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Determination of strategic variables to boost the effective internationalization of Mexican micro-firms.

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ABSTRACT
Organizations of all kinds must identify, develop and maintain competitive advantages that allow them to position themselves properly in a market characterized by its high dynamism. Mexican firms face a situation that presents a dilemma: to adjust to new ways of doing business or disappear from the market. This has led microenterprises to consider international expansion as a strategic alternative. This research focuses on the identification of strategic variables and drivers, such as Attributes of the international entrepreneur, Financing, Competitive advantages, Target market, Promotion and Entry mode that affect the internationalization of Mexican microenterprises, for the purpose of consolidating their effective positioning and contributing to the social and economic improvement of the country.

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KEYWORDS
Microenterprise; Strategy; Internationalization; International Entrepreneur.

Fundamentals of research

Research question: What are the main strategic-enhancing variables that influence the effective internationalization of Mexican microfirms?

Research objective: To identify the main strategic-enhancing variables that influence the effective internationalization of Mexican microfirms.

Variables identification

Dependent variable: Internationalization.

Independent variable: Attributes of the international entrepreneur; Financing, Competitive advantages, Target market; Promotion and Entry mode.

Research hypothesis

The main strategic-enhancing variables that influence the effective internationalization of Mexican microfirms are Attributes of the international entrepreneur, Financing, Competitive advantages, Target market, Promotion and Entry mode.

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Research method

The present research work is based on the scientific method and is exploratory, descriptive, and explanatory, since the research problem was identified through the observation of the phenomena that occurred in the real context, from that the problem began to be analyzed based on theoretical sources and, finally, it is intended that the formulated hypothesis contributes to the solution of the problematic situation Hernández, Fernández and Baptista [1].

The process of internationalization of firms

Johanson and Mattson [2] establish that it is the process of adapting the company's operations, including its strategy, structure and resources to the environment of international markets. Lehtinen and Penttinen [3] characterize internationalization as the establishment of business relationship networks in other countries through extension, penetration and integration, starting with the development and use of organizational activities, firstly, within the company, then moving on to the establishment of cooperative operations. Villareal [4] complements by pointing out that this geographic diversification integrates a long-term evolutionary and dynamic process that gradually impacts the value chain activities, as well as the organizational structure since it implies the growing commitment of its resources and capabilities in the organizational environment.

Fundamentals of the independent variables of the study

In this section, the current state of the art of the subject of study is analyzed and used as a background to determine its evolution, to learn about the results obtained in other investigations and to establish the evolution, challenges and opportunities existing in the field. The literature review was carried out taking into consideration the following criteria: 1. Research works, 2. Related to the internationalization process of micro, small and medium-sized enterprises (MSMEs) 3. in contexts like those of Mexico, 4. considering strategic factors to achieve it, 5. published in the last forty years, 6. in renowned journals.

The authors, and the selection of companies, use the different databases of government and/or export agencies corresponding to their respective countries, considering industrial, manufacturing, marketing, tourism and service MSMEs. The segmentation variables were based on the export activities of the firm, considering firms that do not export and those that export, but no longer do so. The methodology used to establish the data collected was the frequency table and its analysis helped to identify strategic factors that enhance the internationalization of MSMEs, namely, 1) attributes of the international entrepreneur; 2) financing; 3) competitive advantages; 4) target market; 5) promotion; 6) mode of entry; 7) barriers to international trade; 8) organizational structure; 9) economic policy; 10) adaptation to the needs of foreign markets; 11) export capacity; 12) level of competition in foreign markets; 13) contacts abroad; 14) age of the company; 15) firm performance; 16) firm size; 17) strategic alliances; 18) ties to scientific organizations; 19) foreign market opportunities; 20) organizational learning; and, 21) experience in foreign markets.

From the analysis of the twenty-one factors previously mentioned above, it was determined that six of them (Attributes of the international entrepreneur; Financing; Competitive advantages; Target market; Promotion; and Entry mode) are most frequently used in the literature and are given greater importance in the subject of internationalization of microenterprises. Consequently, they are defined as the independent variables of this research.

