

Small Commercial Business Analysis for Competitiveness Improvement In Puerto Vallarta, México.

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ABSTRACT : *Market globalization has affected significantly small commercial business in México, the aim of this paper is to analyze competitiveness using the Interamerican Development Bank frame work in order to identify improvement areas for Mexican business. A non experimental, descriptive analysis was driven in order to identify the actual factors that could lead to develop business performance in the sector.*

KEYWORDS: *Competitiveness, Small Business, Comercial Sector.*

I. INTRODUCTION

Small commercial business have an increasing importance as stated by the NSI (National Statistics Institute in Spain (2013) 99.9% of established business are small and medium, 42.2% are small, and 27.1% are commercial. A similar situation occurs in Japan and Korea. In Mexico according to INEGI (2009), business structure shows a pyramidal process. 95.2% of micro business, employ 45.6% of working force in the country, small size business represent 4.3% and employ 23.8 % of working force; middle sized business represent 0.3% and employ 9.1% of working force, commercial corporations represent 0.2% and employ 21.5% of working force. In the last years, Mexican economy has been improving; nevertheless there are structural factors in commercial sector that have to be attended. Low productivity, planned growth, use of information technologies are among the factors that have to be focused by small commercial business (Gutiérrez 2013). Micro, small, and medium sized business represent a key element for economic growth, they generate employment and contribute significantly to GDP (Gross Domestic Product), In Puerto Vallarta, México, small commercial business represent 98% of business and 52% of GDP, they contribute to employ 73% of formal working force (Navarrete, Hernández and Abadie 2011).

In the state of Jalisco, GDP value is \$ 722.5 billion pesos, commercial sector represents 21.2% of this share (INEGI 2011).

Business structure is composed by 157,368 establishments according to SEIJ (2009). La 94.8% are classified as micro, 4.2% as small, 0.7% as medium and 0.3% as corporate. (SEIJAL 2009). The state of Jalisco has considered in the long term plan; Jalisco 2013-2033. Competitiveness is a key issue to be addressed, focusing on specific sectors;

1. Employment and human capital
 2. Financing and entrepreneurship
 3. Competitiveness and economic growth
 4. Touristic development
 5. Rural development
 6. Innovation, science and technology
- (Secretaria de Desarrollo Economico en Jalisco 2014)

Prior studies have described the factors that impact small business failure in Puerto Vallarta; lack of financing options, lack of technical assistance, lack of knowledge of potential clients and lack of personnel training combined with lack of adequate managerial skills, cause small commercial business bankruptcy in 40% of the events. (Domínguez 2010).

The purpose of this research is to identify the factors that micro and small commercial business have to attend in order to strengthen their growth potential.

A non experimental descriptive analysis was driven, using the framework of the Interamerican Bank of Development using nine factors to analyze competitiveness A 165v micro and small commercial business was used with a significance level of, 95% = 1.96, a convenience, non-probabilistic design was used for the sample.

II. THEORETICAL FRAMEWORK

Competitive advantage theory and five forces analysis was used as a framework to analyze the level of competition within an industry (Porter 1990), systemic competitiveness model was analyzed to identify the levels and structure of competitiveness (Esser and Hillebrand 1994) the relationship between the competitiveness of enterprises and production costs variables (Benavides, Muñoz and Parada 2004). Sectorial competitiveness identifies seven areas in which business has to be competitive: General management, production, human resource management, marketing, finance and accounting (Horta, Silveira and Camacho 2013)

Neoclassical economic theory is inadequate for dynamic analysis, microeconomic theory is unable to provide a complete explanation of market share distribution in which certain business gain share thereby depriving rivals (assuming equal or similar techniques, cost structures and equal market share in perfect competition and monopolistic competition). Traditional international commerce theories, are unable to explain the fact of persistent market share gain by certain economies while other economies slowly reduce their share at constant rates Bajo (1991) (Comercio 2014).

