

Growth of the D-Ksa Micro-Enterprise from the Perspective of Market Expansion

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Abstract: *The objective of this research is to analyze and determine the factors and strategies that can be implemented within the D-Ksa Microenterprise in order to expand its capabilities, from the perspective of market expansion. It is intended to answer the research question, why, even with the participation in different events to position the brand in the market, do not specify more points of sale in the state of Jalisco ?, through the hypothesis that by means of alliances strategic alliances will increase participation in the market, the aforementioned alliances will give the guidelines to carry out this analytical research based on the point of view of resources and capacities, implementing the value, rarity, imitability and organization model (VRIO).*

Keywords: *Market expansion, Microenterprise, VRIO Model., JEL:D01, D41, L11, L20.*

Introduction

In September 2013 the D-Ksa microenterprise started in the city of Tepatitlán de Morelos, its main activity is the production of amaranth energy bars. Over the years D-Ksa has diversified its presentations in order to open the market. In the year of 2015, it had five presentations, which increased to double by 2016 and in 2017 it launches another four, and currently has a total of fourteen. With the passing of time, D-Ksa has sought to increase its market, so it requests government support through different secretariats which promote the development and training of entrepreneurs, in which they did not get an answer, so they do not it could detonate the growth of the microenterprise.

Analyzing the aforementioned by the General Manager of D-Ksa it is observed that this microenterprise is positioned in a small market corresponding to the municipality of Tepatitlán de Morelos, as well as in the sector of the city of Guadalajara it begins to open the market. It is clear that the objective of this research is to analyze with strategic management the factors that D-Ksa could promote for its expansion. Consequently, the state based on the resources and capacities in which it has been raised previously generates a question from which all this research arises: How to make the growth of D-ksa from the perspective of the expansion to the market?

The hypothesis is that there are few strategies that are not effective enough for expansion into new

markets, however, these premises cannot be accepted or rejected until the analysis of the VRIO model is concluded, which is presented then.

Background

Concepts

Market expansion

The authors Vargas, Guerra, Borjorquez and Borjórquez (2014) mention that the diversification and expansion of competition and technical knowledge in certain areas of specialization of the company, ensure a strong position in the market and greater durability of the same. The factors that determine the availability of administrative services and the need for these, determines the maximum rate of growth of the company, which is defined as the percentage in which the size of the company increases per unit of time.

According to Delgadillo Moreira (2011), a market expansion strategy seeks to enter new market segments, before being threatened by the offensive of another company that could apply flanking strategies, in this way this policy is proactive and not reactive.

Microenterprise

Next, some concepts of microenterprise are defined. For the Ministry of Economy (2010), are all those businesses that have less than 10 workers, annually generate sales up to 4 million pesos and represent 95 percent of the total of companies and 40 percent of employment in the country. In addition, they produce 15 percent of the Gross Domestic Product. On the other hand, for the Official Gazette of the Federation, microenterprises in Mexico are those productive units that have between 1 and 10 employees, including the owner. Although a large part of them is concentrated in the stratum of between 1 and 5 employees according to the classification by number of employees.

Other authors such as Carpintero, BID and Ruiz (1998) consider the microenterprise as a subsistence production unit that, in many cases, is outside the regulatory framework, whose owner is the one who carries out most of the activities

of the business (Samuel, 1998). In this case, it is worth noting that many of the times their workers are family members, so it is very difficult to separate between the family and the company.

On the other hand, Murguía, Ashby, & Luz, (2000) state that micro-enterprises play an important role both in the generation of jobs and in the contribution to national GDP. However, they emphasize that these are the companies that receive less support from government and private institutions. Likewise, Murguía, Ashby and Luz define microenterprises as establishments with a maximum of 15 workers and whose total annual sales do not exceed 110 minimum salaries, as well as having low capital intensive operations; that is, not advanced or dynamic technologies that depend on the work factor. In these micro enterprises the most precious resource is labor, most of them present an informal economy, as they belong to a single owner or owner and have a small volume of their operations (Murguía, Ashby, & Luz, 2000).