Conceptualization of independent variables

The importance of each of the six research variables in the internationalization process of Mexican microfirms is defined and analyzed below.

Attributes of the international entrepreneur

It is one of the main variables, widely recognized in the internationalization of MSMEs. The creation of the greatest possible value for firms requires the integration of entrepreneurship with strategic thinking Hitt, Ireland, Camp, and Sexton [5]. In this sense, entrepreneurs can be strategists who operate between what a firm can do (organizational strengths and weaknesses) and what it could do (environmental opportunities and threats) Foss, and Eriksen [6]; Foss, Knudsen, and Montgomery [7]. Its importance is such that the greatest limitations that MSMEs face in achieving the internationalization of their operations are related to the lack of entrepreneurial, business and marketing skills.

Paunovic and Prebezac [8], which negatively impacts their performance in the long term. Schweizer, Vahlne and Johanson [9] recognize that the strategic decisions and activities of those who lead firms play a fundamental role in reducing the uncertainty created by a dynamic, non-linear environment characterized by an intertwining of networks. Given the scope of firms in the modern context, an emerging area of research is the interface of entrepreneurship and international business called international entrepreneurship McDougall and Oviatt [10]; Antoncic and Hisrich [11].

Strategic planning, medium-term vision, marketing and sales activities, search for buyers, innovation management, commitment to quality, knowledge of foreign languages, cash flow management, management of information technologies, among others, are necessary elements to be successful in the international market.

A business model of internationalization is thus proposed, characterized by its dynamism where the State Variables describe the situation of a system, or one of its components at a given point while interacting with the exogenous and endogenous variables of the system according to the functional established relationships Schweizer, Vahlne and Johanson [9]. The model is dynamic because the state variables affect the change variables and vice versa. It can be clearly seen that the strategic factor considered in the model is the entrepreneur (attributes and disposition) on whom, ultimately, the other factors depend: generation, increase and existence of knowledge within the firm, recognition and use of opportunities, achievement of a position in one or several business networks, level of commitment in relationships, learning, creation (of competencies, capabilities, innovations, products, results, strategies), generation of trust and effective exploitation of contingencies.

Katz [12] establishes that the basic competencies or skills that an effective manager must possess or develop, correspond to the technical, human and conceptual field, while Paunovic and Prebezac [8] add that knowledge, attitude and motivation play a role of exceptional importance when planning regarding the internationalization of the company.

Financing

Limited access to financing for microenterprises is one of the most important obstacles to developing their businesses, along with other phenomena such as inflation, taxes, procedures and regulations. High interest rates, the requirements to provide guarantees, and the lack of access to capital markets and long-term financing constitute the main problems identified by microenterprises Palomo [13]. In the financial field, the two most important decisions that an administrator or entrepreneur must make, regardless of the size of his company, are those related to investment and financing. The firms need to acquire tangible or intangible assets assigned to the production of goods or services. The central focus of the investment decision is the selection of the assets that will be kept in the company to generate future economic benefits and determines how much the company should invest to facilitate production and in which specific assets it should make said investment Ramesh and Rao [14].

Once it has been determined how much and where to invest, the need to acquire money from the financial markets arises. Financing decisions include both situations that could have been foreseen in financial plans, as well as those that arise unexpectedly. Such decisions do not focus exclusively on determining the best way to finance investments but also on the optimal mix of short and long-term credit as well as capital to be used to facilitate the fulfillment of the firm's objectives Jones [15].

Each project can have multiple simultaneous sources of financing that, properly evaluated, will guide the choice of the optimal financing mix. In this regard, Hernández, Hernández and Hernández [16], Ocampo [17] and Ortega [18] agree that the three most important aspects for selecting a source of financing are the conditions under which it will be obtained, its origin and the company's payment capacity.

Competitive advantages

The concept of competitive advantage has taken a central place in discussions of business strategy and, in the literature, is synonymous with value creation Rumelt [19]. Among the factors that will contribute to the development of the firm's sustainable competitive advantages are quality, price and technology. It is important to make the distinction between comparative advantage and competitive advantage. While comparative advantage is directly related to the relative endowment of factors (mainly natural) that economies possess.

