



COMPETITIVE ANALYSIS OF SMES IN THE SERVICE SECTOR IN JALAPA VERACRUZ MÉXICO

Bertha Alicia Arce Castro¹, Rosa María Sánchez Hernández², Jorge Ramírez Juárez³ Alejandra Apodaca Borrell⁴ y Saraith Alarcón Morales⁵

ABSTRACT

This paper investigates how SMEs face changing environmental conditions. During the investigation, companies were identified that coincide with the strategies given by professors Miles and Snow (1978). In this way, it can be affirmed that only one third of the service SMEs in Jalapa, Veracruz, are explorers, able to dare to know the opportunities that the market offers, the wishes of their clients, technology and innovations. Traditional companies or defenders (more than 67%), recognize in advertising a good way to meet their customers are not willing to invest in advertising campaigns, or distribution staff or software to control their inventories or sales, are organizations inflexible, most of them family members, who rarely innovate their products and technology. Most of its products are quality, have identity and recognition among their neighbors and acquaintances, the price and its policy is based on sales volumes and payments, do not consider costs or profit margins. The reactive companies are new (4 years) are confused with conservative, inconsistent responses and reflect the intuition of the owner and ignorance of the market.

Key Words: Explorers, traditional, reactive, SMEs

Introduction

Jalapa, capital of the State of Veracruz, is identified by the lack of industries, the main source of income of its inhabitants the main source of income of its inhabitants is focused on the supply of the Municipal and State Government Institutions, Social Security, the Federal Electricity Commission, the Universidad Veracruzana in order of importance and those generated by the

¹ Dra. en Ciencias: Profesor-Investigador de la Facultad de Ciencias Administrativas y Sociales, Universidad Veracruzana. alisson2113@gmail.com

² Dra. En Psicología de las Organizaciones, Profesor-Investigador de la Facultad de Ciencias Administrativas y Sociales, Universidad Veracruzana. rmsan@hotmail.com

³ Dr. En Ciencias. Investigador del IIESCA Universidad Veracruzana. joramirez101910@hotmail.com

⁴ Lic. en Relaciones Industriales ale_apodaca101@hotmail.com

⁵ Alumna de Maestría en Gestión de Recursos Humanos, El trabajo y Organizaciones U.V.

service companies whose target market the workers, their families, students and tourism. The last one is not very significant, since the beach destinations are very nearby and turn out to be more attractive than the offered ones by the capital characterized by cultural events or enjoy the nature in parks and gardens.

The SMEs in accordance with the information generated by INEGI (2014), has a probability of survival and approximate life expectancy of 7.7 years and in Mexico they represent 99.8 % of the whole of companies of the country (Promexico, 2014), and generating of employment.

There has been realized this investigation limited to companies located in the sector of services with number of personnel bigger than 10, and permanence on the market superior to four years.

The research question rests in knowing how, the elected companies, they are prepared to confront those factors that affect the competitiveness and what type of strategy use to assure its permanence on the markets across the contributions of Thousands and Snow (1978).

In order to answer this question, a descriptive -argumentative investigation was carried out. The method of collecting data was the structured survey, while the company is the unit of analysis to be considered. In an environment as that of province where from certain time until the date changes have been caused in the conditions of market of services that had been considered to be stable, for example the transnational ones and franchises like FASTI,OXXO,X24 by quoting some that have modified the conduct of the consumer.

Materials and Methods

Earlier the visit to the shop of the corner was the most frequent thing for the housewife or any member of the family. At present, the business franchises have displaced the micro company, the competition forces the SMEs to act of different forms and during the investigation that could be identified companies that agrees with the strategies given by the teachers Raymond E. Thousands and Charles Curtis Snow (1978), these authors distinguish the so called exploratory companies, the advocates, you reactivate them and the mixed ones.

The literature of the eighties considered that the success of the company could be sustain on four actions for which to direct the raison of the organization: to create and to maintain the loyalty of the clients, across offering goods or services at prices lower than the competition, be very clear about their objectives and strategies independently of the size of enterprise and the income must be major than the expenses (T. Levitt, 1986):

In the year 2017 there exist factors that have modified the conditions in which the companies compete, can no longer obviate the complex relationships of the environment. This phenomenon goes beyond the globalization of international markets and the transnationalization of capital, because the globalized economy is diluted in the concept of satellite-center at the level of companies (Drucker, P, 1989). Favoring the substitution of vertical economies by horizontal ones at a global scale, a fact that does not mean the disappearance of the political-economic

centers of power, on the contrary they are strengthened, when finding "new" mechanisms, under the disguise of "global participation" to obtain the extraordinary profit or monopoly.

These transformations are based on the technological processes, the intensive rhythm of the innovations and its incorporation in the production, the electronics, the computer science, the robotics, the new materials, the genetics and the biotechnology, helped by the mass media that intensify and promote the thickness and rapidity of the information. As result of the above the national economies tend to integrate to the economies of the global markets, the massive economy is replaced with the highly competitive specializing economy (Villareal, R, 1992; Sonntag, H, and Yero, L, 1991).

To compete, the companies must have products and services that are "paid" by their customers and, this in turn generates the need to develop a labor force that realizes its contribution in the production and later commercialization of the respective products and services. Nevertheless there has appeared evidence (Butterfield, G, 1996) that most of the directors and executives of companies in Latin America do not count with enough arsenal of administrative knowledge, to apply them in its companies.

