

ORGANIZATIONAL STRATEGIES FOR SMALL & MEDIUM SIZED ENTERPRISES

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ABSTRACT

This paper is a descriptive research to identify the types of strategies used by Small and Medium Enterprises (SMEs), to provide a main competitive factor. Data collection involved two instruments, taken from Vezina (2011). We use an interview guide and questionnaire to directors and/or managers. We used the strategies typology of Miles and Snow (1978). Evidence shows that managers of small and medium enterprises for the most part, adopted a strategy that adapts to the environment. We further find that exploring and analyzing strategies were the most representative for small businesses, defined by staying in a more dynamic environment. Midsize companies adopt further to the analyzing type, characterized by trying to minimize risks and maximize profits in a safer environment and always supported by a administrative management system.

JEL: L10, L25, L60, M10

KEYWORDS: Small and Medium Sized Company, Strategy, Organization

INTRODUCTION

The study of small and medium-sized enterprises (SME's) has become in an important area for academics and researchers. The concept of strategy represents a central topic to understand how companies achieve success and how managers achieve goals in the short, medium and long term. This paper provides quantitative and descriptive research using a non probabilistic sample. The main objective was to analyze strategies used by SME's considering decisions taken in these kind of companies in Mexico. Globalization, technology and the information revolution are phenomena that must be considered by companies, especially SME's, to adapt processes, structure and all decisions. Soto & Dolan (2004) argue it is important that SME'S use a strategic methodology to help them compete in the market and obtain better performance. The importance of SMEs' in the world economy has grown constantly in recent years, with special emphasis on establishing an important position in relation to big companies (Irigoyen & Puebla, 1997). This situation is caused in some cases because of specialization in process or specific markets that small companies have compared to big companies that do not have these capabilities. In Mexico there exists 4.4 million enterprises around the country. Some 6.1 % of these enterprises are SME's which generate 20.7% of Gross Domestic Product (GDP) and 32.9% of Mexico's workforce. According to the Secretary of Economy (SE, 2012) In the state of Sonora, where this study was conducted, 50% of the state workforce are generated by SME's. Therefore, these companies represent an important sector in the economy and as such are important for public decisions and academic research.

At the beginning of the XXI century, there is a new interest by the government, civil society, and institutions of higher education for the potential of SME's. Prior to the seventies they were considered marginal in the process of economic development. Two decades later (1980 and 1990) they were revalued for their aptitude

to contribute to the reorganization of production and especially its impact on employment, gross domestic product and equity. Scholars of economic development in Latin America were largely impacted by the emergence of economies of scale and mass production (Rodriguez, 2010). However, there were few Latin American companies that managed the organizational changes needed. For example in Mexico when the country opened negotiations of the Free Trade Agreement (NAFTA) with the United States and Canada, a study reported that companies were operating and starting efforts in preparation for trade liberalization in technological and organizational, marketing, financial and the environmental (De La Cerda, 2009).

The Boston Consulting Group, (1990), cited by Garcia et al. (2004) notes the success of a large or small company involves the use of management tools which help to achieve more effective management of various situations that arise. The development of a strategic business plan, assures better management of uncertainty and involves knowing how to handle risks and new responsibilities. We are aware of the enormous difficulties faced by entrepreneurs of SMEs to access knowledge, training, and ongoing counseling. On the one hand, due to the high costs of these activities, and on the other due to the initiatives which are aimed primarily at large enterprises, which causes them to be ineffective for SMEs.

Unlike more complex organizations with a greater degree of formalization of activities, strategy formulation in SMEs, is not performed explicitly in many cases. The approach to strategy is more a personal view of the owner or owners of the company, than the result of a conscious reflection in the heart of the organization. They do not usually apply specific methodologies to develop courses of action, but rather based their decisions on intuition and experience of the owners. They rely more on measures of emerging strategies rather than deliberate strategies (Santamaria, Sanchez & Almorza, 1997). According to Baker, Addams & Davis (1993), the reasons for this resistance of the SMEs, to formalize the strategic process, are the following: time constraints, market uncertainty, poor level of preparation, budget constraints and resistance to change.

Problem Statement

SMEs represent the backbone of the national economy, and emerge with the aim of contributing to the local development of the community, being understood as the process of growth, raising the welfare and improving their quality of life. According to Aimar (2000), the economy is in constant motion. Companies cannot afford not to change. But, change not only corresponds to the dictates of the market, transforming losses into profits, maximizing profits, seeking benefits, but goes beyond recurrent spending cuts and restructuring. It goes toward the Business Strategy. According to several investigations, Micro, Small and Medium Enterprises (MSMEs), close mostly due to their ignorance about strategies, programs, training, market, consulting support existence. The businessman with information from studies should get down to work in these areas to insure survival of the firm.

