In short, the sector with the greatest development and relative weight in the national economy is undoubtedly savings and credit (Da Ros, 2007).

The province of El Oro stands out for possessing 36.34% of the total companies of Orense within the commerce sector; 32.78% to the services sector and 10.32% to the agro-industry sector, representing 79.45% of the total companies of said province (INEC, 2014).

In this locality, there are examples of cooperativization that show very good results, such as the Bank Savings and Credit Cooperative "JEEP", the association in transport, as well as banana production with the creation of the Regional Union of Coastal Peasant Organizations (UROCAL). Despite the above, a number of difficulties have arisen in the trade and services sector.

Scarce financing for Ecuadorian Mipymes

Mipyme refers to the classification of enterprises by size, an acronym that groups micro, small and medium enterprises; outstanding companies in the generation of permanent employment and suppliers of basic products to the domestic market (Araque Jaramillo, 2012).

Berger and Udell (2006), cited by de Albornoz and Illueca (2007), suggest that the credit technologies used by banks in granting financing to SMEs are not primarily based on the analysis of the borrower's annual accounts (except in very specific cases of extraordinarily solvent and transparent companies, audited by large multinational firms). These authors argue that financial institutions apply credit technologies to SMEs that incorporate other types of information, basically objective data about the owner of the company (credit scoring), data on assets provided as collateral (asset based lending) or private information obtained thanks to a long and exclusive relationship with the client (relational banking or relationship lending).

An additional analysis, in which a relational banking proxy is used as a partition variable of the sample, suggests that the predominance of credit technologies, alternatives to the analysis of financial statements, constitutes an estimable interpretation of the results obtained for SMEs (from Albornoz Noguera & Illueca Muñoz, 2007).

Long-term investments should be financed with long-term funds and, similarly, short-term investments should be financed with short-term funds. In other words, investments must be supported by adequate financing for each project.

In Ecuador, MSMEs comprise almost 98% of the country's enterprises, with a low competitive level, due in most cases to their economic and technological weakness and almost no focus on innovation (Araque Jaramillo, 2012). This last element constitutes a primordial factor for the generation of prosperity and business sustainability.

The most evident effect of Mipyme's inability to compete is expressed in the high mortality rate of entrepreneurships, which reached a value of 9% in 2014, higher than the established business rate of 7% (Lasio, Caicedo, Ordeñana, & Izquierdo, 2015) where the rate increases depending on the absence of entrepreneurial capacities to compete in an increasingly globalized market (Alianza para el emprendimiento e innovación, 2013). Due to the risk this represents, access to credit has decreased considerably.

According to the systemic approach applied to MSMEs, there are four spheres that condition and model their performance (Hernández, 2001).

1. The microeconomic level: Processes within the company to create competitive advantages. Management capacity of companies, their business strategies, management and innovation.
2. The meso-economic level: Efficiency of the environment, factor markets, physical and institutional infrastructure and, in general, specific policies for the creation of competitive advantages such as educational, technological, environmental, among others.
3. The macroeconomic level: fiscal, monetary, commercial, exchange rate and budgetary policies, which make it possible to allocate resources efficiently and, at the

same time, demand greater efficiency on the part of companies.

4. The meta-economic or strategic level: Development oriented political and economic structure, strategic visions and national development plans.

Elements of competitiveness and quality management

According to Lall, Albaladejo and Mesquita (2005), companies compete to capture markets and resources; they measure competitiveness by relative market share or profitability and use the competitiveness strategy to improve their performance.

Rubio and Aragón (2008), agree that competitiveness is the ability of a company to compete with others, reach a favorable position that allows obtaining a superior performance to the rest of the companies in the sector.

According to Marsch (2000), the essence of quality management is the principle of continuous improvement, since it focuses on processes and individuals alike and its objective is to provide higher quality at lower cost.

The concept of quality transcends the physical and functional characteristics of goods and services, including attributes that are related to the integral management of the organization. This conception is framed in a very competitive environment, which demands a management culture focused on customer and user satisfaction through constant quality improvement (CNPC, 2003).

Continuous improvement is a fundamental tool for all companies that allows them to renew the processes they perform, which contributes to organizations are constantly

updated, also allows them to be more efficient and competitive, strengths that will help you stay in the market.

