



Research Paper

## Some Proposals to Display Smes (Pymes) In Ecuador

PhD. Martha L. Bayón Sosa<sup>1</sup>  
Lic. María Fernanda Mendoza Saltos<sup>2</sup>

**ABSTRACT:** Nowadays, small and medium enterprises (it is Spanish Pymes) have become entities that motivate a notorious interest, in accordance with the organization in which the modern company is based. In Latin America, also in Ecuador, many authors and institutions bet on them as a means to achieve a greater presence in the world market, as well as for their ability to absorb employment and their impact on GDP. However, statistics show that, its participation in exports is limited, and, worse still, a significant proportion, fail in the short term. By the way, the objective of this work is to provide some recommendations that contribute to the progress of SMEs (Pymes). For this, the qualitative method was used, which was based on the study of documents, conducting interviews and group discussions with owners and workers of SMEs (Pymes) and officials of the Ecuadorian State.

**Words key:** Pymes, Ecuador, Recommendations for the Pymes, Macroeconomic Policies.

Received 07 Sept. 2019; Accepted 26 Sept., 2019 © the Author(S) 2019.

Published With Open Access At [www.Questjournals.Org](http://www.Questjournals.Org)

### I. INTRODUCTION

The current accumulation model is based on a new type of productive organization of the company that is identified with flexible<sup>3</sup> specialization. In this type of business operation, the behavior of the demand is first examined and then, in conjunction with it, the production is carried out; then, it concerns to say that, the production responds to an order and, by its order, then it is provisioned and, finally, it is produced<sup>4</sup>.

The new accumulation model requires that companies adapt to demand in an expedited manner, that is, they adapt effectively, this requires dynamism, innovation capacity, quality and competitiveness. For the rest, it must be added, articulated with the progressive complexity of the production process and the flexibility of demand, there is a tendency to isolate segments of the production process in specialized plants, with commercial relations between them, or relationships tend to be established Contracts with independent, smaller companies, which they insert as a link in their production chain (value chain).

However, the current behavior of monopolies does not mean a decrease in the concentration of property, but rather, once large companies, now work fragmented to produce or act by unloading several of their operations in smaller companies, to which they submit more flexible way, making the whole chain better suited to the mandates of the demand.

SMEs (Pymes) offer multiple advantages for this new form of business organization, as they are more easily able to detect and take advantage of small market niches to be more ductile, to be faster in decision making, to be closer to their customers, to be in the more feasible the associativity between the workers and of them with the bosses, and, equally, by employing a simpler communication.

In the global context, SMEs (Pymes) have grown in number and importance, too, the trend towards their participation in business and markets in the process of functional integration of their activities at the planetary level, that is, of internationalization, is increasingly evident.

<sup>1</sup>Professor of the Faculty of Economics. University of Havana Doctor in Economic Sciences.E-mail: [mlbayon@fec.uh.cu](mailto:mlbayon@fec.uh.cu).

<sup>2</sup>Professor of the School of Audit. Faculty of Administrative and Economic Sciences. Technical University of Manabí. Ecuador.E-mail: [mfms1977@gmail.com](mailto:mfms1977@gmail.com).

<sup>3</sup>"Flexibilization" means flexibility of the technical apparatus, of fixed capital, with the flexibility of wage hiring. The word "flexibility" is used to cover both the flexibility of the machines and the contract.

<sup>4</sup>This system allows to minimize losses, stock in warehouses, production that is not sold.

As Oñoro (2010) expresses the new organizational logic in the form of networks of companies that order production chains, surpassing, due to their greater ability to respond quickly to the increasingly fast market, to the vertically integrated business model. The current technological revolution makes it possible to manage increasingly vast business structures, imposing the company-network format on conglomerates. The recurring outsourcing opens spaces for the association of micro and small businesses, although in a subordinate way, in the great global economy. (Oñoro, 2010, p. 10)

The United Nations organization recognizes the importance of SMEs (Pymes) today, and highlights that they represent, more than 90% of companies globally, produce about 50% of the Gross Domestic Product (GDP) and generate between 60 % and 70% employment. In addition, they contribute to meeting the 2030 Agenda for Sustainable Development, specifically, they support the promotion of decent work and economic growth (SDG 8), promote innovation and a sustainable industry (SDG 9).