It is uncommon to see how organizations operate in complex and uncertain environments. Organizations become more complex if they do not know how to deal with these uncertain environments. This causes organizations to create their own internal environment with uncertainty that adds to external uncertainty. This causes organizations to become slow to react and confusion prevails. Those in the firing line are frustrated to see that leaders do not make decisions that allows them operate. But, curiously the organization has more activity than before. Many actions are taken without any purpose, which in turn increase the psychological effect of insecurity and distrust in people. Entrepreneurs sometimes do this to take more time in their decision making. But, as the leaders are gaining time, on analyzing a world of information, opportunities leave or threats are made stronger for a company that does not know what to do (Bungay, 2012). That is why SMEs, whether their line of business is service, manufacturing or trade, are still in need of fundamentals and strategic actions that continuously reveal opportunities and the possible strategies to facilitate decision-making. The firm needs to determine and establish successful timely action programs. For this reason, it is necessary to know, what strategies are used in small and medium-sized enterprises?

Justification

Today, more than ever, entrepreneurs need to think fast because of the constant changes in the external and internal environment. The importance of keeping updated on issues surrounding the company and its management can not be overstated. A fast and safe way to deal with changes is through the design of business strategies that support compromises in the organization, its resources, market, finance, personnel, and operational areas. Radical changes pose a menace to entrepreneurs. They do not adopt administrative adjustments, when they become obsolete and have to make quick and accurate decisions that allow them to at least survive. One strategy can make a company competitive and allow it to face competition. It not only gives the firm opportunity to stay in business but to continue for an extended period of time. Successful SMEs are often characterized by having great professionals with experience and knowledge of the market, the environment, human and technological resources. The benefits of this study are to entrepreneurs. By combining experiences they can adopt strategies to be used in the operation of their business. The contribution of the current study is to provide information to know in a formal and documentary way the perception of entrepreneurs according to the strategies they utilize. We wish to analyze these realities by comparing data and making decisions by different actors. More specifically, the objective is to identify the type of strategy used by small and medium-sized enterprises in Obregon, Sonora, Mexico.

LITERATURE REVIEW

While the importance of changes for companies has been discussed in a practical way, in the same manner these changes are present in the theoretical foundations. We examine these theoretical foundations in this section.

Conceptualizing SMEs

The small and medium enterprise, also known by the acronym SME, is a company with distinctive features, and has dimensions with occupational and financial limits preset by states or regions. SMEs are agents with specific logics, cultures, interests and entrepreneurship. Usually the term has also been micro, small and medium enterprises (MSMEs), which is an expansion of the original term that includes the microenterprise. The small and medium-sized enterprise is, at present, the center of our the Mexico economic system. The tremendous growth of the current influence of these companies is due to the need to concentrate large capital and huge technical resources for the proper functioning of production and services, as well as to the high level of perfection achieved by many management standards (Rodriguez, 2005).

Similarly, the Secretariat of Economy (SE, 2012) indicates that for Mexico, and SME is any company with less than 500 workers. Under the new definition, *micro* enterprise includes firms with incomes below four million pesos. The *small* company will be the one that sells between 4.01 and 100 million pesos, and *medium-sized*, the one selling between 100.01 and 250 million pesos. Saavedra and Hernandez (2007) point out that the criteria for classifying companies vary by country, however, the most widely used in Latin America is the number of people employed. In Mexico, classification is based on the number of persons employed. Therefore, it had a single defining criterion (employment). However, the definition changed depending on whether the economic unit is industrial, commercial or a services firm. From 2009, the Secretariat of Economy announced a new system for stratification and determining whether the company is micro, small or medium-sized. In this system it is not enough to know the number of employees. It is also necessary to know the sales. A simple calculation for correct interpretation is essential. This information was published in the Official Journal of the Federation on June 30, 2009, shown in Table 1.

