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ADVANCES IN GLOBAL SERVICES AND RETAIL MANAGEMENT

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Market Expansion and Business Growth From the Perspective of Resources and Capabilities: The Case of a Micro-Enterprise

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Abstract

This paper has the purpose to determine and to analyze the internal and externa variables to consider in the design and formulation of strategies to be implemented by the small enterprise the D-Ksa aimed to expand organizational capabilities from the perspective business growth based on market expansion. This study intends to answer the question, why, the participation in different promotional events and activities aimed to position the branding in the regional market, do not target to achieve more points of sale in the state of Jalisco? The hypothesis formulated assumes that strategic alliances will increase the share and participation in the market. The strategic alliances will give the resources and capabilities required to carry out the business activities to growth and expand the market share.

Keywords: business growth, capabilities, market share, resources

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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 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 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. The aim of this study is to analyze the strategic management of variables 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 and development of D-ksa business from the perspective of resources and capabilities to expand 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, Borjórquez and Borjórquez (2014) mention that the diversification and expansion of competition and technological knowledge in certain specializations areas of a business company, ensure a strong position in the market and greater durability of the same. The variables that determine the available administrative organizational services and the need required for these, are leading to determine the highest rate of growth and expansion of the business company, which is well defined as the percentage of share market and rate of growth in which the operational size of the business company increases its growth per unit of allocated 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 the business organizations having less than 10 employees, annually achieve sales up to four million pesos representing around 95 percent of the total micro and small business companies and almost 40 percent of full employment in the Mexican country. Moreover, they produce more than 15 percent of the national 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.mOther 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, Murguia, Ashby, & Luz, (2000) state that micro-business enterprises play a critical role both in generation of employment as well as 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 (Murguia, Ashby, & Luz, 2000).

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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, & Sánchez, 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.

Theoretical Revision

Peng (2015) mentions that an industry is a group of companies and firms producing similar goods and services, while for Penrose, as cited in Vargas (2014, page 102), a firm is more than a unit. administrative, and a set of productive and valuable resources and capabilities to be used as a means in different productive processes over time as it can be determined by administrative effective decisions. The physical resources at the disposal of any organization consist of tangible valuable resources and assets such as the physical plant, structural machinery, equipment, tools, land, buildings, natural resources, raw materials, other inputs, semi-finished and in process products, waste residuals, products, by-products, unsold stocks of finished products, etc. There are also human talent resources available in the small and micro enterprise, among others, the skilled and unskilled labor, office, administrative and bureaucratic personnel, financial and accountability personnel, legal and security resources, technical and management personnel.

To complement the previous concepts, resources are defined by Peng (2015) as intangible and tangible assets used by the firm to design, formulate and implement organizational strategies. It also specifies the characteristics of each class of resources, for example, the tangibles are those that can be seen, touched and quantified while intangibles are not seen, observed and quantified. 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 formed by individuals with experiences in teamwork, also argues that a company can expand its business more quickly with the support and involvement of people of the business organization, while 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 most critical tools to dominate the market are more related to resources of the firm 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 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 the main reasons to be a limit on companies growth, the first relative to the management capacity, which is in reference to the internal conditions of the organizations; the second part in the explanation is related to the variables related to product markets, that is, to external or environmental conditions of the company, such as uncertainty, risk and complexity; the third explanation combines internal attitudes, resources and capabilities with the external and environmental conditions. From another perspective, Porter (1990) has proposed 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) contends that the company has valuable (V) and rare (R) resources that have the potential to obtain competitive advantages. These resources are also resources not perfect to imitable (I) and no able to substitute (S), thus, these resources have the potential to generate a sustainable competitive advantage (1991). 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:

1. The question of value’s attribute is related to the firm´s resources and capabilities that can give responses to environmental opportunities and external threats to the organization.
2. The question of rarity is currently of resources and capabilities being controlled by few oligopolist competing business organizations.
3. The imitability is related to the question of business organizations that do not have enough resources and capabilities to face the disadvantages in organizational costs to become more efficient.
4. The organization attribute is related to the question about the organizational policies and operational procedures designed to support the development and exploitation of resources

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and capabilities that have the attributes of being valuable, becoming rare and developing expensive resources and capabilities difficult to imitate.

It is stated that a company has a sustainable competitive advantage when the business organization designs and applies the strategy of value creation not being implemented simultaneously in the same market by current and potential future competitors. At the same time, these competitors may not be able to duplicate the implementation of the strategy. To become valuable, the resources and capabilities must provide positive returns when it is implemented and deployed. Rarity is an attribute requiring resources and capabilities not available to be implemented by the competitors, and finally, non-substitutability is an attribute that requires that different types of resources and capabilities are not able to obtain the same benefits and effects (Barney, 1991). The resource-based view and capabilities of organizations assume that most of these can become negotiable. Nevertheless, most of organizational resources and capabilities are company-specific oriented and sticky (Barney, 1991). Said this, organizational resources and capabilities cannot be exchanged and transferred easily between different firms in competition without having significant costs. This results in imitability that is not perfect and 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 original source of the resource theory is based on the studies conducted by Edith Penrose who has emphasized the dynamics and change in organizations 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. Other perspective on resources has been proposed by Amit and Schoemaker (1993) who have stated tangible and intangible information-based processes become specific to the firm developed over time horizon and conducted through uncertain and complex interactions among different resources of firms (1993). On the other hand, Teece, Pisano and Shuen (1997) sustain those dynamic organizational capabilities are relevant for the firm than other organizational resources, because they contribute to build and develop new forms of processes and routines, despite those other organizational resources and capabilities only may replicate some of the existing routines. Analyzing the processes to build new routines and apply the conceptualization will be considered an alliance in which the internal variables 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 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).

1. The possibility of getting stuck with the wrong partner, that is, not being different enough to provide complementary capabilities;
2. There is also the potential opportunism of the partner;
3. There are negotiation and coordination costs, and

4. 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.

The authors Vargas Hernández, Guerra García, Bojórquez Gutierrez and Bojórquez Gutiérrez (2014) have mentioned that to develop a new model of organizational networks and strategic alliances there are some strategic considerations sources as the tripod of the strategy offered by Peng (20015) based on industry, resources and capabilities, and institutions

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 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

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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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