Similarly, it should be stressed that the proliferation of SMEs (Pymes) is not an exclusive phenomenon of a group of countries based on their geographical location or development, but that they have a similar presence in Europe, the United States and Latin America. However, in the less developed countries, those of smaller size, limited production capacity and low use of technological advances predominate, in relation to SMEs (Pymes) located in the most developed countries.

Everything indicates that the size, capacity and technological level will be determined by the international specialization of the economy of the former, the predominant sectors and the minimum efficient size (trade, tourism, services); In addition, its condition of being generators of technological progress.

Together, a phenomenon to be highlighted is that the classification parameters regarding the limits of the size of SMEs (Pymes) are updated according to the economic and social reality and the effects of the different support measures, both as regards to economic, fiscal and credit policy, among others.

For its part, the Organization for Economic Cooperation and Development (OECD), in a document prepared in 2010, highlights that, despite its number, weight in the generation of employment and contribution to GDP, unlike what happens in developed countries, this sector pays very little to exports and its invoices do not reach 15% of the total. (OECD, 2010, p. 16).

According to the latest data provided by Spain Startup only one in ten companies of this type that are created do not exceed three years of life.

Likewise, García Ordóñez (2016) expresses, in the case of Spain, 80% of companies bankrupt in the first five years, in fact, statistics speak of a high mortality in newly created companies. According to 2013 data, more than 70% of businesses do not reach four years of life.

The business mortality rate is extremely high, the figures, as always, are disparate according to studies and sources, but when the most optimistic (such as the Chambers of Commerce) say that after five years approximately half of companies have failed to survive, something is definitely happening.

Why does this happen? And most importantly, what can be done so that these businesses do not fail? By the way, of these questions the objective of this work is to offer some recommendations that contribute to the progress of SMEs (Pymes).

## **II. DEVELOPING**

### **1. Pymes: Latin America and Ecuador**

The Economic Commission for Latin America and the Caribbean (ECLAC), well understood in the peculiarities and requirements of the region, recognizes the importance of SMEs (Pymes). He points out that, although in Latin America, SMEs (Pymes) are responsible for more than half of employment and 28% of regional GDP, however, their exports do not exceed 15% and, even worse, their growth is stagnant and Productivity is extremely low in relation to its counterparts located in developed countries and with that of large companies. Regarding the subject, he subscribes that small and medium-sized enterprises are substantial agents in the economic structure of the countries of the region for their contribution to employment and, although to a lesser extent, to the gross domestic product (ECLAC, 2012, p. 23).

On the other hand, ECLAC (2012) recognizes that the life cycles of these companies are very short. In this regard, he writes that, despite its importance, during the first three years, between 50 and 75% fail and cease to exist.

Several explanations have been given to reason about this phenomenon. According to ECLAC, the failure responds to the lack of access to new technologies, and in many cases for not having enough financing.

For their part, the owners of SMEs (Pymes) consider that the reasons for failure must be sought outside the companies, in particular, that the State that has not implemented the precise support policies or in the risky external competition.

However, a significant group of business analysts are more oriented towards identifying the causes of failure in the SMEs (Pymes) themselves and, in particular, they associate it with decision making in an inappropriate and inappropriate way to the reality of the company, to the absence of a correct analysis of the

indicators, to the lack of control of the effectiveness of the administrative functions, and of other aspects of the development of the company, like the growth, the profitability, the rotation of inventories, of assets, among others. In summary, the management capacity of those responsible and ignorance of their own weaknesses.

The truth is that, when investigated beyond, it emerges as a reality that external conditions are the same for all companies, however, some remain and others do not.

As the document Resources for SMEs (Pymes) (2007) states, a company is made up of a multitude of fundamental aspects that require learning, control and management and that go beyond its product or service itself. In fact, small and medium businesses tend to succumb because of what was called “lack of business education”, that is, they did not know or manage well the basic aspects that keep alive and grow a business and that ended up causing anxiety the whole initiative, just like crashing a car when you don't know how to drive it.] ... [Because being a good entrepreneur is a process that never ends. (Resources for SMEs (Pymes), 2007, pps. 6-8).

In general, beyond the policies of the government of the day, the fluctuations of the economy of the region or the motivations of the new generations of employees, there is something that makes some companies fail and others continue to grow and even become big enterprises.