Table 1: Companies' Stratification

| Stratification of Companies Published in the Official Journal of the Federation on June 30 th , 2009 | | | | | | | | | |
|-----------------------------------------------------------------------------------------------------------------|--------------|-----------------------------------|--------------------------|---------------|-----------------------------------|--------------------------|----------------|-----------------------------------|--------------------------|
| Sector | Micro | | | Small | | | Medium-sized | | |
| | Personnel | Range of annual sales amount (mp) | Combined maximum limit * | Personnel | Range of annual sales amount (mp) | Combined maximum limit * | Personnel | Range of annual sales amount (mp) | Combined maximum limit * |
| Industry | From 0 to 10 | Up to \$4 | 4.6 | From 11 to 50 | From \$4.01 to \$100 | 95 | From 51 to 250 | From \$100.1 to \$250 | 250 |
| Commerce | From 0 to 10 | Up to \$4 | 4.6 | From 11 to 30 | From \$4.01 to \$100 | 93 | From 31 to 100 | From \$100.1 to \$250 | 235 |
| Service | From 0 to 10 | Up to \$4 | 4.6 | From 11 to 50 | From \$4.01 to \$100 | 95 | From 51 to 100 | From \$100.1 to \$250 | 235 |

Combined maximum limit = (Worker) x 10% + (Annual Sales) x 90. mp = million pesos In 2009 the Secretariat of Economy announced a new system when establishing stratification and determining whether the company is micro, small or medium-sized. It is not enough to know the number of employees. It is also necessary to know sales. This information was published in the Official Journal of the Federation on June 30, 2009.

Characteristics of the SMEs

The characteristics of small and medium-sized enterprises are explained below and separately, allowing us to understand the differences between them, even though they are kept in a single category as SME. Jack Fleitman, (cited by Thompson, 2007) mentions notes the main characteristics of the small business are as follows: The growth rate usually higher than the microenterprise and may be even higher than the medium or large enterprise, there is greater division of labor caused by a higher complexity of functions. In addition, the resolution of problems that arise requires a proper division of duties and delegation of authority. Requirement of a greater organization (than the microenterprise) regarding the coordination of personnel and material, technical and financial resources, ability to cover the local, regional and national market, and with the facilities provided by the Internet network. Finally, it cross borders with its products (especially if they are digital, like software and digital books) and services. It is in full competition with similar companies and uses direct labor. In many cases it has a high degree of mechanization and technical improvement. The following are features of Midsize Enterprise, presented by Hernandez (2011), from the Autonomous University of the State of Hidalgo Huejutla: a) Qualitative: Quality of personnel and invoicing b) Quantitative: indicates whether a company is medium sized if it meets two or more of the following characteristics: Independent Management (usually the managers are also owners), Capital is supplied by the owners, it is basically Local Area Operations, it is relatively small size in the industrial sector in which it operates and has between 50 to 500 employees. The medium-sized company has more professionalization in its leaders and employees, and also has more technology, higher production and distribution systems and has greater access to consulting and research, which is still difficult for small companies to access.

Advantages and Disadvantages of SMEs

Like everything, small and medium enterprises in Mexico, show advantages and disadvantages in their work as set forth below in Table 2. Information provided on the website of Pro Mexico, 2013. The real source of wealth is not measured by the company having excellent productivity levels, but for the intelligence of its people (DEMAC, 1991). This is true because every entrepreneur knows its downsides or can access information where they can study them. If this holds, then why not sit back and take advantage of their strengths to address their weaknesses and threats? It is there, where everything can change, making a thorough analysis of the situation and making the right decision.

Table 2: Advantages and Disadvantages of the Small and Medium-Sized Enterprises of Mexico

| Advantages | Disadvantages |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| They are an important engine of development of the country. Are highly mobile, allowing them to expand or decrease the size of the plant, as well as changing the necessary technical processes. For their dynamism they have growth possibilities and eventually become a big company. They absorb a significant portion of the economically active population, due to their great ability to generate jobs. They assimilate and adapt new technologies with relative ease. They settle in various regions of the country and contribute to local and regional development through its multiplier effects. They have a good management, although in many cases influenced by personal opinion or business owners. | No profits are reinvested to improve equipment and production techniques. It's difficult to recruit skilled and trained staff being unable to pay competitive salaries. The production quality has some shortcomings because quality controls are minimal or nonexistent. They cannot absorb the costs of the staff training and updating, but when they do, they face the problem of leakage of trained personnel. Some other problems arising from the lack of organization as insufficient sales, competitive weakness, poor service, poor customer service, high prices or poor quality, excessive fixed assets, poor location, lack of control of inventories, tax problems and lack of adequate and timely funding. |

This table provides a description of the advantages of small and medium enterprises. It gives them encouragement to continue representing the backbone of Mexico. Their main advantages stem from good management. They have a multiplier effect on the country by providing jobs and helping the economy of each state. SME disadvantages include the lack of investment culture of their profits in equipment and resources for the company. They do not have a high professional level, because they cannot pay wages and there is carelessness in their control systems. They do not have access to training, so can ends up in trouble within their functional and operational areas (Pro Mexico, 2013).