The main challenge faced by Mipyme, at the international level, is the globalization of markets (Flores, Flores, & Olguín, 2012) that exerts pressure towards efficiency and forces all participating agents to increase their competitiveness in order to stay in the market, increasingly volatile and demanding (Cruz Ramírez, Pérez Castañeda, Hernández Zavala, & Quiroz Salas, 2012).

To achieve quality management in small and medium enterprises, the following aspects should be taken into account, according to Hernández (2001):

- Positioning: improve your position in the ranking and increase your market share.
- Reduction in number of rejections: reduction in returns.
- Changes in process flows: considerably reduce pollution hazards, investments made by companies in constructions and physical changes should contribute to greater productivity and time control. Investments are considered as an indicator of the economic performance and dynamism of the company and, at the same time, as an indicator of the awareness that companies have been acquiring regarding the importance of quality.
- Quality manuals: each company must have or develop its own quality manuals, complying with the fundamental ISO standards. The methodology for its preparation is well known by the national coordinations and is being disseminated.
- Total quality management: companies must integrate quality

aspects in the search for total management.

- Use of information technology: to varying degrees, companies must introduce information technology systems in areas such as raw materials, production, costs, comprehensive process control, among others.
- Standards: gradual introduction of appropriate methods and standards, adapted to the reality of the internal market; on the other hand, as the quality level of companies rises, increasingly demanding standards arise, not only for export purposes, but to defend against competition from informal companies.
- Attention to markets and diversification of products: encourage studies of consumer preferences, for example: the concern of companies to diversify their products.
- Marketing structures: companies must establish marketing structures, linked to those of quality, increasing marketing channels.

Methodology for competitive association and quality management in Ecuadorian pymes

Due to the problematic situation of failed ventures in pymes in Ecuador and from a project developed in Spanish pymes by Manuel Marí (2012) -Quality management and technology management, the experience of a Project to support small and medium enterprises- the methodology for competitive association and quality management appropriate to the Ecuadorian context was elaborated.

As part of this tool, it is proposed that a group of companies be associated and form a complete production cycle, taking into account the value chain of specific

products, as is the case of the trade and services company, as part of which would be associated: the producing company, the processing company, the marketing and diversifying.

The producing company, dedicated to the production of the products, following quality and eco-efficient parameters such as clean production, delivers the products to the processing company in charge of processing them according to the established quality standards, delivering them to the trading company, which is in charge of marketing it. The products, which do not meet the quality parameters for marketing, are intended for the company in charge of its diversification, which is responsible for the production of various products that will be offered to the population.

Objectives of the methodology:

- Sharing benefits
- Achieving business competitiveness
- Integrating Pymes
- Improve the quality of life of the population

Phase I: Exploratory

Step 1: Definition of the term associativity (by headings, by geographical areas, by products, others)

Step 2: Diagnosis about the selection of the pymes, object of Associativity, that is to say, to detect the potential Pymes (not less than 6).

Phase II: Educational and Financing

Step 3: Conducting training workshops and conciliation of interests (management of the management of each selected company, consulting, quality assurance (ISO-9000).

Step 4: Capacity building for national coordinations, transforming them into interface groups (counterpart is sought at the municipal level, including the Decentralized Autonomous Government and the Municipal Credit Fund). It is estimated that 25% of pymes and 75% of financing entities will be financed.

Phase III: Entrepreneurship

Step 5: Development, through teamwork, of indicators of social, environmental and national and international impact, innovations, diversifications and others. Training workshops to have a qualified workforce.

Phase IV: Computerization, communication and marketing

In this phase, the standards for quality management (ISO 9000) and environmental performance (ISO 14001 and 14038, among others) will be taken into account.

Step 6: Use of the necessary software for the management of company information, especially accounting and finance, as well as social communication and marketing media, applying the standards of the International Organization for Standardization (ISO) for each situation, as well as others.

Step 7: Review of the association's progress. Monitoring, control and detection of gaps.

Phase V: Rectification and future vision (positioning)

Step 8: Improvement plan. Continuous improvement.

Step 9: Consortium of exporters. Future vision, certifications, awards, fair trade among others.

From the review of the literature, it is concluded that Mipymes in Ecuador face various problems ranging from the globalization of international markets, to the high mortality of enterprises that cause the scarce credit possibilities.

With the methodology developed and through inter-institutional and

governmental support, an improvement in the management of quality and competitiveness in the Ecuadorian microenterprise sector should be achieved, since this is based on associativity or cooperativization, a key issue for the achievement of common interests and possibilities for continuous improvement in this sector.

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