Model VRIO

Manifest Alvarado, Varas and Sánchez, for the case of the study of the strengths and weaknesses of the company, is the VRIO model developed by Barney and based on the theoretical foundations developed by the theory of resources and capabilities (2009). The scientific literature considers Barney (1991) as the forerunner of the VRIO model, which consists of analyzing the relationship of heterogeneity and immobility of the company's resources, as well as the sustainability of competitive advantage, through the study of the resources used by the company from the point of view of issues of value, rarity, imitability and organization.

Barney (2009) also mentions that the external and internal analysis of the company are not substitutes but complementary, so the VRIO model is structured based on four questions whose answers determine whether a resource or capacity is a strength or weakness (Alvarado, Varas, & Sanchez, 2009). On the other hand, Alvaro Moncada and Oviedo state that the VRIO analysis is presented as an adequate tool to evaluate the

strategic resources of the SME and determine how they contribute to the generation of competitive advantages and superior performance. Besides that, it can contribute to establish the possible strategic changes in the development and acquisition of resources and capacities of the SMEs.

B.Theoretical Revision

Peng (2015) mentions that an industry is a group of firms or companies that produce similar goods and / or services, while for Penrose, as cited in Vargas (2014, page 102), a firm is more than a unit. administrative, and also a collection of productive resources, where the choice of the different uses of these resources over time is determined by administrative decision. The physical resources of a company consist of tangible things; plant, equipment, land and natural resources, raw materials, semi-finished products, waste products and by-products, and even unsold stocks of finished products; There are also human resources available in a company such as unskilled and skilled labor, office personnel, administrative, financial, legal, technical and management personnel.

In order to complement the previous concepts, Peng (2015) defines resources as tangible and intangible assets or assets that a firm uses to choose and implement its strategies, it also specifies the characteristics of each class of resources, for example, the tangibles are those that can be easily seen and quantified while intangibles are difficult to see and quantify. The former is subdivided into: financial, physical, technological and organizational; At the same time, intangible resources and capacities are of three types: human, innovation and reputation. The previous conceptualization helped generate the theory of resources and capabilities, where companies differ among themselves, causing them to be unique and unrepeatable and focusing on their strengths and weaknesses.

The previous approach is useful to explain the Penrose effect, which argues that an administrative group is a group of individuals who have had experience in teamwork, also

argues that if a company expands its organization more quickly than the people of the organization, the efficiency of the company will be affected (Strategic management of organizations, 2014). Therefore, there cannot be a growth of resources over capacity or vice versa.

In the book *Strategic Management of Organizations*, Vargas (2014, page 102) cites Heracleous, noting that: the point of view of the company based on resources has had a great influence on the theory and practice of strategic management since 1980 this has contributed to various disciplines and has much potential to be useful in other areas such as organizational adaptation in highly changing environments. Similarly, Wernerfelt (1984) formally raised the resource-based point of view, suggesting that the most relevant tools to dominate the market are strongly related to the company's resources in terms of strengths and weaknesses.

In parallel Adam Smith's model is based on perfect competition which mentions that the invisible hand is the one that fixes the market price, so perfect competition is a factor to analyze the resources that are available to establish the strengths and capabilities which will allow the approach of a strategy in order to outperform other companies. It can be added that the value is of the utmost importance since with this a comparative analysis is made to know the strategic resources of the company. The basic idea of the perfect competition model is that a market, which complies with a set of basic characteristics or assumptions, should lead society to a result in which all participants obtain the highest possible remuneration, all win, and so it is as much possible to achieve what Tirole calls the common good "(Del Toro Gonzalez, 2018, page 164).

Vargas (2014) in his book *Strategic Management of Organizations*, quotes Penrose who states that there are three kinds of explanation of why there may be a limit on the growth of companies, the first relative to the management capacity, which is refers to the conditions within the company; the second explanation is due to product markets or factors, that is, to conditions outside the company, such as

uncertainty and risk; the third is a combination of internal attitudes and external conditions.