Peteraf [20] defines competitive advantage as benefits (income, returns or inputs) sustained above normal. This advantage, therefore, will be linked to the performance of economies, and more particularly of firms, which will be higher than normal, generating more value than expected from the resources it employs and, as long as these resources are particularly valuable, rare, costly to imitate and the firm is organized to take advantage of their value, the greater the expected benefit may be in the short and long term according to Barney [21] and Rothaermel [22].

Saloner, Shepard and Podolny [23] state that competitive advantage means that the firm can produce a service or a product that the consumer values more than that produced by competitors or that it can produce it at a lower cost. They add that for a firm to be able to prosper it must also develop the capacity to capture the value it creates. The supporters of the Resource-Based Perspective (RBV) argue that organizations must find the source of their competitive advantages within themselves instead of looking for them outside Rothaermel [22]. On the other hand, Calle and Tamayo [24] point out that the competitive performance of a firm, industry or nation depends on a set of factors that are controlled by the firm, others of a structural nature that are specific to the sector to which the organization belongs and, finally, those of an exogenous nature. Table 1 presents the factors that determine competitiveness.

Table 1. Factors determining competitiveness [24].

	Factors		
	Exogenous	Structural	Controllable
Definition	Factors outside the scope of the firm. Typically, economic or demographic factors.	Factors that cannot be easily modified in the short term. Typically, they are positional assets or brand values.	Factors that managers can control or influence. Typically, they are resources, prices or customer service.
Example	Interest rate, population size and wealth distribution, among others.	Plant size, product line complexity and brand reputation, among others	Staffing levels, segment focus and production cycle times, among others.
Strategy Long term Major investment Senior management	**TYPES OF DECISION**		Tactic Short term Resource reallocation

Target market

Marketing research, as defined by Hair, Bush and Ortinau [25], is the function that links an organization with its market through the collection of information. In the scanning stage, when the international entrepreneur, or company manager, will identify and then analyze the opportunities that arise to evaluate which markets to prioritize. The main difference between internationalization and other types of strategic processes lies, firstly, in that when a company decides to transfer products or services beyond its borders, then it will have to select where or with whom it will close these international transactions. Secondly, the company must select how it wants to close the transaction, which means deciding the mode of entry into foreign markets Andersen [26] and Bradley [27].

Selecting the correct market is increasingly important for companies due to the greater importance that economic and trade blocks, integrated by different countries, are having. Different authors have presented different strategies, factors, elements and driving forces for the internationalization of trade. Ansoff (cited by Purlys and Žvirblis [28]) stressed the mutual interdependence of product and market. Country attractiveness should be estimated based on achievable market share, market growth prospects, consumer concentration, export growth possibilities, government control and political stability of the destination country.

Daniels, Radebaugh and Sullivan [29] argue that the comparison of success probabilities across countries depends largely on the actions of competitors. Hence, there are four factors to be considered when choosing a location that are directly related to making operations compatible, diversifying risk, following competitors or customers and deflecting competitors. Ellis [30] adds that because firms operating in foreign territories encounter fewer familiar environments, international entrepreneurs, or managers, will initially prefer to operate where they perceive conditions to be more like those in their home country. Czinkota, Ronkainen and Moffett [31] suggest three criteria for evaluating foreign markets and being able to choose the most suitable ones: the physical, the psychological and the economic criteria.

Promotion

Promotion is a strategic element in the internationalization of firms. Balasescu [32] establishes that the fundamental characteristic of contemporary marketing is the total openness towards three main directions: the needs of consumers, the needs of the organization and the needs of society. The differentiation and specialization processes related to the expansion of this practice have given rise to "specific marketing". According to Gherasim, Ghrerasim and Vasiloaia [33] promotion, the third component of the marketing mix, is made up of all the activities that have the purpose of informing, attracting and retaining customers, real and potential, towards a specific offer by stimulating the purchase decision by increasing the customer's knowledge and awareness by generating the belief that this specific offer will satisfy certain needs at the highest level. Since the real competition today is related to the attention, good thoughts, feelings, emotions and attitudes of customers towards the organization, it is important to carry out a strategic business process used to plan, create, execute and evaluate coordinated, measurable and persuasive communications with the internal or external public of an organization called Integrated Marketing Communication (IMC) Shultz [34].