The models that have tried to approach the phenomenon of integration to explain or predict this process can fall into two categories. Those arising from theoretical concepts on how and why it happens and those derived from empirical approaches. The former have the advantage of representing a globalism of the process where all the relevant variables are grouped, but in return still need to be experienced in practice. Empirically based models have to his credit an analysis of reality and therefore with subsequent testing of variables including, but have the disadvantage of being partial and limited to very specific environmental contexts and populations. However, in some interacting systems: labor market the applicant for a job, that is the subject that wants to access to a job with their specific characteristics; with the characteristics of the employer and the recruitment and flow between supply and demand; and finally, economic policy established by the legislation regarding recruitment and employment support features to be competitive

Insertion companies are companies which, properly classified, perform productive work participation in the market through the production of goods or the provision of services. These companies are primarily to its purpose the socio-professional integration of people experiencing social exclusion, by developing a personal project of insertion by providing gainful employment, training and support needed to improve their employability as a transition to mainstream employment and become a competitive company (Donoso 2000).

The Corporate Competitive Strategy Theory in analysis of competitive advantages, the company is divided in different activities identified as units that provide competitive differentiation and cost advantages. Each of these units should generate customer value and referred to as the value chain of the company. It also includes the concept of Drivers, which are determinants that mark the differences between competitors such as the following:

- Knowledge accumulation.
- Brand image.
- Location.
- Integration level.

Analyzing in depth the drivers can identify the true source of competitive advantage. Strategic decisions depend on the position of the company in the sector, which can be evaluated by way of the value chain and drivers (Economista 2013).

Theory of Transaction Cost has been proposed as an explanatory theoretical model of cooperation agreements. According to this theory, cooperation, on occasion, allocates resources more efficiently than the market and the company hierarchy. In this perspective, the cooperation becomes an intermediate point of connection between the market and the company under certain circumstances, correct market failures and becomes more flexible and dynamic hierarchies, to meet the changing environment. The company must always decide which would be the best choice of the three: market, internalization, or cooperative agreement. Theory of Transaction Cost establishes a theoretical basis for understanding the relations of cooperation, its advantages over the market or the company (Sánchez 2010).

The Competitiveness Factors Theory adopts factors raised by the European Management Forum (EMF). The conception of the EMF believes that competitiveness is an ability of the company reflected in the competitive advantages created from the relationships that are generated in different organizational processes and allow is better than the competitors in the same market. Secondly, because in a market economy consumers are demanding benefits that go beyond offering low prices; they demand attributes that better meet their needs. And finally, because it is in the market which reflects how competitive a company is, although the competitiveness is built from its internal areas. To the extent that progress is made in the field work with entrepreneurs and experts will discuss whether this concept is consistent with the factors defined for the design and methodology of variables (Cabrera, López and Ramírez 2011).

Instruments of 44 authors and 62 factors were analyzed to measure the competitiveness to verify consistency with the aim of the research.

Table 1: Company Sector – Size

Sector		Company size			Total
		Micro	Small	Medium	
Commercial	Count	154	15	3	172
	% in the sector	89.5%	8.7%	1.7%	100.0%
Services	Count	142	32	3	177
	% in the sector	80.2%	18.1%	1.7%	100.0%
Industry	Count	12	1	2	15
	% in the sector	80.0%	6.7%	13.3%	100.0%
Total	Count	308	48	8	364
	% in the sector	84.6%	13.2%	2.2%	100.0%

Source: Primary data.

A competitiveness map, developed by Interamerican Development Bank (IDB) was used to analyze the competitiveness of commercial microenterprise sector in Puerto Vallarta, Jalisco, consisting of 9 sections

1. Strategic Planning (Process, Implementation, Planning),
2. Production and Operations (Quality, Maintenance and Research and Development, Procurement, Inventory Management & Location Infrastructure),
3. Quality assurance (Appearance, General Systems)
4. Marketing (National Market and Sales, Services, Retail)
5. Accounting and Finance (cost monitoring and accounting, administration, legal and tax regulations)
6. Human Resources (General Aspects, Training and Staff Promotion, Organizational Culture, Health and Safety,)
7. Environmental Management (Policies, strategies for protecting the environment, awareness and training, management of waste)
8. Information Systems (Planning, costs, processes, and outputs)
9. Resources (Infrastructure, Economics, Natural, Government)

A section to analyze entrepreneur opinion of infrastructure, economy, government and Natural Resources Context was added. A total of 123 questions with Likert scale was used. The answers on the scale were rated from 1 to 5 where 1 represents completely disagree and 5 fully agree.