Main Causes for the Closing of SMEs

Rodriguez (2002), points out the most important thing about business failures lies in what causes them. A big step towards achieving the success of the small and medium-sized enterprises is to know and understand the reasons underlying the failure to be able to prevent them. The initial duration of companies indicates that of 200 new companies starting operations 80% do not reach the 2 years of life. Despite these data, there are opportunities to invest money and manage small and medium enterprises that are appealing. A high percentage of companies are born and die together. SMEs show a remarkable vitality, affirming its position within our economy. This is based on two reasons: small and medium enterprises covering economic and essential (personal) human needs. Similarly, the author mentions practice and experience provides information about the causes of corporate bankruptcy. Table 3 shows causes which, in nine out of ten of bankruptcies may occur.

Table 3: Causes of Corporate Bankruptcy

| Cause | Percentage |
|-----------------------------------|------------|
| -Negligence | 1.6 |
| -Fraud | 1.3 |
| -Lack of experience in the field. | 16.4 |
| -Lack of management experience | 14.1 |
| -Unbalanced Experience | 21.6 |
| -Incompetence of manager | 41.0 |
| - Disaster | 0.6 |

This table shows the causes of corporate bankruptcy. Nine out of 10 businesses close for one of the reasons cited here. (Rodriguez, 2002).

Several authors agree that entrepreneurial management is the key to success. Entrepreneurs who take risks should not ignore factors that affect successful risk taking including: experience, knowledge and attitude to the challenges they will face.

Strategy

According to Krause (2009), the word strategy derives from the latin *strategia*, which at the same time comes from two Greek terms: *stratos* ("army"), *strategos* ("general") and *agein* ("driver", "guide"). Therefore, the primary meaning of strategy is the art of directing military operations. The concept of strategy originated in the military field. It is likely that the first text on the subject is "The Art of War" by Sun Tzu (1963), cited by Krause (2009) where it states: The art of war is of vital importance to the State. It

is the area of life and death of all: civilian and military. It is also considered the way to safety or to ruin, so the study of the strategy cannot be put aside for any reason. Peter Drucker (1999), (quoted by Mannucci, 2006) states that the purpose of strategy is to enable an organization to achieve its desired results in an unpredictable environment. Strategy is also proof of the theory of business that the organization has. His failure to produce the expected results is the first serious indication that it is necessary to reflect again profoundly on that theory.

Koontz, Weihrich and Cannice (2008) indicate that strategy is defined as the way to determine the core long-term objectives within a company and the implementation of courses of action and allocation of resources to achieve those goals. Robbins and Clulter (2010), claim there are three reasons to determine their importance. The most significant is that it can make a difference in how well an organization develops. This reason shows why some businesses succeed while others fail, even when facing the same environmental conditions. Another reason has to do with the fact that managers of an organization of any size or type continually face changing situations. They deal with uncertainty through the strategic management process to analyze relevant factors and decide what action to take. Finally, management through strategies is best because organizations are diverse and complex. Each party needs to work to achieve the objectives. Strategic management helps achieve this.

Considering that business activities are carried out in a dynamic and changing environment, strategies are a key aspect to success and profitability. The strategy analyzes factors that contribute to the competitive environment in terms of time to anticipate the changes of financial, economic, and technological nature that affect business development (Rodriguez, 2005). Such is the influence on companies. (Chiavenato, 2006) states that a well-formulated strategy allows the firm to assign and integrate organizational resources into a unique and viable posture based on its internal competencies. Doing so allows the firm to anticipate environmental changes and move in a contingencial way. Under these considerations, the more dynamic and changeable the environment becomes, the more decisive the strategy that is required. This holds especially when other smart players dispute the same customers and suppliers affecting desired organizational objectives.

Types of Strategies

In search of identifying the strategic behavior in business, the existence or not of strategic plan and the strategy (Miles and Snow, 1978) developed a model of strategies based on the directive orientation by organizations. This model of strategies is known as the Miles and Snow Typology. The authors use a classification criteria based on the way they are adopt and attitudes towards innovation that they present through their managers. The following describes the types of strategies of the prospector, analyzer, defender and reactor, which will be used for the study.