Stanton, Etzel and Walker [35] recognize the importance of promotion, and how varied it can be, and define it as all the institutional, personal and impersonal efforts of a company, or its representative, aimed at informing, persuading or reminding a target audience about the products and benefits offered by it. An IMC program can incorporate several different promotional campaigns, some of which can even be carried out simultaneously. Depending on the objectives and available funds, a company can undertake simultaneous local, regional, national and international programs; furthermore, it can have a campaign directed at consumers and another at wholesalers and retailers. An evaluation of a CIM program will analyze the results of each of the program's promotional components and compare them to the stated objectives to determine whether the effort generated the desired results.

Mode of entry

Root [36] proposes a model that considers the commitment of resources, the risk and the level of control implied by each of the possible forms of entry into new markets as essential variables of international expansion. In Figure 1 shows the paths of internationalization that can be adopted by firms.

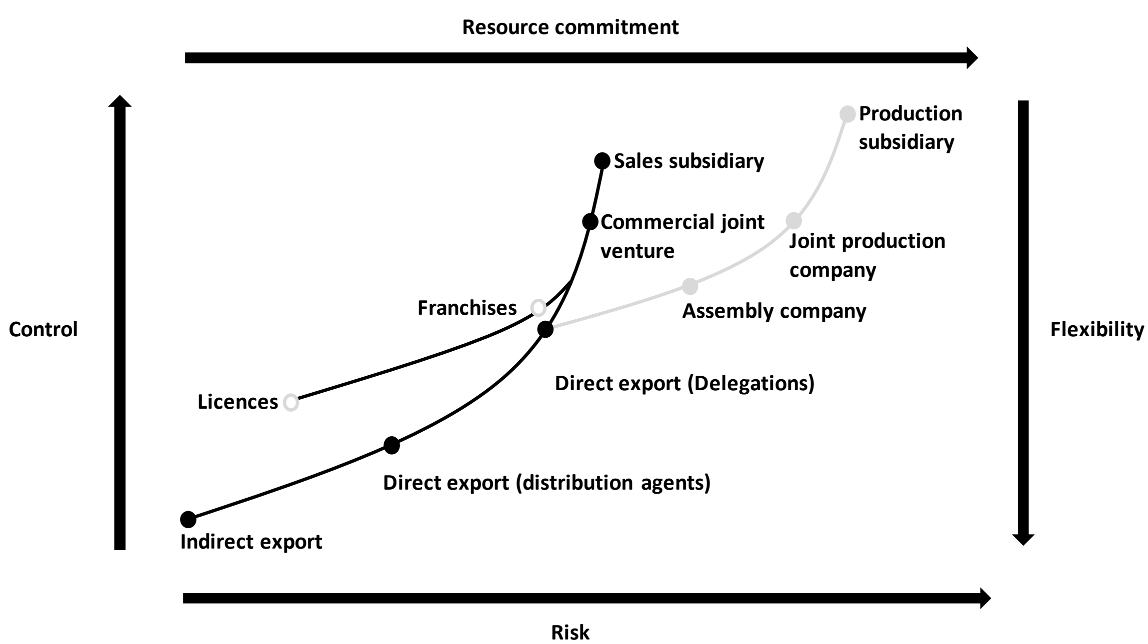

Figure 1. Paths of Internationalization [36].

The model presents three paths. The first is called the export path, which consists of using only exports as a means of accessing foreign markets. As the company's international commitment increases, due to accumulated experience, exports become more systematic, reaching a greater weight within their total sales. Eventually, the company can opt for the creation of its own networks, generally through sales subsidiaries, which implies a direct investment abroad. The second is identified by the displacement of productive capacities. This refers to the gradual transfer of assets, production plants and functions abroad. This path goes from the installation of a plant abroad to the creation of production subsidiaries, transitioning through the various forms of joint ventures and alliances.