On the other hand, Porter (1990) suggests three generic strategies in relation to the previous model to reinforce the position of the company against the five forces, which are: cost leadership, differentiation and focus. The focus contained in the five forces covers the needs of a particular segment or niche of the market, be they geographic, customer types or product lines (Peng, 2015).

An important factor that will analyze the growth of the market will be the VRIO model based on aspects of value, rarity, possibility of imitation and organization. This adds competitive advantages to the company since its valuable, rare, inimitable resources are valued through of the organization of its resources. The present investigation is proposed to be analyzed with this tool. The main argument of Barney (1991) is that a company that has valuable resources (V) and rare (R) has the potential to obtain a competitive advantage, and when those resources are also imperfectly imitable (I) and non-substitutable (S), resources have the potential to generate a sustained competitive advantage (1991).

According to Barney and Clark (2007), each one of the strategic resources and capacities identified must be evaluated and the competitive implication of it determined, by means of the following questions:

- The question of value: Do the resources and capabilities of the company allow it to respond to the opportunities and threats of the environment?
- The rarity question: Is a resource currently controlled by only a small number of competing companies?
- The question of imitability: Do companies without resources face disadvantages in costs to obtain or develop it?
- The question of the organization: Are the policies and procedures of the company organized to support the exploitation of its

valuable, rare and expensive resources to imitate?

It is stated that a company has a sustained competitive advantage when it applies a value creation strategy that is not used simultaneously by current or potential competitors and when these other companies cannot duplicate the benefits of this strategy. To be valuable, the resource must provide positive rents when it is deployed. Rarity requires that the same resource is not available to competitors, and non-substitutability requires that other types of resources cannot obtain the same effects (Barney, 1991).

The resource-based view is based on the assumption that most resources are negotiable. However, some resources and capabilities are company-specific and “sticky” (Barney, 1991), that is, they cannot be transferred easily between companies without significant costs. What this imperfect imitability obtains by one or more combination are: the growth of resources historically developed in the company, its nature is tacit based on the skills or the intensive use of people and, therefore, complicates the understanding of the source of competitive advantage, and with complex resources residing in collective actions.

Although the main originator of the theory based on resources was Edith Penrose’s who emphasized dynamic concepts and change over time, with a static nature (2004). However, in 1997 Teece, Pisano and Shuen once again expanded the vision based on resources to dynamic markets, introducing the perspective of dynamic capabilities, referring to the ability of a company to deploy resources.

On the other hand, Amit and Schoemaker state that information-based processes, tangible or intangible, are specific to the company and are developed over time through complex interactions between company resources (1993). Teece, Pisano and Shuen (1997) argue that dynamic capabilities are more important for the company than other resources, because they build

new forms of routines, while other resources only replicate existing routines.

Analyzing the aforementioned processes to build new routines and apply the conceptualization will be considered an alliance in which the internal factors of the company are analyzed, evaluating the feasibility of this, so for Jordan D. Lewis (1990) a strategic alliance is a formal and mutual collaboration agreement between companies. The partners share or exchange specific resources of their businesses for the benefit of all those, but they continue to manage their own companies. In the partnerships there is a risk, however, you are providing opportunities for improvement.

Are the alliances good? They are considered to be a link to obtain growth in the market, becoming a competitive advantage, creating new business opportunities and strengthening the company. Although in the formation of an alliance there are some disadvantages as mentioned (Peng, 2015).

- The possibility of getting stuck with the wrong partner, that is, not being different enough to provide complementary capabilities;
- There is also the potential opportunism of the partner;
- There are negotiation and coordination costs, and
- Alliances can be dangerous because they can help competitors, opening to “strangers” is easier to observe and imitate the capabilities of a firm, here there can be a learning career where allied partners seek to overcome learning the tricks from the other side as quickly as possible and leave the alliance to apply the skills learned before the other partner.