By the way, ECLAC recommends exploring your behavior in depth and discovering the origins of your weaknesses. Consequently, he affirms that formulas must be prescribed that allow him to boost his efficient and effective performance, since SMEs (Pymes) occupy an important place in the new accumulation model for development. The State can support, clear the way, but the company has the command.

Finally, achieving the promotion of SMEs (Pymes) requires, at the microeconomic level, certain behaviors on the part of the company, which goes through strict and adequate<sup>5</sup> control, in which its limitations are recognized, in terms of innovation, implementation of new technologies and examining its competitiveness, and, at the same time, at the macroeconomic level, the assistance of the State is required, so that it adopts proactive public policies that guarantee its progress.

In the case of Ecuador, the National Institute of Statistics and Censuses of Ecuador (INEC) and the Ministry of Industries register the presence of more than 1 million SMEs (Pymes), which, by their territorial distribution, are distributed, 22% in Pichincha, 19% in Quito and Guayas, 14% in Guayaquil and 7% in Manabí, the rest are distributed throughout the rest of the country.

Likewise, the National Economic Census (2010), carried out by INEC, shows that three out of four jobs are promoted by small and medium-sized companies; which means that, at the national level, 75% of the jobs are generated by this sector.

Regarding the evolution of external markets, the Ecuadorian Federation of Exporters (FEDEXPOR), notes in its 2017 report, that between 2004 and 2016, the number of exporting SMEs (Pymes) increased from 676, in 2004, to almost 2 000, in 2016. In effect, it states that, in the last 10 years, exporting SMEs (Pymes) accounted for 23.8% of total shipments of non-oil goods from Ecuador, a percentage that is still low. In turn, the main destinations, to the European Union (EU), with 23.6%; USA with 24.6%; Meanwhile, the remaining percentage is divided between the Andean Community and Asia.

Likewise, it is reported that in the last decades some activities for the promotion of SMEs (Pymes) have been carried out, executed through the Ministry of Chambers of Small Industries (MICIP), although a good percentage of small industrialists are unaware of their results and effectiveness. As are the Foreign Trade and Integration Project, among which are:

- Promotion and Development Program: financing for workshops, strategy design, training, business conferences, business meetings, fairs and exhibitions of SMEs (Pymes).
- Business Climate Improvement Program: sector diagnoses, quality and productivity studies, marketing and marketing in handicrafts.
- Business Development Program: continuous improvement of quality and productivity, participation in international seminars.
- Project with World Bank financing for 21 million dollars.

Luis Muñoz (2018) reveals that, in 2013, the turnover recorded in the Internal Revenue Service (SRI), for the entire productive sector, reached USD 112 billion and of that figure, about USD 19 billion were generated in SMEs (Pymes). In the same way, he affirms: "This constitutes a statistical data that can be misleading, because ... informality in the SME sector in Ecuador is 77%" (Lideres Magazine, 2018, p. 1).

SMEs (Pymes) constitute a significant part of the economy since they are companies of considerable growth and their goal is to invest to obtain profit. They also contribute to innovation, technology transfer and directly or indirectly to exports. The Constitution of 2008, in its art. 66, 15, states “The right to develop economic activities, individually or collectively, in accordance with the principles of solidarity, social and

---

<sup>5</sup> Adequate is what responds to the specificities and particularities of each company.

environmental responsibility”, that is, that they receive the protection of the National Plan, but always the principles of Good Living.

Differences in size between companies determine their ability to innovate; Due to their smaller size, SMEs (Pymes) develop innovative ideas more frequently to sustain themselves over time.

In summary, the introduction of ICTs in the activity of SMEs (Pymes) has the purpose of social development, putting these companies at the level of what happens worldwide, with their peers or in the best case with those of older dimensions, in order to achieve the much needed production growth, it must have an impact on the benefit of our countries; without neglecting its control so that it does not favor a few and the rest of society is excluded.

However, the failure figures of SMEs (Pymes) are overwhelming in any country analyzed. Of course, they vary by country, but remain at very similar high negative levels. García Ordóñez (2016) states that statistics indicate that, on average, 80% of SMEs (Pymes) fail before five years and 90% of them do not reach 10 years.

