

# Strategic Analysis to Develop an Internationalization Plan for a Small Construction Company in Guanajuato, Mexico

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Nowadays internationalization is no longer a luxury for companies and becomes a necessity in order to survive in the market and ensure its durability over time. This justifies the structure of a internationalization plan (IP) for a small company (SEC), in order to modify its value curve against the competition and guarantee a sustained growth development in new markets. This paper presents a strategic analysis of a small construction company dedicated to the elaboration of finishes for walls, floors, and concrete architecture. A situational analysis was carried out to see what would be the most appropriate international strategy for the company. Tools, such as: (a) SWOT (strengths, weaknesses, opportunities, threats) Analysis, (b) PEST (political, economic, social, and technological) Analysis, (c) Internal Factors Evaluation Matrix (IFE), and (d) External Factors Evaluation Matrix (EFE Assessment Matrix), were used to identify the current standing of the SEC. The canvas model and the competitive profile matrix were used to make the connection with the strategic position of the SEC against the desire of internationalization. Likewise, an analysis of the external factors was carried out showing a significant growth of 4.6% in the specialized sub-sector, as well as a tense business landscape driven by the political situation between Mexico and the United States.

*Keywords:* small enterprise, strategies, internationalization

## Introduction

In an increasingly developed and globalized world, the search for business competition and the opening of new markets that transcend cultural, linguistic, and territorial boundaries, make the internationalization of businesses imperative to ensure the survival and durability of companies.

The following is the case of a small Mexican company in the construction sector (SEC) with 10 years of experience in the market. This company develops solutions for the embellishment of spaces by means of print systems for floors and architectural elements of concrete and walls, an innovative technique with a great boom

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in the market. Although the success and stability of sales in the domestic market generated the motivation and interest to enter international markets, the SEC does not have a background in international or foreign trade and has little experience in export processes. The development of this business plan therefore satisfies the need to research, consult, and develop the best strategy for exporting products.

Small and medium-sized enterprises (SMEs) represent 73% of employment in Mexico and 34.7% of total gross production (Pérez, 2013). According to the Economic Commission for Latin America and the Caribbean (ECLAC), these represent 99% of the industrial fabric in Latin America. In this sense, Latin American SMEs are key to the development and investment in the region. Consequently, this Mexican SEC has a high export potential for its finished products, which represents an important need to internationalize its portfolio in search of new markets and diversify its sources of income.

The general objective of the research is to design the SEC internationalization plan based on its interest in expanding into global markets. In this case study, the methodology of the work follows an organizational type of consultancy in the field of international business in order to present a proposed solution to the specific needs. The approach is qualitative.

### **Company Profile**

The company in this study is a Mexican organization located in Guanajuato that offers environmental design solutions, through decoration and renovation of walls, floors, and concrete architecture. The idea of business arose when the founder and a group of construction professionals identified finishes for walls and floors not available in Mexico that have great market potential. They were incorporated as a stock company in 2007, but years later there was a corporate change and the original founder remained as a physical or legal contributor. With regard to strategic planning, its institutional philosophy is not defined in writing because according to the leader: "It is better to live and create that philosophy". They do not agree with its formal application in documents. The working environment is very flexible, which evidences a high degree of familiarity with employees. Treatment is also informal and direct. Despite the lack of an organization chart and cargo profiles, each employee recognizes their functions and performs them in an orderly and timely manner. The production processes of the SEC are oriented to manufacture products for finished floors and walls, along with sealants and molds that allow for stamps and decor of the concrete. Its production processes are supported by the Mexican Institute of Cement and Concrete (IMCYC), which in turn is certified by the international organization of technical standards (ASTM). It should be noted that the level of quality of the products and their level of service are the differentiating factor of the SEC in the market.

The international area has had sporadic sales abroad of its products, however, it does not have an established internationalization plan or strategy. Despite the serious advantages of their quality of products and excellent customer service, it is necessary to work on its international profile in order to achieve the vision of the organization and accelerate its growth and expansion both nationally and internationally.

### **Product Portfolio**

SEC's production processes are geared towards producing and distributing materials (inputs) in the field of decoration across concrete, floors, and walls through stamping and sealing techniques. The decoration systems are composed of a mortar, release (powder or liquid), sealer, and the mold of the desired design. The main products of the company are:

(1) Stamped walls: The SEC developed a monolithic cladding for walls that provides a natural appearance. This system offers stone, brick, flagstone, or granite finishes avoiding the extraction of natural banks that affect the ecosystem;

(2) Printed floors: The company developed a system that allows to stamp new floors with fresh concrete or to cover existing surfaces;

(3) Tinted concrete: It is a coloring system for architectural elements containing cement. The product acts through a chemical reaction on dry surfaces without altering the physical properties of the substrate. This system allows changing the monotonous surfaces, changing them by vivid colors where imagination and creativity is the limit. It is designed for floors, walls, columns, benches, kitchen or bathroom covers, etc.