In Mexico there exist organizations that operate in bureaucratic form, that is to say those that maintain rigid procedures; norms, exact rules and that are not ready to the change and others where its leaders apply the familiar traditional administration centred on the authority where the direction of the company is based on the plans of the proprietor whose vision is limited to the domestic survival. In this business environment the Organizational Development offers great potential that can be beneficial in the introduction of changes and improvements in the companies The concept of Organizational Development (OD) is based on the theories of behavior and the systematic approach and has its origin in 1962 considering the man, the organization and the environment like a everything (Butterfield, G, 2001), despite their antiquity in the formulation of these theories have not permeated in the majority of the SMEs of services that are studied in this work.

The companies in the city of Xalapa, Veracruz, are immersed in environments that from the systemic approach there generate conditions that force them to interact in a very complex way.

1.2 The company and its context

To be able to perform studies that allow explaining, how the companies act with regard to the environment and before its influence, it is necessary to classify them in accordance with its way of adapting itself to the environment that surrounds them. This way they qualify in the so called explorers, advocates, you reactivate and mixed the previous classification following the proposal of Thousands and Snow (1978)

These authors explain how organizations develop skills to adapt to the environment

Specially, for the present study and following the mentioned authors, there are analyzed each of the companies mentioned in the previous paragraph. Firstly, exploring companies defined as capable of investigating, among other things; what are the opportunities that exist on the market across diverse mechanisms that bring them over to the knowledge of the desires of its customers; what close competition means and offers and how the possibilities that technology and innovations can provide facilities to maintain customer loyalty and the permanence of the organization in the markets.

On the other hand, the so called companies advocates are the conservative organizations, which remain on the market in those squares that there consider to be stable and proven whose customers are children or relatives whose parents have bought or used its services and have reputation of being "sure" companies and that almost are "a tradition in the city". These companies rarely change and are maintained with their technology, form or structure. But if it is necessary to admit that they center its attention in offering effective services and of quality. The reactive companies are those whose future is very uncertain because in accordance with the authors they do not answer appropriately to the change or to the changes in the conduct of the consumer or to the new competition, companies that we can affirm do not know the market and its changes, live shut up in the belief that with the fact of having installed the business, its knowledge of the office or experience in the work in another similar company guarantees to them that the customers will go in its search, work up to date and do not have planned where to go and much less how to do it, if they survive quite improbable thing on the markets owes to the initiative of the proprietor who for "intuition" defines the strategy. Finally, the mixed enterprises are those that they include typical of two or more types of the previous ones.

During this study there is analyzed the context in which the company is unrolled, what is the conduct of the consumer who generally uses its services and how the competition has caused the decrease of the sales in the small shops as well as what is the conduct that the proprietor of the same one adopts before the new challenges, where the most important and slightly understandable for the majority is it to think in a systemic way about the first instance and then strategically to adopt the necessary solutions instead of presuming them or applying recipes of the past or without doing anything "(Terlizzi, 2014).

Method

1.2 Sample and Procedure

For this investigation, it is important to be provided with information of the population of study, which generally certain characteristics shared together. For such a motive, the group to which it is studied limits himself to those companies SMEs that count with at least 4 years of work in the economic sector of services and 10 workers or more working at the moment of the application of the instrument of evaluation. In this study 36 companies took part, all of them located in the city of Xalapa, Veracruz.

Calculation of determination of the sampling

This study circumscribes a frame contextual of these organizations which, as it was already mentioned earlier; it is inside the city of Xalapa, Veracruz, Mexico. This city in accordance with the Institute Nation of Statistics, Geography and Computer science (2015) is provided with 480,841 inhabitants and is considered to be a locality with big commercial, cultural and political activity since it is the capital of the State, it is for it; that the rendering of service of any nature thrives and she is one of the main sources of revenue of the population.

Thus the universe of research is limited based on the following information

Place	Sector: services	N° de employees	TOTAL
Edo. de Veracruz	Business	11 a 50	764
Xalapa, Ver.	Business	11 a 50	53

Source:

<https://www.siem.gob.mx/SIEM/portal/consultas/respuesta.asp?tamano=2§or=3&estado=30&consultaporliga=1>

Definition of the sample

To determine the size of the population of study of transverse form, 53 companies were located in the area with the characteristics previously exposed, of which, sustained in random processes under a sampling by conglomerates 36 of them were selected. The size of the sample was obtained from the formula:

$$n = \frac{Z^2 pq N}{NE^2 + Z^2 pq}$$

With a level of confidence and standard error determined to consider a statistical probabilistic process.

1.3 Process

The obtained information was gathered in the establishment of every organization, with the due permission and knowledge of the direction. An investigation questionnaire was realized. All the participants answered the questionnaire of a voluntary and anonymous way, being interviewed in the same facilities of the organization, obtaining an answer valuation of about 90 %.

Measure

To evaluate the different managerial strategies, and to be able to determine in that classification there must be considered each of the taking part companies, a questionnaire is prepared cantered in the persons who will the play the functions and how the manager has the vision or not of generating the conditions so that its collaborators interfere.

The applied questionnaire consists of 38 questions split into four big blocks: The evaluation of the answers is supported in the methodology in the scale of Likert or method of summaries evaluations, which is considered to be suitable if it is desirable to know or to evaluate the opinions and attitudes of the persons, the scale goes from 1 to 5, where the answer by the grade of importance that the manager gives is interpreted of the following way: 1 means that the realized question considers her to be minor, 2 is equivalent to little importance, 3 moderately important, 4 is interpreted as important and 5 very important.