In the book by Vargas Hernández, Guerra García, Bojórquez Gutierrez and Bojórquez Gutiérrez (2014) it is mentioned that to obtain a complete model of strategic alliances and networks, there is a group of strategic considerations taken from the “tripod of the strategy”:

- Industry-based considerations,
- considerations based on resources, and

- considerations based on institutions.

Taking into account the aforementioned, emphasis will be placed on considerations based on the resources contained in the VRIO model:

- Value: is it a valuable resource to achieve an advantage? According to Álvaro Fernando Moncada Niño and Martha Lucía Oviedo Franco in their work, valuable resources are considered those that can be used as a response to external threats, and in turn, help take advantage of opportunities. The definition of the value of the resource or capacity is related to its possibility to exploit an opportunity or mitigate a threat in the market. If one of those two things is done, it can be considered as a strength of the company; otherwise, it is a weakness. When these are properly exploited they usually lead to an increase in revenue or a decrease in costs or both.
- Rarity: is it being used by a small group of firms? The VRIO framework considers that resources must be rare, limited or unique, that is, very few companies are using it in their activities, otherwise the resource would not serve as a competitive advantage. If the rarity remains, and few companies manage to acquire it this would mean that the resource would remain scarce, which would give it the characteristic of sustainable competitive advantage (Moncada Niño & Oviedo Franco, 2013).
- Imitability: is it expensive to imitate? The resources are inimitable when the possibility that competitors have to analyze and duplicate them makes obtaining or acquiring them expensive or taking their replication too long (Moncada Niño & Oviedo Franco, 2013).
- Organization: is the organization prepared in its policies and procedures to use this resource? Relative to the fact that the company has certain organizational aspects, such as the organizational structure, processes and systems, as well as the business culture itself, to exploit the full competitive potential of its resources and capabilities. Therefore, the resources and capacities have to be

exploited efficiently by the company (Moncada Niño & Oviedo Franco, 2013).

Research Methods

This research is in the field of social sciences, given this nature, the method is the analytical, implementing the theory of resources and capabilities through the VRIO model. This theory is necessary to recognize the way to execute actions that allow the micro-enterprise D-Ksa to generate a competitive advantage and with this achieve the objective of market expansion.

Analysis of Results

Next, the VRIO model is realized through the four attributes of the resource-based vision and its contribution to the competitive advantage of D-Ksa.

- **Value:** the consistency achieved in the amaranth energy bar. Since it is something that characterizes a lot to these products and why consumers choose this good over another in the market.
- **Rarity:** they provide a temporary competitive advantage. In practice, the products are made from agave honey, but there are other competitors that handle this base.
- **Imitability:** this case is the value with which the consistency of the products has the facile difficulty to imitate, since in the market there are substitute products but their competitive advantage is not that of D-Ksa.
- **Organization:** for this value is to find the specific and commercial market that consumes these products.

Now, a VRIO matrix is shown for its proper analysis. It is not valuable and is not exploited by the organization and is shown as a weakness which results in a competitive disadvantage. On the contrary, if it counts on the value, but it is not uncommon, it is a strength obtaining a competitive parity. And if it has the value, it is rare, but it is not expensive to imitate it is considered that as a company it has a strength with a temporary competitive advantage. And if it has value, rarity, is expensive to imitate, is

exploited by the organization has a strength as a sustainable competitive advantage. The aforementioned is taken as reference research work: ICT as a source of competitive advantage in SMEs (Moncada Niño & Oviedo Franco, 2013).

Conclusions and Recommendations

In the present investigation carried out by the theory of resources analyzed by the VRIO model, in which it was sought to give answers to the research question, why, even with the participation in different events to position the brand in the market, is not specify more points of sale in the state of Jalisco? It was concluded that despite the efforts made as a microenterprise by making its products known in the market, there is no corresponding follow-up, which tends to limit its potential market. The fact of having few personnel affects the capacity of organization making it very limited. It is considered that it has a temporary competitive advantage, therefore, innovation and organization is important.

The result proved that an alliance is necessary to have new markets and customers, the organization is an important factor since thanks to this the costs and risks that would significantly affect D-Ksa will be reduced.

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