All of the SEC's production processes include industrial mixers, materials handling equipment, safety equipment, skilled labor, and a proprietary infrastructure that has been strengthened throughout its trajectory. Then a strategic analysis of the SEC will be carried out, from the search for "solid explanations to the question of why some organizations obtain competitive advantages sustained over time and achieve results superior to their competitors in Terms of profitability, growth and/or value creation for its shareholders" (Ventura, 2009, p. XXI).

### Canvas Model

<b>Key partners</b> -Authorized distributors Government agencies (urban development) -Construction and finishes contractors Suppliers -PROMEXICO (Mexican commercial promotion federal agency) -COFOCE (Mexican commercial promotion state agency)	<b>Key activities</b> -Commercial management -Product engineering -Costumer service -National and international trade fairs and exhibitions	<b>Value proposition</b> Create unique solutions for decoration and finishes and floors and walls, offering a level of superior quality and excellent service	<b>Customer relationships</b> One-to-one personalized attention and product warranty. Seminars to technicians	<b>Customer segments</b> -Contractors of special projects -Authorized distributors of products for stamping of concrete -Offices/Secretaries of government of urban renovation -Foreign and national firms of construction and civil engineering
	<b>Key resources</b> -Raw materials -Personnel, human resources -Machinery		<b>Channels</b> -Direct contact telephones -Email and website -Factory direct sale throw authorized distributors -International distributors	
<b>Cost structure</b> -Personnel: 25% -Indirect costs: 15% -Raw materials: 60%			<b>Revenue stream</b> For sale of products -Sealants: 35% -Stamping system: 30% -Molds: 20% -Other products: 15%	

Figure 1. SEC canvas model. Source: Own elaboration (2017).

The canvas model proposed by Osterwalder and Pigneur (2010) allows illustrating through nine categories the key areas of a business and how its connection and linkage with the strategy creates value for consumers. It was determined to create the model canvas for the company, taking into account that they do not have the same and from there to immediately identify the model and the synergy of the business for its phase of recognition and characterization, in addition, to evaluate possible weaknesses in their management and propose solutions for improvement.

### Environmental Analysis

For the environmental analysis, the company was prepared to carry out a pest or pestal analysis that evaluates different key dimensions of the business environment: (1) political and legal, (2) economic, (3) social and cultural, (4) technological, and (5) ecological. This in-depth analysis allows identifying potential business opportunities for the SEC or threats that are present in the sector or market.

Also, through the analysis of the sector, the market structure will describe its trend of growth and the attractiveness of the industry while the analysis of the competition will determine the degree of rivalry and domination of the market that have the main competitors of the SEC. It will also analyze what mix of strategies they carry out with respect to the product, the price, their promotion, and distribution.

### PEST Analysis

PEST is a word formed from the initial letters for political, economic, social, and technological. This analysis is used to assess these four external factors in relation to the firm situation.

**Political and legal environment.** In this dimension, we analyzed the main conflicts and current situations of the market and the economy that certainly have a positive or negative impact on the business environment in which the SEC is located.

At the political level, the new energy reform in Mexico aimed at the liberalization and decentralization of petrol retailers (service stations) for the opening of new global brands will generate a free competition and greater offer of fuels and opportunity for new distributors (Arteaga, 2014). However, because prices are not regulated, there is a possibility that they will continue to grow and indirectly affect entrepreneurs with the increase in freight and distribution costs of their products, as well as private individuals using public or private transportation to mobilize, as it was lived last January with the 20% increase in the price of fuels.

In the applied case, the rise of fuels indirectly affects the business as it traditionally provides advice and helps its clients in the search of transportation. The company, in turn, has contacts that facilitate the distribution of their products. At the time of uploading the service rates, the companies in the gas industry increase fuel costs. As a result, the SEC's products become less accessible to their customers due to the rise in transportation costs from the factory to the sites. It is important to note that more than half of its sales are in other states distant from the plant in León, Gto., in order of importance: (1) State of Mexico, (2) Nayarit, (3) Guanajuato, (4) Baja California, and (5) Zacatecas.