The First block: P1 to P8 they provide general information of the company: antiquity on the market, number personnel, type of company, the manager characteristics or proprietor, its labor antiquity in the company, formal education level.

The following blocks were based on the tool used for the development of the investigation and book “Intellectual Capital” (et. Franco, 2014) The first block takes as a target to measure everything regarding Product or Service: (13 questions) It Provides information of the product or service, proactive, innovative attitude, specialization, or development of new lines and knowledge of the market, prices, competition and tastes of the clients.

The second block, Price and quality of service (7 Questions) considers those issues related to price policy, the relation of the price with the costs, strategies to improve and to maintain the quality of the service and/or product.

Third block, Distribution (10 questions) Allows to know the development policy or implementation of innovative skills of distribution, sellers' training, problems of logistics supply chain, distributors, use software to control the orders and the strategists or it subcontracts often the activities of distribution and logistics.

Finally in the fourth block, Promotion (8 Questions) investigates the position of the company in the promotion and approach to its customer and its environment, such questions as: Does it make use of every communication tool to provide its products and services? Or is its publicity considered to be more effective than its competition? There are examples of how this topic is tackled.

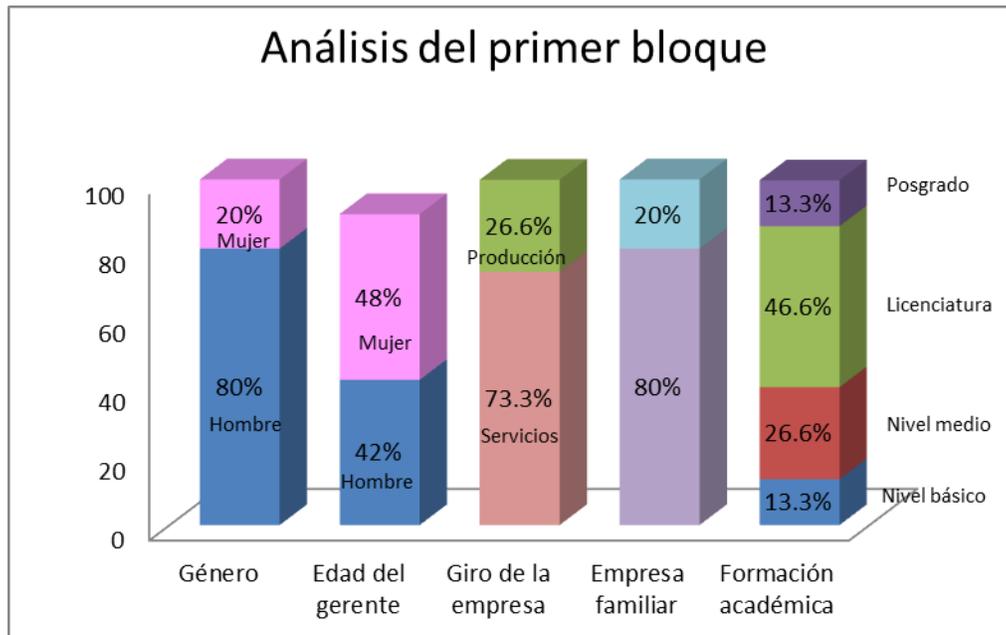
This instrument is to try to know the role of the human resource in the managerial strategy and if they will support the organization so that this one stays stable.

Results and Discussion

In accordance with the information obtained with the application of the instrument, the sample it presents the following characteristics: the permanence average on the market of the interviewed companies is 9 years, being mostly family enterprises (80 %). The managers of these organizations, in 80 % are men, with an age average of 42 years. It is interesting to notice that

59.9 % of the interrogated persons counts at high academic levels: (46.6 % studies of licentiate and 13.3 % of postgrad)

In average the number of workpeople in the organizations is 7, as for the business activity to which they devote themselves, 73.33 % belongs to the services branch and the remainder 26.6 % prepares some product between those who emphasize carpentries and processed food, of what a third one can affirm that two third parts of the companies of the sample devote themselves to the services and only to the production (See the graph 1).



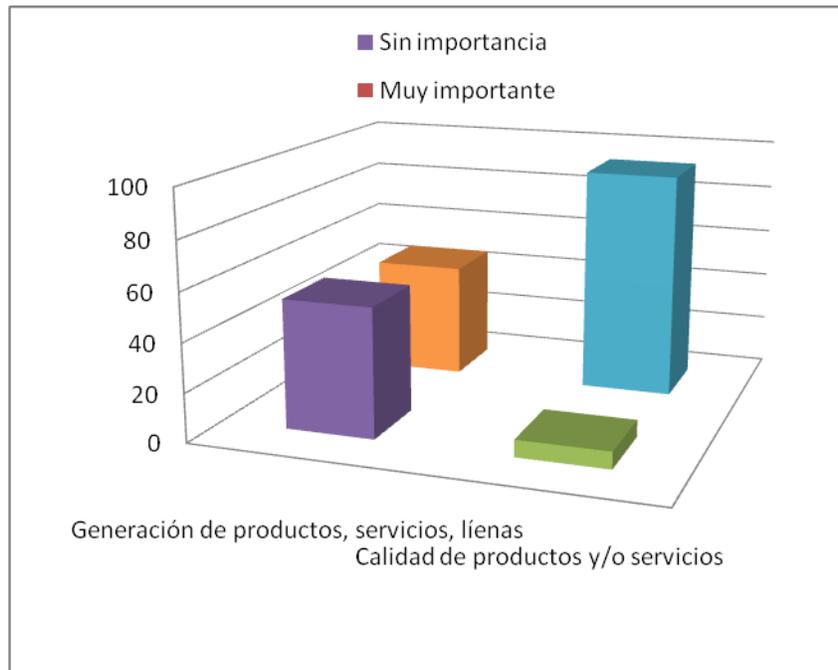
Graph No.1biographical data Source: own elaboration 2017.