The Prospector acts in an environment that is more dynamic than those in which the other strategies predominate. Its main ability is to find and develop new products and market opportunities for these type of organizations. It is usually more important to maintain an innovative status in the development of products and markets than making huge profits.

Analyzer organization minimize risk while maximizing profits; seeking to develop new products and new markets, but only with the certainty that they are viable. It relies on planning, control and stimulation systems simultaneously, always seeking to maintain a balanced state.

Defender organization deliberately maintain and operates in an environment for which a stable form of organization is the most appropriate. They try to create a relatively stable market. They have little ability to find and develop new areas of opportunity and are not interested in the changes. They focus on

continuous improvement of work within its field of action. Organizations with this type of strategy, are capable of meeting the demands of today's world.

Reactor firms lack of mechanisms for responding to an environment of continuous change. Its product and market area is unstable and inconsistent. Typically, their acts are forced by environmental pressures and competition.

In analyzing this typology, the first three are in positive context of the companies. Their control, stability and consistency depend largely on the mastery they have of their adaptation cycle in its three dimensions (business issue, technological issue and organizational issue). A company that maintains a prospector, analyzer or defender strategy will have an advantage and may be driven towards good organizational performance. The reactor is considered deficient in strategic decision making because they focus on a continuously changing environment determined by the behavior of their environment, thus promoting constant uncertainty for the company.

METHODOLOGY

The sample constitutes and represent the 418 SMEs in its three sectors: Industry, Commerce and Service of Ciudad Obregon, Sonora, Mexico. The companies in which the study was conducted had more than 10 and up to 250 employees, based on the information submitted by the economic census of the National Institute of Statistics, Geography and Informatics (INEGI, 2009), according to the stratification of companies by sector and number of employees published by the Official Journal of the Federation (DOF, 2009). The distribution of the sample is shown in Table 4.

Table 4: Distribution of Population and Sample

| Sector | Total INEGI | Sample | Answered | Did Not Answer | Inexistent |
|---------------|-------------|--------|----------|----------------|------------|
| Manufacturing | 119 | 61 | 38 | 12 | 11 |
| Commerce | 107 | 75 | 37 | 21 | 17 |
| Services | 192 | 64 | 34 | 19 | 11 |
| Total | 418 | 200 | 109 | 52 | 39 |

The total number of SMEs is 418, from which a selection was made by non-probabilistic method. The main criteria is the geographic location for the application of instruments and visits. The distribution was proportional among the three sectors, with a total of 200. From the sample selected, 52 refused to provide information and 39 of them were not in the address of the database used. Own data and INEGI data, 2009.

For data collection, the selection of the instrument was based on the questionnaire and interview guide provided by Vezina (2011). The questions were reviewed and translated into Spanish from its original language. It was necessary to make some content adjustments to infer various aspects to be investigated with regard to the strategy, identity and performance. (Hernandez, 2010), argues that data collection involves developing a detailed plan of procedures that lead us to collect data for a specific purpose. We selected the subjects and materials which represent the basis for data collection, The survey was conducted during six months. We visited each enterprise selected. Some 109 firms responded from which 90 were classified as small enterprises (30 trading companies, 30 industrial and 30 services companies). Nineteen were medium size enterprises including 7 trading companies, 8 industrial and 4 services companies. In the application of the instrument, a list was elaborated and the visits to the companies were scheduled. Implementation of the instruments was carried out by students of the Bachelor of Management career of the Sonora Institute of Technology. Upon arriving at each company a letter of introduction was given, in which the entrepreneur is informed of the reasons for the visit and the arguments that led to conducting the investigation. The attention of the instruments by Directors and/or managers had an average duration of about 10 minutes. At the time of application of the instruments, we proceeded to give instructions to fill out the instrument and asked each respondent about possible questions regarding the content of the

questions to resolve any uncertainties. To analyze the data obtained we relied on SPSS, version 15 for Windows, followed by a graphical representation of each response generated. Finally the results of the research were presented.

RESULTS

On average, the companies have been in the market for 25 years. The staff responsible for running these companies has an average 10-year experience working and performing the activities in which they are engaged are shown in Table 5.