Moreover, in the transition from energy reform and just past the world's oil price crisis, Mexico has new concerns surrounding relations with its northern neighbor. President Donald J. Trump's strong threats to Mexico and the North American Free Trade Agreement (NAFTA) renegotiation put the economy at risk.

Indeed, analysts indicate that about 4.9% of Mexican GDP can fall if Trump imposes the 30% tariff on products of Mexican origin (FORBES, 2016b). Political tension in bilateral relations will affect economic growth by slowing down the economy and damaging the exporting manufacturing sector. Faced with such threats from President Trump to break the free flow of remittances to Mexico, the different states of Mexico must face an austerity policy in order to balance the loss caused by foreign direct investment in about 27 States where at least one-fifth of their economy contributes to the United States (Albarran, 2017). For the particular case of Guanajuato, this will be one of the main states affected by Trump's policy because it exports 73.2% of its products to the United States. The main affected sectors are: automotive, agri-food, and leather and footwear (Martinez, 2017). It is advisable that at the state and municipal level the offer is diversified and efforts are

directed towards the internationalization in other latitudes. For the SEC, this represents an important opportunity in order to open new markets and seek leadership in the industry.

**Economic environment.** At the economic level, the outlook is no more encouraging: “For every 10 dollars that enter Mexico for the trade surplus that has with the United States, five out of the high deficit that is registered with China” (Rojas, 2017, p. 116). Renegotiating the NAFTA treaty will lead to a reduction in the trade surplus with the United States, which will make them enter less dollars for exports and lower debt-to-pay capacity with China. Consequently, Bank of Mexico (2017) indicated that the strong devaluation of the peso against the dollar that is quoted in more than \$20 pesos per dollar. The fall of foreign investment at 5.8% will attenuate the economic panorama. Mexico and particular industries will have to diversify their sources of income and start creating trade alliances with other partners in the region to cushion America’s loss. In this sense there is a great opportunity for Mexico to seize the revaluation of the dollar through exports to other markets.

Mexico has signed trade agreements on three continents and has accessed to a potential market of more than one billion consumers and 60% of global GDP (PROMEXICO, 2017). They are a network of 12 free trade agreements signed with more than 40 countries, 32 arrangements for the protection and reciprocal promotion of investments with 33 countries, in addition to nine partial or limited-scope agreements and their active participation in multilateral bodies, such as World Trade Organization (WTO), the Organisation for Economic Co-operation and Development (OECD), and the Latin American Integration Association (ALADI), among others (PROMEXICO, 2017). In addition, the public administration has decided to reduce public spending and establish austerity policies, which will cause the growth of the construction sector to be no more than 2%. (FORBES, 2016a). Therefore, construction contractors will have fewer urban renovation and infrastructure projects awarded and sales of products for stamped concrete finishes on floors and walls could oscillate downwards. Hence, it is important to diversify, open new markets, and look for new distributors for SEC products.

**Social and cultural environment.** In relation to the social and cultural dimension, the migration of Central Americans to Mexico in search of asylum is increasing. According to Mark Manly, Mexico’s representative of the UN refugee agency, UNHCR, “the Mexican government has recognized that this is more and more a refugee issue”<sup>1</sup>. Mexico ceasing to be a transit country to the United States to become a refuge nation is “a fact that it could increase unemployment, insecurity and social stability”. Similarly, the downward trend in the rate of occupation of workers in the construction sector is a threat factor in the environment, which is why fewer contractors are being hired for specific renovation projects and finishes in floors or walls (INEGI, 2016).

However, despite the migrations and the decrease in the rate of occupation of the construction sector, there are cultural variables, such as distance from power, collectivism-individualism, risk aversion, orientation to achievement, among others that become an advantage of exploiting the internationalization of the SEC within Latin American countries, as they share not only historical, but also cultural ties that facilitate the process of internationalization of products with the adaptation to local environments (G. Hofstede, G. J. Hofstede, & Minkov, 2010).

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<sup>1</sup> Interview made by Kirk Temple in *The New York Times*. Consulted of: <https://www.nytimes.com/es/2017/02/13/mexico-de-pais-de-transito-a-nacion-refugio/?mcubz=0>.

**Technological environment.** In the technological environment, the use of the web pages, social networks, and technological means as tools for the export of services has been increasing. Specifically, the Internet helps companies to achieve credibility in international markets and to avoid or reduce travel costs and restrictions that hinder their participation in the export market (Centro de Comercio Internacional, 1999). Therefore, the design and promotion of a virtual channel for the exhibition of products for floor and wall finishes will promote the internationalization of SMEs in this sector. The company has a high opportunity to promote its products through these channels. Moreover, the value of innovation and technological development in SMEs is a differentiating factor that mitigates the lack of relevant information for decision-making (INADEM, 2014).