Product or service, specialization, prices and competition

In the obtained results it is possible to do a separation of the companies in two big groups of the interviewed companies much marked with regard to the generation of products, services and the creation of new lines of production. For 47 % of the interviewed companies these concepts are considered in the scale of important and very important; This one can understand due to the predominant business activity that the organizations, since, on having belonged to a segment of so hard-fought market, they need to have certain grade of innovation that allows them to remain inside him.

For 53 % remainder of the companies, which have already been established like tradition between its consumers they is not the important above mentioned aspect, they know or believe that they have the loyalty of its clients insured.

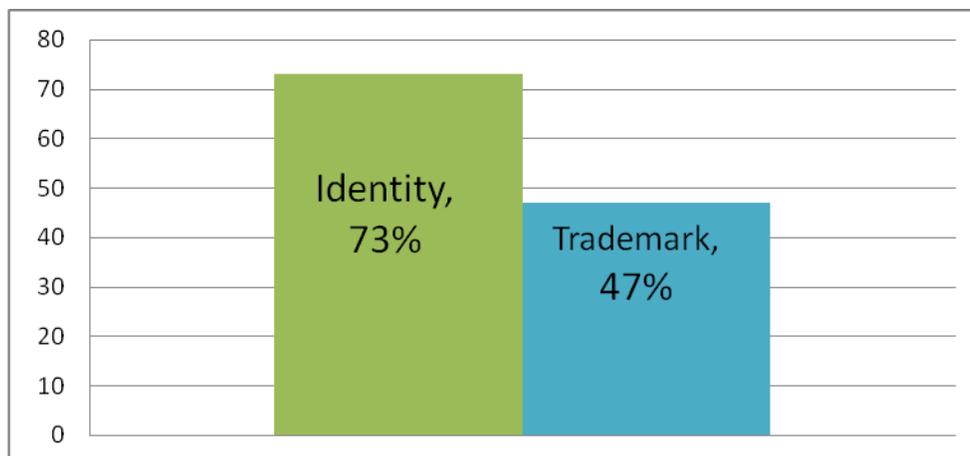
Nevertheless it is necessary to make to notice that 93 % of the interviewed companies think that it is fundamental to preserve the quality in the products and/or services, factor perceived like very important for the interviewees. In the graph Not 2 observes the previous thing.



Graph No. 2 Perception with regard to the innovation and quality of the services.

Source:own elaboration 2017.

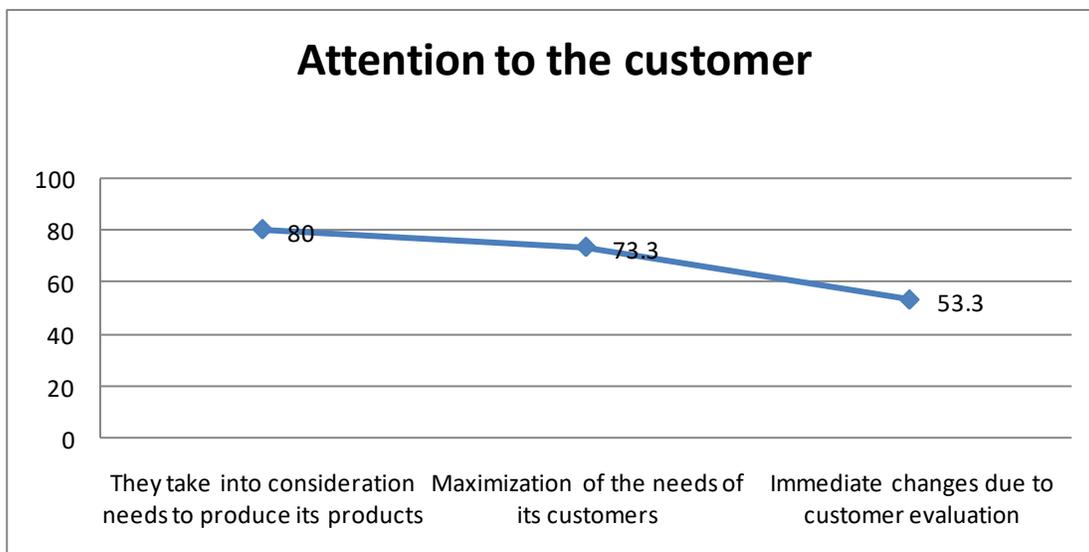
With regard to the identity or mark of the products 73 % of the interviewees considered it to be important; nevertheless, in practice, on having stated if the company interviewed really was counting the creation of a mark, logotype, image or motto of the company, it turned out that only 47 % if it has at least one of the said concepts and has invested in them since he considers them to be important. 53 % remaining is recognized organizations and they take identity only as the activity that they realize, they are known in limited ambiances, where they attend to most of its clients. In the Graph No. 3 show themselves the contrasts on what it has to and what is.