Table 5: Identification of SMEs by Activity Sector

| Characterization of SMEs | | | | |
|--------------------------|------------------------|-----|-------|------------|
| Companies | Distribution by Sector | | Total | Percentage |
| Small | Service | 30 | 90 | 83% |
| | Manufacture | 30 | | |
| | Commerce | 30 | | |
| Medium | Service | 4 | 19 | 17% |
| | Manufacture | 8 | | |
| | Commerce | 7 | | |
| | Total | 109 | 109 | 100% |

Companies in Cd. Obregon, Sonora are included in the present investigation. Sample composition includes 83% small firms: Services 30 companies, Manufacture 30 companies and Trade 30 companies, with a total of 90 small companies. Midsize companies are represented with 17%, which are composed of service with 4 companies, manufacturing 8 companies and Trade 7 companies totaling 19 local companies. (Compilation, 2013)

Analysis of the Small Enterprise

Table 6, provides results with respect to small firms. The sum of the frequency per question generates a total of 90 small companies analyzed in Ciudad Obregon, Sonora. The percentages total to 100%. Small businesses in Ciudad Obregon, mostly, and in a higher percentage, apply the analyzer strategy by 45%. These organizations seek to minimize the risk while maximizing profits. They seek to develop new products and new markets, but only with the certainty that they are viable. They rely on planning, control and stimulation systems simultaneously. It always seeks to maintain a balanced state. They wish to maintain an image before the competition. They adopt new and innovative ideas, but only after carefully analyzing them. For these firms, a reasonable part of organizational time is spent on monitoring the market. As for the comparison with its competitors, the increases or decreases in demand they have experienced is probably due to the assertive practice of deeply penetrating markets they currently serve, while adopting new services after a careful study of their potential. Finally compared to their competitors, the structure of these organizations is functional, organized by departments, Marketing, accounting, HR, etc.

The other 45% of small companies use the prospecting strategy, which is characterized by companies operating in an environment that is more dynamic than those in which the other strategies predominate. Its main ability is to find and develop new products and market opportunities. It is generally more important to maintain an innovative status in the development of products and markets than making huge profits. This strategy is applied in the following particular situations. Compared to their competitors, the services they offer to the customers are more innovative and in a constant change. The skills that the managers of that area have is characterized by diverse, flexible abilities, that allow for change. Another situation they respond to with this prospecting strategy is that the only thing protecting the company from competitors is that they are able to constantly develop new services and new markets. Unlike most competitors, small businesses are prepared for the future. They identify market trends and opportunities, which can result in the creation of service offerings and programs that are new to the industry or reach new markets. And finally

compared with their competitors, the business structure is characterized as a functional nature. However, it can be extended to new areas of service offering oriented to the service or market.

Table 6: Types of Strategies Utilized by Small Enterprises

| Question | Small Enterprises | | | | | | | |
|---------------------------------------------------------------------------------------------------------------------------|-------------------|------|-----------|------|------------|------|-----------|------|
| | Analyzer | | Defender | | Prospector | | Reactor | |
| | Frequency | % | Frequency | % | Frequency | % | Frequency | % |
| Compared to our competitors, the services we offer to our clients are characterized as: | 8 | 8.9 | 34 | 37.8 | 37 | 41.1 | 11 | 12.2 |
| Unlike our competitors, we have an image in the market that: | 32 | 35.6 | 14 | 15.6 | 20 | 22.2 | 24 | 26.7 |
| The time spent in our organization to monitor market changes and trends, can be described as: | 44 | 48.9 | 11 | 12.2 | 25 | 27.8 | 10 | 11.1 |
| Compared to our competitors, increases or losses in demand we have experienced are probably due to: | 31 | 34.4 | 20 | 22.2 | 16 | 17.8 | 23 | 25.6 |
| One of the most important objectives of our organization compared to our competitors is our dedication and commitment to: | 36 | 40 | 23 | 25.6 | 23 | 25.6 | 8 | 8.9 |
| Unlike our competitors, the skills our area managers possess are characterized as: | 12 | 13.3 | 18 | 20 | 45 | 50 | 15 | 16.7 |
| The only thing that protects our organization from our competitors is that we: | 22 | 24.4 | 13 | 14.4 | 41 | 45.6 | 14 | 15.6 |
| Unlike our competitors, our area managers tend to focus on: | 26 | 28.9 | 28 | 31.1 | 21 | 23.3 | 15 | 16.7 |
| Unlike most of our competitors, our company prepares for the future: | 17 | 18.9 | 27 | 30 | 28 | 31.1 | 18 | 20 |
| Compared to our competitors, the structure of our organization is: | 25 | 27.8 | 21 | 23.3 | 25 | 27.8 | 19 | 21.1 |

This table displays the type of strategy (Analyzer, Defender, Prospector and Reactor) utilized by small businesses, for each situation represented by an Item. The Analyzer strategy is one of the most commonly used. This strategy tries to minimize the risk while maximizing profits. The other strategy applied by small companies is the prospector strategy. Those businesses act in an environment that is more dynamic than those in which other strategies predominate. Source: Own Elaboration, (2013).