## **2. Some recommendations at the microeconomic level for the rebound of SMEs (Pymes) in Latin America.**

Derived from the documentary study, the interviews and group discussions carried out with owners and workers of SMEs (Pymes) and officials of the Ecuadorian State, it was concluded that a common problem suffered by SMEs (Pymes) is their lack of professionalization. This implies a very serious approach to the company to achieve success. Among the attributes to become successful SMEs (Pymes) are the need for them to be able to adapt to the changes, break with the paradigms, constantly renew and innovate, be proactive, restructure, reorganize and redesign always, periodically evaluate and review their strategies, processes, systems, control, evaluate and feedback at all levels; for which the key is in the reflection and analysis.

In short, SME owners must:

1. Become leaders for your staff and be able to generate a sense of smell that allows you to incorporate the most competent staff; at all times, they should worry about attracting talent; at the same time, a fair salary structure must be created where prevailing rewarding the experience and other attributes of the worker. At the same time, encourage the advice of experts outside the company and allow time to listen to staff and work as a team. All this looking for differentiation in the production or provision of service.
2. Prepare a comprehensive evaluation plan, in which a systematic assessment of the proposed objectives, goals and execution times is carried out. The production and service processes must be defined and organized. Study and instruct in how the competition uses the operating times, how much the waste levels, the costs for delays and errors, the technical capacity of the work team, inventory management, the inclusion or correct conception and implementation of quality controls, and deepen the ability to solve problems in time and if they are exposed with transparency. In short, all of this must be included in the plan.
3. Develop a comprehensive method, this includes having a clear proposal against the competition, developing a marketing plan, be attentive to the behavior of social networks and participate with a well-designed marketing strategy, conducting market research, both for sales, and for the study of suppliers, to establish competitiveness, cash and collection of invoices, collections to customers and payments to suppliers, qualification of human resources, investment in new technologies, particularly, the digitalization of the company and the introduction of the payment of taxes, among other components.
4. Stimulating innovation is essential to guarantee the future; lagging behind in the adaptation to the digitalization process and the incorporation of the new disruptive technologies would pose a serious threat to its sustainability.
5. Introduce new technologies, where a key factor in the path towards the Fourth Industrial Revolution is the use of Big data. This procedure provides an incalculable horizon, as it allows the company to process large volumes of information about people's tastes, interests and perceptions, in a specific context. This constitutes a fundamental pillar to know the behavior of the demand, in real time. And, at the same time, raise the company's advertising through smartphones, computers and all kinds of GPS devices.  
Also the new technologies and the advances of the communications allow to expedite the functions of commercial contacts and orders, the robotic storage systems generate savings for the operators of greater size and also in the transport, the improvements of the infrastructures together with the refrigerated containers allow supplies and supplies from farther markets.
6. Have a business plan, in which there are long and short-term objectives, which must involve employees, assess potential risks and prevent them, and anticipate the movement of sales, not stay for below the potential or exceed, as this may put the company at risk. It must delve deeper into the customer approach, taking into account the demand peaks and the work casualties.

7. Systematically bow suppliers and monitor their performance, determine and rectify the selection, based on assessing whether it was based on price, quality or intuition or friendship, at the same time, we must break with the dependence of one or two large clients only. All this can be solved with appropriate market studies.
8. Evaluate the ability of the commercial intermediary to fulfill its different functions, transaction, logistics and in the acquisition of the product, in order to appreciate its ability to make the distribution network an effective network.
9. Cancel any disorganization feature and non-payment to suppliers. It is necessary to take into account that, sometimes there are difficulties in obtaining supplies specially adapted to the product because they do not have long-term relationships with suppliers. Occurs and occasions that there is excess stock storage which leads to high capital immobilization, high maintenance costs and losses due to obsolescence, this has to be a priority to be resolved.
10. Promote management by indicators, where the results are not perceived mechanically or by mere observation, but trends must be followed over time and an analysis of deviations versus the objectives set. Fixed costs should be considered when defining total costs, and differentiate personal expenses from those related to the business, in order to objectively assess the profitability of the activity.
11. Promote a process of continuous improvement. We must devote time to the constant improvement of the company from a deep and reflective analysis of the real facts and trends, deploying verification, preventive actions and the analysis of satisfaction in the members or customers. This includes evaluating the expected return on investment behavior
12. Take care of computer security, comply with security measures for data or backups.
13. Incorporate legal advice.