Graph No.3 Importance that the manager of the company gives to the identity and percentage of companies that have really developed to mark- .Source: own elaboration 2017

Attention to the customer

80% of the newly created companies take into account the needs of the customers to elaborate their products, since like any business it is necessary to establish to which niche of the market the activity will be focused; nevertheless in the course of time this process of progress or innovation in the products making costs them time and money, therefore many of the SMEs, they do not have the monetary aptitude to finance the above mentioned processes, it is for it that after passed a few years of operation, it is observed that only 73 %, considers to be important maximizing of the needs of its customers regards to the requests of the product, that is to say, 7 % less of the business that supported in a beginning in the tastes of the customers now already does not consider them when these request changes; in addition to the previous thing only 53 % would realize changes to its products and/or services on having received a criticism of its consumers. This managerial attitude shows itself in the Graph No. 4, where the behavior of the organization is appreciated in answer to the needs of its customers.



Graph No.4 Customer service due to overt needs Source: own elaboration 2017

Price Policies

These results are obtained of the block 3 of the questionnaire that centers its attention on knowing the price policy, the relation of the price with the costs and the quality of the service or product. The results obtained by the interviewees were the following ones: 46.6 % of the companies thinks that its prices are low than it of the competition, while 53.4 % of an honest way affirms that its prices are in equal conditions or even major as it is appreciated in the Graph No.5



Graph No.5 Percentage of businessmen who show its price policy. Source: own elaboration 2017

With regard to its perception of the relation it cost - benefited 66.6% and it says that its prices are neither good nor bad, but adapted with regard to the costs that they have, nevertheless 80% affirms that its prices change in accordance with the quantity of products that they bandage; that means that the prices are set in accordance with their costs, 70% of only uses of the base, since over the course of time the sale is fluctuating the same way as the offer and the demand.

The previous thing defines the price policy, since 67 % of the interviewees thinks that it was very important, and is used by 53 %, which realizes a discount politics for prompt payment. These strategies are understandable by the education that the managers have with regard to the market in which they turn out to be wrapped, since a services sector the competition of prices and products substitutes is the being in all sides, and the establishment of basic prices for the healthy competition is what maintains so many SMEs

In the Graph No.5 is observed how more than half of the companies apply the discount politics for prompt payment, fixing the price of the services according to the costs the benefit margin.



Graph No.6 Price Policies Source: own elaboration 2017

Nevertheless, 33 % remainder of the interviewed companies, commonly negotiates the price of its products with the customers, the above mentioned result turns out to be worrying since it makes to notice the need that this business has for selling. Also, the absence of stability of the prices puts them in disadvantage opposite to other business that offer the same products and/or services to a certain cost, giving them major reliability opposite to the consumers. Graph No.7



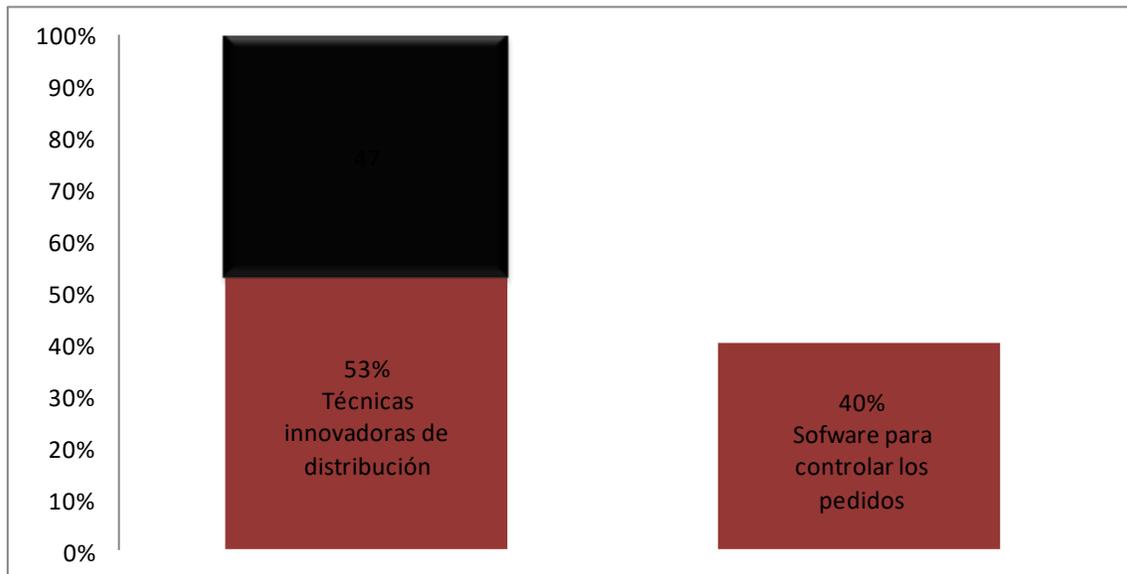
Graph No. 7 the third part of the businessmen considers important to negotiate the price
Source: own elaboration 2017

Distribution

It allows knowing the development policy or implements innovative skills of distribution, sellers' training, problems of logistics supply chain, distributors, use of software to control the orders and the subcontracts often the activities of distribution and logistics.

