

**BUSINESS FOR DEVELOPMENT:  
IMPLICATIONS FOR EXPORT STRATEGY-MAKERS**

**VENEZUELA**

**ENTREPRENEURIAL ALLIANCES AS STRATEGIC ALLIANCES TO  
IMPROVE EXPORT CAPACITY AND MARKETING**

## Introduction

Venezuela, as an oil export country, hadn't defined the development of non-oil export sector of goods and services as a policy, this situation clearly reflected on the Venezuelan legal frame, its tax structure and the administrative organization of the State, where more attention and preponderance was given to the import sector.

During the last years, within the conceptual frame of endogenous development as this country's development policy, the export sector has been given an important role, and from this comes the necessity to bring into effect a much needed transformation in order to achieve the strengthening of the Venezuelan export sector. This begins with the need to establish a legal frame to regulate the whole subject of international trade; the definition of policies to promote the Venezuelan export sector; as well as the institutional strengthening required to provide, from the state point of view an integral assistance to the Venezuelan export entrepreneur. This state point of view is joined by strategic alliances with the private export sector.

## Characterization of Venezuelan export SMEs<sup>1</sup>

In Venezuela export SMEs are characterized by: a) being conformed by family groups or teams of partners, which mostly aren't very numerous; b) the investment in terms of amounts is limited; c) its growth in sales volume is slow; d) they enjoy little advantage from the opportunities created by the local environment of other companies; and e) they compete with traditional services and products.

The general attitude of a family owned company limits the adoption of better managerial practices, which reflects in their slowness to identify business opportunities, since their contact net tends to be supported on social close relationships more than in an entrepreneurial environment network.

Venezuelan SME's performance is isolated on the productivity process, presenting among others difficulty to access financing, as well as to acquire raw material in competitive amounts and prices, which places them in a position of weakness to face the drastic changes of today's business environment.

In this sense, the Ministry of Production and Commerce has established clear lines regarding the definition of development policies on the industrial and entrepreneurial sectors in Venezuela. The so-called "Endogenous Development Plan" defines three areas to be addressed initially by the state. Firstly, the **Industrial Reactivation**, to increment in a short term the use and utilization of the country's industrial installed capacity; secondly, the **Industrial Re-conversion**, to technologically modernize and actualize the industrial Venezuelan sector, and lastly the process of **Reindustrialization**, to increase the Venezuelan industrial weave.

This new definitions have brought among other things the revision of the public financial system, within the previously mentioned linements, and paying close attention to the difficulties to access financing also previously mentioned, parting from the supposition that the objective of this organizations is to financially prop the actions here expressed. In this manner the programmatic and credit policies adequacy have been developing in Venezuela in the present circumstantial situation, and specially in the industrial sector. An important emphasis is being made on the simplification of procedures and in the institutional strengthening of the entities related with the national production sector, all this in order to establish the conditions necessary to support the reactivation and growth of the Venezuelan industrial sector, establishing thus a new logic of public policy procedures through complementarity, searched within the different actors involved.

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<sup>1</sup> Small and medium enterprises.

## **Role of the State**

In the current context of globalization, financial liberalization and continuous technological change, SMEs can't survive isolated; it is necessary to create a collaboration environment or context. This collaboration can be implemented by nets or vertical and horizontal integrations, on one side, and on the need for the state to focus on:

- 1) Establishing regulatory and institutional frames, to regulate competence, provide juridical security, simplify and make transparent all document procedures and fiscal regime.
- 2) Formulating, evaluating and actualizing norms, policies and programs oriented to improve entrepreneurial administration, emphasizing on the support on innovation and technological diffusion, which would lead to an improvement on quality and competitiveness, thus promoting the development of productive chains, fomenting associability and action coordination within the involved actors.
- 3) Support the development of financial mechanisms oriented to satisfy the SMEs (regarding terms and costs), to allow a broader access to financing, in order to facilitate their processes of expansion and re-conversion. Also, facilitate the access to financing to entrepreneurs; as well as financing for research development in order to improve competitiveness and quality.

## **Conclusions**

Horizontally integrated SMEs need to actualize their competencies through their own learning processes, developed from within, as well as through the incorporation of elements from outside the company, such as new knowledge, experiences as well as the improvement of codified and formal practices. All this would lead to better offers and diminished transaction costs that so often become their barriers.

The size of a SME does matter, because it prevents them from obtaining advantages in the market operating as individuals. It is important to understand that: to assume new outlines on competency, quality, sub-hiring, customer service, improvement on delivery deadlines, as well as their innovation capacity, are the most important factors to consolidate, both domestically and abroad. It is important for the SME to understand that it is necessary to invest in research activities and diffusion of technology, to help improve cooperation among companies, involving even universities, to support through the development of laboratories and research centers.

One of the most effective entrepreneurial strategies to operate within a competitive business context, is managing based on the generation of cooperation links with other agents within the same context. Enterprises will be able, through specialization and cooperation, to accelerate their learning processes, to reach scale economies and to focus on targets where they have the bigger competitive advantages.

In Venezuela there are some examples of SMEs consortiums on the plastic sector that have joined, solving the problem of supply for raw materials, as well as other supplies for the group, along with company improvement policies, negotiating in block with financial entities, thus obtaining more beneficial credits regarding terms and rates, and also negotiating with the state the definition of policies that improve their sector.

However, the formation of these consortiums requires overcoming the barrier of lack of confidence, self-sufficiency, individualism and the fear of being used by others. The development of trust within the members will allow them to feel part of a common organism, which would give birth to a formation process of nets and complementarities.

In this regard, the state can become the facilitating factor, through public policy, which can be translated in the use of local economic promotion instruments, for which it is important to generate a reciprocal trust within the individual firms. This means, for example, that the promotion of clusters is, from a systemic viewpoint, a modality of local and territorial economic promotion, in a way that allows indirect measures for the institutional development.

It can be said then, that horizontal cooperation within the SMEs or specialization will contribute to create collective efficiency, which is defined as competitive advantage derived from the local economies, whose joint action depend on an adequate infrastructure of capacitating, and on access to public services. Summarizing, through vertical integration it is possible to increase competitiveness of the SMEs if access to certain critical resources is guaranteed, such as financing, technology and managerial capacity.