III. RESULTS:

Competitiveness was measured based on final score of each company, it was divided in 4 levels, the first and lowest level corresponding to those companies scoring 1 – 154, level 2 low, was for companies between 155 - 307, level 3 intermediate, was for companies scoring 308 – 461, level 4 high for companies scoring 462 – 615.

The results are shown in the next table.

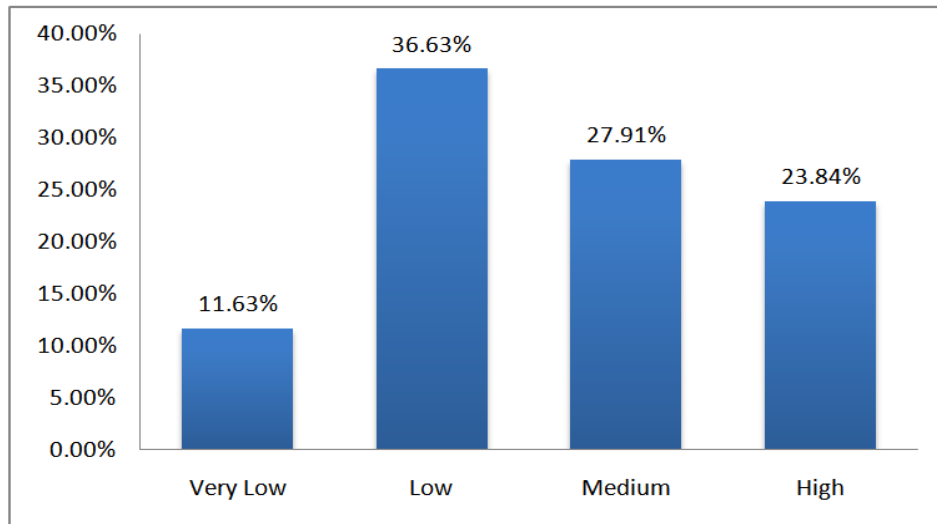
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Table 2 shows the size and sectors; commercial, service and industrial that were taken as sample for this project. Being representative for all the types of companies and sectors.

Graphic 1.- Competitiveness levels.



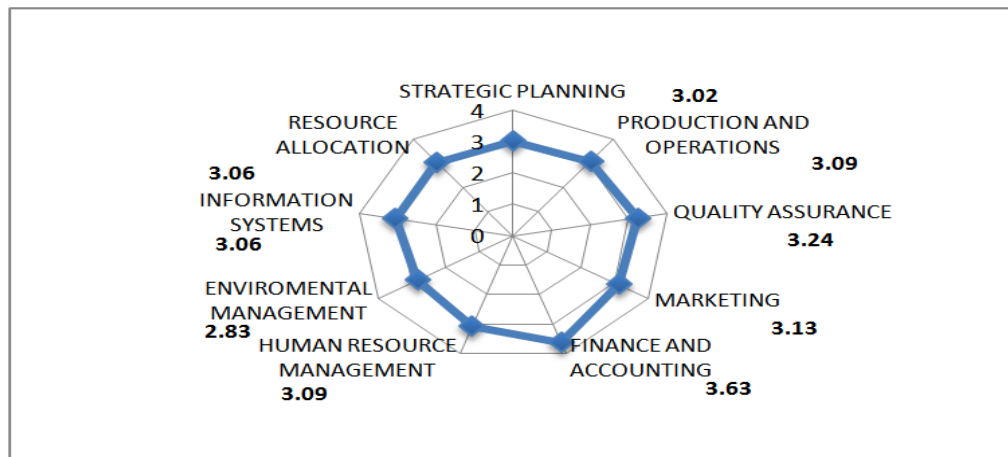
Source: Primary data

Graphic 1 represents global competitiveness level of micro small and medium companies, 11.63% very low, 36.63% low, 27.91% medium, 23.84% high. The highest score obtained was 63 which represents a lowest 36.6%, the nearest with small mean difference is 48 with 27.9%.

Global competitiveness of commercial sector by factor

The following graphic, shows global competitiveness in each factor, the factor with the highest score is finance and accounting 3.63 and the lowest is environmental management with 2.82 points.