Only 10% of the sample utilizes to a high percentage the defender strategy. This strategy is characterized by keeping in, and acting in, an environment for which a stable form of organization is the most suitable. Firms of this nature try to create a relatively stable markets. The firms have a little ability to locate and develop new opportunity areas and are not interested in modifications. These firms focus on continuing improvement of the labor within its field of action. Organizations with this type of strategy are able to meet the demands of today's world. Unlike its competitors, managers of these firms focus on maintaining a strong financial position through cost control and quality. None of the companies surveyed used the reactor strategy to a great percentage. Due to its nature, as the company with this kind of strategy lacks mechanisms for response to an environment of continuous change, its product and market area is unstable and inconsistent. These firms typically act as forced by environmental pressures and competition.

Analysis of the Medium-Sized Enterprise

Table 7 shows results for the medium-sized enterprises. A total of 19 medium-sized companies were analyzed in Cd. Obregon, Sonora. The percentages total 100%. According to the information concentrated in Table 7, 60% apply the analyzer strategy for different situations as described below. Unlike competitors, these medium-sized enterprises manage to develop an image in the market through new and innovative

ideas, but only after carefully analyzing them. Another situation where they apply the analyzer strategy is with regard to the time these companies spend monitoring market changes and trends. These firms are characterized by spending a reasonable amount of time monitoring the market.

Table 7: Types of Strategies Used by Medium Sized Enterprises

| Question | Medium-Sized Enterprise | | | | | | | |
|-------------------------------------------------------------------------------------------------------------------------------|-------------------------|------|-----------|------|------------|------|-----------|------|
| | Analyzer | | Defender | | Prospector | | Reactor | |
| | Frequency | % | Frequency | % | Frequency | % | Frequency | % |
| 11. Compared to our competitors, the services we offer to our clients are characterized as: | 2 | 10.5 | 6 | 31.6 | 7 | 36.8 | 4 | 21.1 |
| 12. Unlike our competitors, we have an image in the market that: | 8 | 42.1 | 3 | 15.8 | 5 | 26.3 | 3 | 15.8 |
| 13. The time spent in our organization to monitor market changes and trends, can be described as: | 10 | 52.6 | 1 | 5.3 | 6 | 31.6 | 2 | 10.5 |
| 14. Compared to our competitors, increases or losses in demand we have experienced are probably due to: | 9 | 47.4 | 4 | 21.1 | 5 | 26.3 | 1 | 5.3 |
| 15. One of the most important objectives of our organization compared to our competitors is our dedication and commitment to: | 7 | 36.8 | 3 | 15.8 | 8 | 42.1 | 1 | 5.3 |
| 16. Unlike our competitors, the skills our area managers possess are characterized as: | 5 | 26.3 | 5 | 26.3 | 7 | 36.8 | 2 | 10.5 |
| 17. The only thing that protects our organization from our competitors is that we: | 5 | 26.3 | 3 | 15.8 | 9 | 47.4 | 2 | 10.5 |
| 18. Unlike our competitors, our area managers tend to focus on: | 7 | 36.8 | 2 | 10.5 | 6 | 31.6 | 4 | 21.1 |
| 19. Unlike most of our competitors, our company prepares for the future: | 7 | 36.8 | 5 | 26.3 | 6 | 31.6 | 1 | 5.3 |
| 20. Compared to our competitors, the structure of our organization is: | 9 | 47.4 | 2 | 10.5 | 3 | 15.8 | 5 | 26.3 |

This table displays the type of strategy (Analyzer, Defender, Prospector and Reactor) utilized by medium-sized businesses, for each situation represented by an item. The Analyzer strategy is one of the most commonly used by the medium-sized companies. This strategy tries to minimize risk while maximizing profits. It looks for the development of new products and markets, but only with the certainty that they are viable. It relies on planning, control and stimulation systems simultaneously; it seeks to always keep a balanced state. Source: Own Elaboration, (2013).