### **3. Some recommendations at the macroeconomic level for the promotion of SMEs (Pymes) in Latin America.**

In line with the above, there is no doubt that SMEs (Pymes) are a basic device of the engine of growth and development in global economic dynamics. Their role in the progress of developing economies is fundamental because they constitute a good opportunity for entrepreneurship, progress and self-employment, leaving aside informal employment and precarious work.

Despite their representation and commission, in Latin America, SMEs (Pymes) do not receive the necessary attention from public policies in the region. Although actions, programs and institutions, in particular, ministries, have been carried out in several countries for their attention, monitoring and regulation, these actions are still insufficient.

Taking into account the above, and without forgetting that the State and the policies that it applies should support and at no time replace the direct exercise of SMEs (Pymes), it is recommended:

1. Establish a consolidated framework of legislation, policies, institutions and public goods that support the growth prospects and opportunities of these companies. Therefore, there must be legislation, as well as public policies, that guide a propitious environment, underpin the creation of SMEs (Pymes) and contribute to sustainability for the sake of production. An important element in this approach towards public policies under current conditions is the need to promote the development of an environment that favors inter-business cooperation, which stimulates innovation processes, thus contributing to the strengthening of technical capacities and improvement of the management capacity of companies.
2. Apply a business census: The vast majority of Latin American countries lack an adequate information system. In general, surveys have been carried out, but in reality it is not known for sure, how many SMEs (Pymes) exist. A census will allow characterizing companies, their employees, capital stock, educational level, etc. That will make it easier for any government to make evidence-based policy.
3. Define the objectives and results to be achieved in terms of policies: In general, policies are developed and executed without distinction, when it is really necessary to section the policies, taking into account whether they are dynamic SMEs (Pymes) (those that are supported by production ministries and that have growth and innovation objectives) or those of subsistence (those that are sustained from the social ministries, with poverty reduction objectives).
4. Establish specific policies for employers and workers: Employers are not always clear about what they want or make the best decisions. For their part, workers have their own interests, associated with improving their living conditions, knowledge and skills for work. Therefore, actions are needed to improve the skills of employers and workers
5. Define goals: It is necessary to take into account that, if resources are going to be invested in formalized actions to promote or benefit a certain number of companies, among other operations, it is necessary to establish deadlines, specify expected results, how to evaluate them and how act in case the goals are not met.

6. Eliminate the bureaucratic burden and simplify procedures: One of the biggest obstacles to the take-off of SMEs (Pymes) is associated with the excessive amount of documents and complexity of the procedures they must face, procedures for double entry, because it is not a mechanism purely online, the process can be extended excessively, excessive waiting time for the legalization of documents, excessive costs in procedures, there are examples from the private to generalize. A proven solution is the one-stop-shop system that allows companies to be created in a short time. The legal regime must incorporate advantages that impact the different phases of constitution, consolidation and expansion of projects. Likewise, the State must promote confidence in the owners of SMEs (Pymes) about the viability of the business with transparency policies, raise information through the Chambers of Commerce and sector associations and hire professionals with experience in the field.
7. Reduce taxes: Taxes must be reduced, the requirement to pay high monthly Social Security fees, in addition to VAT and other taxes, in incipient stages, and even eliminate them until reaching a minimum billing, progressively, as the company, can rise.
8. Decentralize promotion policies: The transfer of central power to local (or regional) governments of competencies and resources (usually in that order). In this case, it would be to give resources to specialized promoter institutions to be able to implement actions that they identify as priorities in their areas of influence.
9. Promote local or regional workshops on public policies that help identify their problems and serve to promote SMEs (Pymes).
10. Support the development of productive chains: The incorporation of companies of different sizes, giving special attention to greater internationalization of these companies, particularly in their export activities, contributes to improving the productivity and working conditions of their workers.
11. Strengthen and encourage non-bank financial intermediaries: Although bank financial intermediaries are the best known, SMEs (Pymes) find many obstacles when it comes to having them as a source of financing for their projects. In contrast, there are non-bank financial intermediaries that do not issue money, but do provide other assets and carry out activities that go beyond purely banking. Its objective is to cover occasional capital needs for SMEs (Pymes) and freelancers. These include: official credit institutes, insurance companies, private pension funds, partnerships and investment funds, mutual guarantee societies, leasing companies, factoring companies.