Graphic 2: Global competitiveness of commercial sector by factor.



Source: Primary data.

Competitiveness of commercial companies by size

Micro companies rated a competitiveness level of 89.5%, small companies 8.7% and medium 1.7% respectively. The lowest score was obtained in 20 cases with the lowest competitiveness level, the size of the companies were 19 micro and 1 small. The highest rate was obtained at the low competitiveness level with 63 cases. 59 were micro sized companies, 3 small and 1 medium sized company. Medium competitiveness level was obtained in 48 cases, 45 were micro sized companies, 2 small companies and 1 medium sized company. High competitiveness level was obtained in 41 cases, 31 were micro sized companies, 9 small companies and 1 medium.

Table 3: Competitiveness level–Company size

		Company size			Total
		Micro	Small	Medium	
Very Low	Count	19	1	0	20
	% Competitiveness level	95.0%	5.0%	0.0%	100.0%
Low	Count	59	3	1	63
	% Competitiveness level	93.7%	4.8%	1.6%	100.0%
Medium	Count	45	2	1	48
	% Competitiveness level	93.8%	4.2%	2.1%	100.0%
High	Count	31	9	1	41
	% Competitiveness level	75.6%	22.0%	2.4%	100.0%
Total	Count	154	15	3	172
	% Competitiveness level	89.5%	8.7%	1.7%	100.0%

Source: Primary data

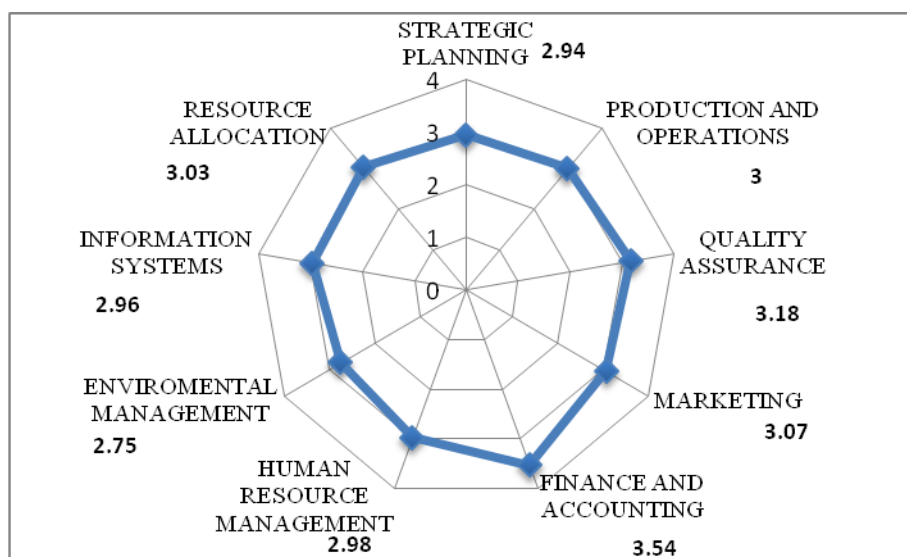
Competitiveness factors by size

Micro sized companies competitiveness is the highest score for finance and accounting 3.53 the lowest environmental management with 2.75.

Small sized companies, show the highest level for finance and accounting muestra 4.50 and the lowest for resource allocation with 3.18.

Competitiveness for medium sized companies shows the highest score in finance and accounting 4.19 and the lowest in Strategic Planning with 3.46.

Graphic 3: Competitiveness by factors of commercial micro sized companies.



Source: Primary data.

IV. CONCLUSIONS.

76% of micro sized commercial companies has a medium/high competitiveness level, the strongest factors in this case are production and operations, quality assurance, marketing, finance and accounting, the weakest factors that should be strengthened to improve its competitive scope are strategic planning that could lead them to establish business orientation and guide future activities, that is closely linked to top management, human resource management that prioritize individual relationships rather than collective relationships within managers and workers, looking for active participation of workers all through the company, environmental management that leads to social responsibility and environmental care strategies, this could lead to improve public image. The use of information technology should be considered as a strategy to support operative processes in order to develop a competitive scope of the business.

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