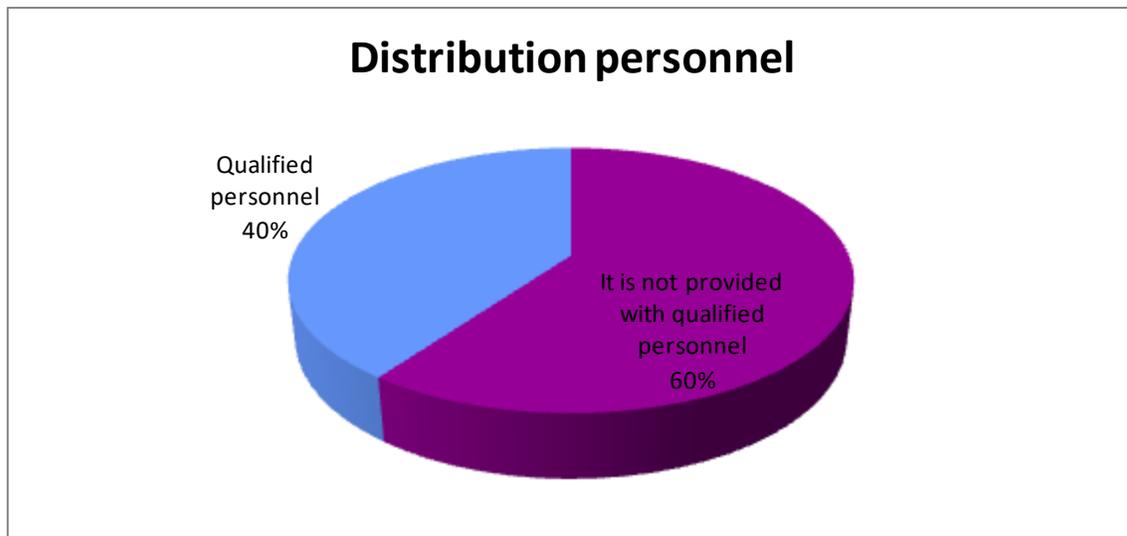
As expected in any company of services, it was interesting to know if these SMEs was developing and implementing innovative distribution skills. 53% of them answered affirmatively, this turns out to be understandable owed at the level of commercial development that each one of these shows and 40% uses software to control the orders and the deliveries.

47 % remaining, uses neither new forms of distribution, nor the application of technological elements that they support in the above mentioned task; nevertheless an advance begins to exist towards the new technologies in the SMEs like support means, since the managers value the utility of these for its business. In the graph No. 8 there appears the behavior of 53 % of the interviewees that if it uses some innovative distribution skill.



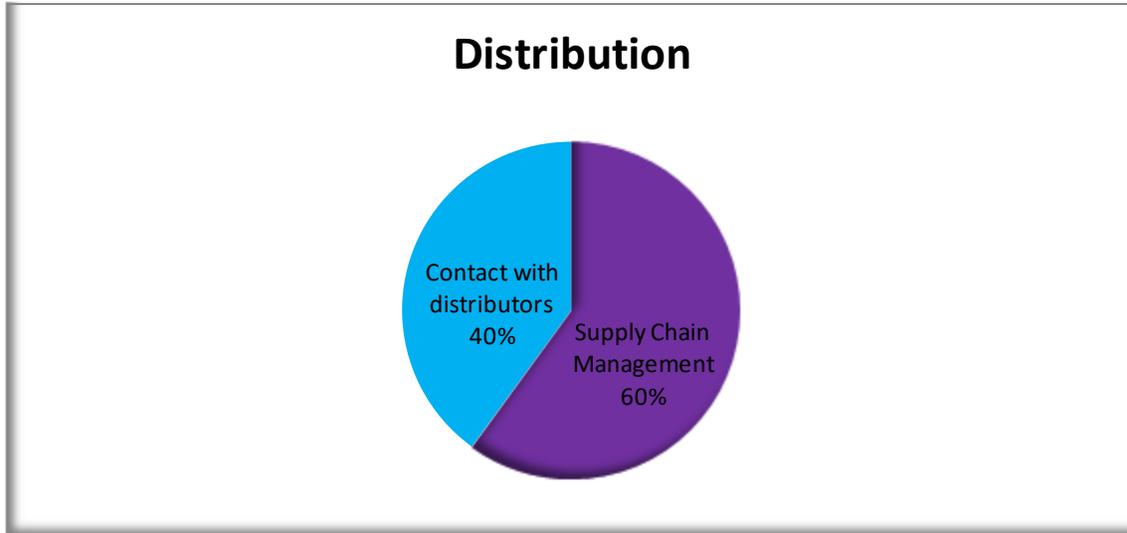
Graph No.8 Percentage of SMEs who uses innovative distribution skills.
Source: own elaboration 2017

Regarding the highly qualified and efficient sales agents who obtained less than half (40%) have qualified personnel for what they subcontract frequently, it is an element to worry about having so much turnover of personnel that are not reliable elements that can to perform successfully in their work, which has an impact on general training costs and on trial time for the adaptation of new members. Graph No.9