These are some proposals of public policies that can result in a promotion to SMEs (Pymes) with results, in them their viable character prevails. Up to this point, attempts have been made to identify, in particular, good realizable practices. The countries keep each other differences of all kinds, in fact, the important thing when analyzing these good practices, is to collect what is possible to replicate, given the possible institutional, economic limitations and even those associated with social and cultural customs.

#### **A few words to conclude.**

It is notorious in the current circumstances, where the functional has gained a greater relative weight, that there are great opportunities for the functional integration of SMEs (Pymes) worldwide. Possibilities that deserve to be valued, although they must be carefully considered.

There have been changes associated with the multiplication of SMEs (Pymes) with a high competitive capacity, however, there is a considerable number that do not yet integrate this virtuous circle. Of course, competent practices are not characterized by assuming a unique model, but rather show different orientations. A key component with a view to preventing its failure is the internal action that prioritizes collective action and participation in decision-making and process control, where workers become decisive actors in the conduct of the various productive units While recognizing the place that the State has in the support and promotion of these entities.

#### **BIBLIOGRAPHY**

- [1]. Asamblea Constituyente. (2008). Constitución de la República del Ecuador, Montecristi.
- [2]. Bayón, M. (2014). Las Micro, Pequeñas y Medianas Empresa en el ámbito del desarrollo en América Latina. Revista CIEM. No. 26, septiembre.
- [3]. Beltrán, A. (2001). Los 20 Problemas de la Pequeña y Mediana Industria. Proyecto de Investigación en Pequeña y Mediana Empresa. Facultad de Administración de Empresas. Universidad Externado de Colombia, Documento Conpes n.º 3106. Abril del 2001.
- [4]. Banco de Desarrollo de América Latina. (2018). Informe Anual.
- [5]. Taken from:
- [6]. <http://www.caf.com/es/sobre-caf/quienes-somos/presidencia/presidencia-ejecutiva/>
- [7]. CEPAL. (2013). Cómo mejorar la Competitividad de las Pymes en la Unión Europea y América Latina y el Caribe. Propuestas de Política del sector Privado. Naciones Unidas. Impreso en Santiago, Chile.
- [8]. CEPAL. (2012). Perspectiva económica para América Latina y el Caribe. Naciones Unidas. Impreso en Santiago, Chile.
- [9]. CEPAL. (2010). La Hora de la Igualdad. Brechas por cerrar, caminos por abrir. (LC/G.2432 (SES.33/3), Santiago de Chile, mayo.
- [10]. Editora Recursos para Pymes. (2007). Recursos Para Pymes. Taken from <http://www.recursosparapymes.com>.
- [11]. Del Peso, E. (2003). Manual de outsourcing informático: (análisis y contratación). Ediciones Díaz de Santos.
- [12]. García Ordóñez, F. (2016). Las Pymes y sus reveses. Centro Internacional Santander Emprendimiento.
- [13]. Garrison, R., E. Noreen & P. Brewer. (2006). Contabilidad Administrativa. Undécima edición. McGraw-Hill/Irwin
- [14]. INEC. (2010). Censo Nacional Económico del 2010. Instituto Nacional de Estadísticas y Censos del Ecuador.

- [15]. Taken from <http://www.ucm.es/info/bas/ec/inec/gob>
- [16]. Moncayo Jiménez, E. (2000). Nuevos enfoques teóricos, evolución de las políticas regionales e impacto territorial de la globalización, Instituto Latinoamericano y del Caribe de Planificación Económica y Social, CEPAL, Santiago de Chile.
- [17]. Muñoz, L. (2018). El sector de las Pymes en Ecuador. Revista Líderes. No.1. Ecuador.
- [18]. OCDE. (2010). Informe Estadístico Anual.
- [19]. Taken from <http://www.ucm.es/info/bas/us/ocde/gob>
- [20]. Oñoro Martínez, R.C. (2010): Estado y economía política, edición electrónica.

Martha L. Bayón Sosa" Some Proposals to Display Smes (Pymes) In Ecuador" Quest Journals  
Journal of Research in Humanities and Social Science, vol. 07, no. 9, 2019, pp. 19-24