Compared with their competitors, the increases or decreases in demand they have experienced is probably due to carrying out deep penetration in markets they currently serve, while adopting new services after a careful study of their potential. Unlike their competitors, managers or area managers tend to focus on analyzing market opportunities and select only those opportunities with proven potential, while maintaining a solid financial position. Similar to the analyzer strategy, the companies, unlike their competitors, prepare themselves for the future. They identify trends in the industry, where competitors have shown more potential in the long term. They solve problems related to the current offering of services and the needs of their current customers. In the same way the structure of these organizations is functional, organized by departments, marketing, accounting, HR, etc.

The remaining 40% of the companies in the study expressed using a prospecting strategy, which is characterized by companies operating in an environment that is more dynamic than those in which the other strategies predominate. The main ability is to find and develop new products and market opportunities. For such organizations it is often more important to maintain and innovative status on products and market development than making huge profits. Situations in which companies use this strategy are in relation to

that compared with their competitors. The services they offer are characterized by being more innovative and constantly changing. One of the most important objectives of the company compared to the competition is their dedication and commitment to ensure that people, resources and equipment necessary to develop new services and access new markets are available and accessible. Unlike their competitors the skills that the managers or area managers possess, is characterized as flexible, that generates and allows change. Finally, they are able to constantly develop new services and new markets.

Defender and reactor strategies in medium-sized enterprises are used to a lesser extent, since they do not respond to competition without having a planned strategy (Reactor) and they deliberately do not work to maintain and operate in an environment for which a stable form of organization is the most appropriate, trying to create a relatively stable market, (Defender).

General Analysis of SMEs

Some 31% and 30% of SMEs follow the prospector and analyzer type strategies respectively. The defender strategy is the next option being used in 22% of companies. The reactor strategy was chosen by 17%. It is found that, considering this typology, the investigated companies tend to adopt some sort of strategy to suit their market. The most recurrent strategy at 83%, is the prospector strategy. Miles and Snow (1978) studied the need for companies to follow certain strategies that will enable them to succeed in their market. They conducted various field and research works covering different organizational types and found something common in the course of the life of different companies. They found the existence of an "adaptation cycle", which should be the main objective of the organization. At the same time, they developed a typology of adaptation strategies (prospector, analyzer, defender and reactor type) that had to do with distinctive mechanisms developed by organizations in the process of adapting to their context. They declare that organizational forms are "a logical way to shape the strategy, the structure and the management processes of an organization into an effective whole." Under this situation, and as discussed above, the organizations in the study also pay attention to different perspectives arising from its context, which is causing the adoption of different strategies. It was possible to check for a relation in the type of strategy adopted by managers in the process of adapting to their environment. Currently, the large number of SME companies that exist in Mexico and in the State of Sonora have the resources needed to solve many of their problems. This favors being an important part in the economy and being socially considered a great source of employment. However, one of the factors that continue to negatively affect them is a lack of professionalization in its administrative activities.

CONCLUSIONS

This project was conceived to identify strategies followed by small and medium enterprises from Ciudad Obregon, Sonora, in the pursuit of achieving adaptation in the market. Based on our findings we concluded that today's strategies help companies to achieve a steady and sustained growth, at the same time they manage to professionalize in the activities that their market environment demands. Managerial ability to manage strategies becomes a transcendental aspect of business life. The most common strategy used by companies surveyed was the prospector strategy (31%), the analyzer strategy is the second option selected (30%), while 22% of SME's apply the defender strategy. In the end, 17% use the reactor strategy. Results support the idea that prospector and analyzer are the strategies selected by the most of companies included in this study. The results obtained imply a theoretical and empirical contribution to these businesses. The position presented in the results identifies, in different ways, the relevance for companies to develop strategies consciously. Doing so is an essential part of a coherent management role in the selection of the strategy that best suits the type of business and provides potential for a competitive advantage.

Also as part of the results, we find that managers from small and medium-sized enterprises for the most part, adopt some strategy to adapt to their environment. Miles and Snow (1978) also identifying that the

prospector strategy was the most representative for small businesses. They argue the prospector strategy is maintained in a more dynamic environment where their capability is oriented to identify and explore new market opportunities. We also found that medium-sized firms tend to adopt the analyzer strategy, which try to minimize risk and maximize profits in a safer environment. These firms are always supported by a system of administrative management. In contrast, the analysis showed that this kind of company still maintains the reactor strategy with a minimal tendency. Future research might consider more variables related with the concepts explored here. For instance, researchers might analyze the management of every type of strategy. In addition, given the relevance of SMEs, it is necessary to implement measures to improve the economic environment and directly support the businesses to create the conditions that contribute to their establishment, growth and consolidation. (Pro Mexico, 2013).

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