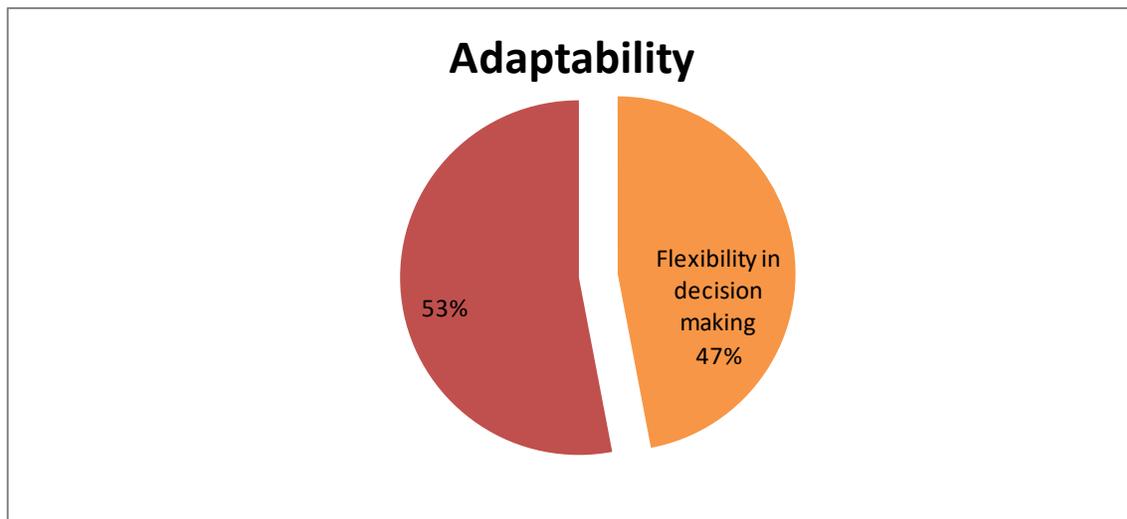
Graph No.9 Organizations that are provided with personnel qualified for distribution
Source: own elaboration 2017

The managers believe they have a suitable management of their supply chain since their 60% like that expresses it; nevertheless only 40% maintains a constant contact with its distributors and although the contact is not the only one of the elements of the management, yes it is one of the main elements to take a suitable control of the activities so that the products come to its destinations. This can be seen in the graph No.10



Graph No.10 Percentage of companies that are in contact with its providers. Source: own elaboration 2017

Fortunately, as a segment of small and medium sized business, flexibility in decision making should be an advantage over larger organizations. However only 47% is flexible and adapts to market conditions. Graph No.11

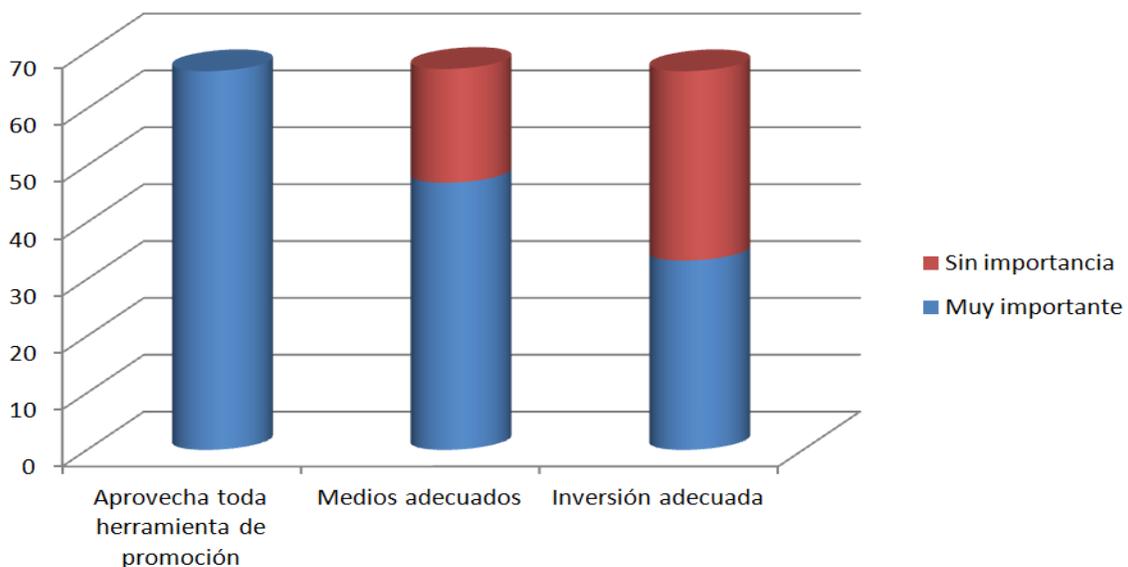


Graph No.11 Flexible companies in the decision making. Source: own elaboration 2017

The obtained results of the Block 5 are called: Promotion

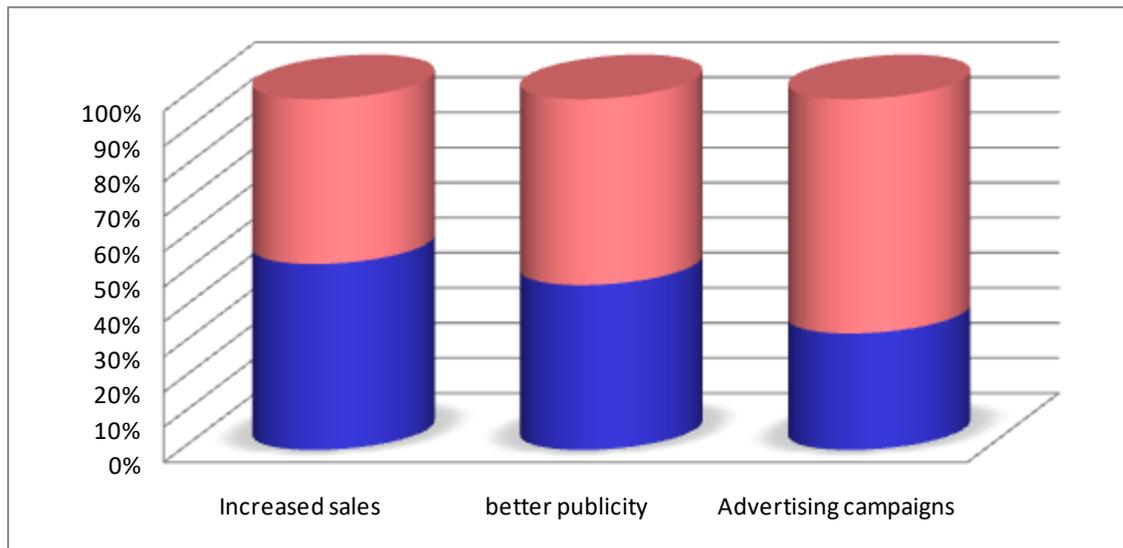
Like any organization with plans to stay in the markets and prosper, one of the most reliable tools for its positioning within the preference of consumers is the promotion of that product and / or service. Of the interviewed companies it was obtained that 67 % was thinking that he makes use of every communication tool for the promotion, nevertheless half of these (33.3 %) agreed in that the mass media were the suitable ones, that leaves another 33.3 % in an inadequate use of means and in addition to 47 % who affirms that the investment realized in publicity is the suitable one, only it gives as turned out a massive search of means, which investment does not convince to most of utility for the prosperity and growth of the business.