Finally, the third path is identified as the transfer of advantage, which consists of entrusting the exploitation of the company's competitive advantages to external agents. Among the possible alternatives are agreements established in the form of a license, franchise and rights to exploit a patent, formulas that entail different levels of international commitment, resources and risk.

To reduce uncertainty, the company will prefer to start with those nations closest to its own and about which it has a greater volume of information, considering not only the physical distance but also the psychological distance, a concept that brings together the whole set of differences at the cultural, social, economic and legal levels between the domestic market and the foreign market. Johanson and Wiedersheim-Paul [37]. Majaro [38] considers four factors that must be taken into consideration when entering foreign markets: the company's objectives, market demands, available resources and the product to be marketed.

The dependent variable of this research, namely, Internationalization of Mexican microenterprises, was found to be positively correlated with the independent variables Attributes of the international entrepreneur, Financing, Competitive advantages, Target market, Promotion and Entry mode. These were found to be relevant, both in the literature review and empirically supported in the research works that were analyzed. Consequently, it is recommended that these firms consider them when generating their strategic plans to enter international markets, to facilitate the process and consolidate their effective positioning, thus having the opportunity to contribute to the economic and social improvement of Mexico and the host country.

It was considered that the international entrepreneur is responsible for obtaining adequate financing, developing competitive advantages and identifying the target market. Adequate and timely financing contributes to the development of competitive advantages. Proper promotion allows for an effective impact on the target market. The selection of an effective entry mode is the result of the analysis of the resources of the microenterprises, their objectives and the degree of control they wish to exercise over operations in foreign markets. Figure 2 illustrates the model of the present work.

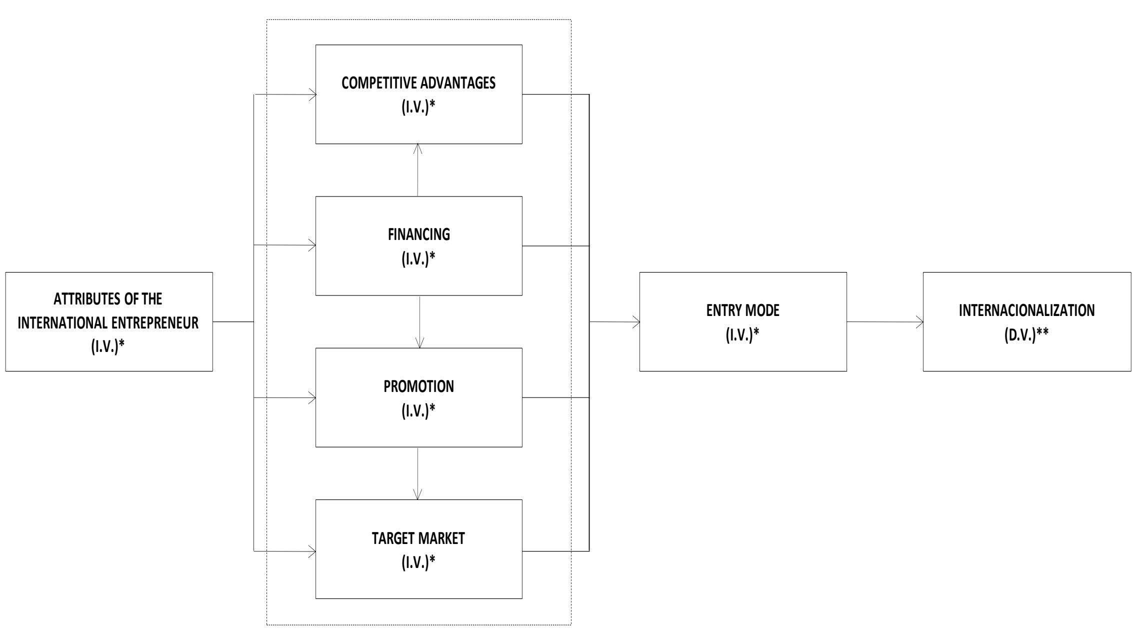

Figure 2. Conceptual systemic model of the research. *I.V.: Independent variable of the research ** D.V.: Dependent variable of the research.

Conflict of Interest Statement

The authors reported no potential conflicts of interest related to this publication.

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