The above is a worrying element, already small and medium, to be necessary in their promotion to reach social groups, lack of knowledge in those means that more suitable than the turn of their occasional activities and unnecessary costs disadvantages in front to competition. The absence of knowledge in those means that are more adapted the same way as the turn of its activity causes unnecessary expenses and disadvantages opposite to the competition. GraphNo.12



Graph No.12 Promotion of the company. Source: own elaboration 2017

On having questioned yes its publicity, it is better that the realized one by the competition 47 % creates that its publicity is better, while 53 % of the companies its sales have increased thanks to the publicity; the results obtained cannot to back up since, only 33.3 % of the interviewees realizes constantly promotional campaigns of its products, this means that in spite of having knowledge of the need that means for the companies to announce its products to the public, less than half of these realizes a constant promotion of it.



Graph No.13 Publicity and promotion. Source: own elaboration 2017

Conclusions

Of the SMEs in the services segment analyzed, the following can be affirmed:

Percentage of exploratory companies corresponds approximately to the third part of the interviewees one might consider in this category, after analyzing the answers to our questions, they are those capable of daring to investigate the opportunities that exist on the market across diverse mechanisms that bring over to the knowledge of the desires of its customers how the possibilities that the technology and the innovations can offer facility to preserve the loyalty of the customer and the permanence of the organization on the markets, they are in contact with its providers and are flexible in the decision making.

It exist a percentage of more than 67 % can be located like companies advocates or traditional that although they admit that the publicity is a good way of meeting its customers are not ready to invest either in advertising campaigns, or in distribution personnel or software for control of its inventories or sales, there are conservative organizations, they are not flexible in the decision making, there are family enterprises, which do not adapt themselves to the conditions of the market either. These companies rarely introduce new technologies into their processes. Most of its products are of quality and they have modified neither the image nor aspect of the service that they give have identity and recognition between its neighbors and acquaintances, the price and its politics is according to the volumes of sale and payments, they consider neither the costs nor the benefit margins.

Reactive companies are confused with conservatives, their answers are not consistent, claim to take advantage of all promotional tools and unfortunately neither image nor brand have, are innovative but unfortunately do not know the market, identifiable feature in these are the few

years of permanence in the market (three years). They are expected to be able to overcome the adjustments and changes that the market establishes.

References

Butterfield, Gaynor, (2001) Integrando las BestTheories con las BestPractices en Jornadas de desarrollo Organizacional Argentina.

Butterfield, Gaynor, (1996). “Desarrollo organizacional e inteligencia Organizacional. Organizaciones transnacionales (las influencias transculturales)” en Revista del Instituto Argentino de Ejecutivos de Finanzas. No. 123.

Drucker, Peter. (1989) “Las nuevas realidades”. Editorial Norma: Bogotá, Colombia.

Franco Pérez, Emeterio; Santarriaga Ramírez, María de los Dolores; Soto Ramírez, Francisco; Arce Castro, Bertha Alicia y Sapién Aguilar, Alma Lillia(2014) “Capital Intelectual” PEARSON: México

Levitt, Theodore .(1986) “Comercialización creativa”. CECSA:..México pag 19

Miles, R. and Snow, C. (1978).Organizational Strategy, structure and process.Mc. GrawHill. New York.USA

Sonntag, Heinz y Lourdes, Yero. (1991) “Procesos sociales en marcha, hacia una nueva utopía necesaria Caracas”.Edición Nueva Sociedad UNESCO: Venezuela.

Terlizzi, Miguel Alfonso. (2014). “Qué aporta el enfoque sistémico y estratégico a las organizaciones” Revista MBA &Educación Ejecutiva, N° 1, 25. Recuperado el 18/08/17 <https://mba.americaeconomia.com/articulos/columnas/que-aporta-el-enfoque-sistemico-y-estrategico-las-organizaciones>.

Villareal, René., (1992). “La Globalización Económica” en Revista Mexicana de Política Exterior, No. 35 México

Promexico (2014). Pymes, eslabón fundamental para el crecimiento en México. Recuperado de: <http://www.promexico.gob.mx/negocios-internacionales/pymes-eslabon-fundamental-para-el-crecimiento-en-mexico.html>

Secretaría de Economía. Sistema de Información Empresarial Mexicano. (2017)Recuperado de:<https://www.siem.gob.mx/SIEM/portal/consultas/respuesta.asp?tamano=2§or=3&estado=30&consultaporliga=1>