To illustrate this, the SEC has a high potential for innovation in its production processes and in the research of international markets that broaden the business landscape, thus ensuring its competitiveness to last over time. In addition, the company has open doors to differentiate innovation and product development through creating new mold designs for prints, colors, and formulas for solutions in the construction industry along with the acquisition of new machinery and equipment that tecnifique production processes.

**Ecological environment.** Finally, the difficulty to find natural stones for the decoration of architectural spaces, as well as its high cost and the impact generated by the extraction of these minerals, is ecological dimensions that favor the implementation of new technologies and innovations in concrete finishes and prints to reduce the environmental footprint and beauty of concrete architecture. The stamped concrete products offer impermeability, ease of cleaning, resistance of wear and abrasion, as well as rapid placement. These characteristics position it as an excellent alternative for decoration (Orozco, 2014).

Regarding to environmental regulations, the official Mexican standard “NOM-161-SEMARNAT-2011” establishes the criteria for classifying waste and the management plan for waste of industrial origin. In this case, the standard is very explicit in indicating that any residues from industrial and processing activities must be disposed of by an approved waste management agency or corporation. This is to avoid contamination and formalize the operative processes of the companies in this matter. This company does not generate hazardous category wastes. The majority of wastes it generates from packaging material, such as plastic, paper, or paperboard, do not represent any level of risk to the environment although they are of industrial origin. Since these elements have recyclable potential, the company hires a waste manager that is in charge of the disposal, destruction, or reuse of these elements. Companies with sustainable environmental policies generate greater credibility and confidence in the consumer, a factor that identifies them as environment friendly and socially responsible.

### Sector Analysis

For the environmental analysis, the main findings are presented as its structure, participation, size, evolution, and trend in the market where the SEC is located. “One of the most important sectors of the national economy is construction, due to its capacity to generate employment and its relationship with the formation of productive infrastructure” (Robles & Velázquez, 2013, p. 106). Not in vain, the construction sector contributes 7% of Mexico’s GDP (Abusaid, 2015) and represents one of the greatest impacts in the national economy.

The construction sector is divided into three stages according to Robles and Velázquez (2013): Stage 1, primary production, including all mineral extractive activities that serve as inputs for construction activities; Stage 2, the transformation of activities to produce materials for the industry; and the Stage 3, the construction of all modalities that constitute the building and conditioning of installations.

The analysis of SEC belongs to the activities of transformation and elaboration of materials for the construction (Stage 2), which is one of the most important factors since they represent more than 80% of contribution in all the existing units. In terms of sector performance, construction activity is the fourth largest job-generating activity in Mexico, landing at 13.2%. (Cámara Mexicana de la Industria de la Construcción, 2012). In addition, Stage 2 presents more capital-intensive production processes, which lead to higher productivity levels and high remuneration for its workers. Given the above considerations, it is pertinent to analyze the sector of construction by the claimant sector and its relation and implications with the productive activities that the company develops.

The construction sector is the fourth largest contributor to national GDP and yet it is one of the most affected by the budget cuts to public spending. Its nationwide shrink in growth at 1.2% and rising interest rates from the public cutback are threatening the sector, which will drive a decline in the industry (Quintero, 2016). At the national level, Guanajuato is the fifth largest producer with a 5.9% share (*El Economista*, 2016). The state of Guanajuato represents the sixth largest national economy in Mexico with a value of more than US \$43.2 billion. Its geographical location makes it an articulate transport point because it has 24 developments for the installation of companies among industrial parks, interior ports, industrial zones, and cities (Secretaría de Desarrollo Económico Sustentable, 2017). The state's potential for internationalization of companies is high due to its physical infrastructure and the closeness it has to the main ports, airports, and national and international distribution centers. The state of Guanajuato and in particular the city of León are located in central-western Mexico in the Bajío area with easy access to other regions of the country.

In addition, for the promotion of foreign trade, the government has created different national state agencies and agencies that support companies in their internationalization process. Promexico, the Mexican government agency for the promotion of the foreign trade and foreign investment, offers services like consultancy in plans of export, participation in fairs of business, training in international business for entrepreneurs and enterprises strengthening through its global network of offices and more than 10 free trade agreements and 32 international deals.

However, the construction sector is not among the largest exporters in the country, as are the automotive sector or footwear and handicrafts. The construction sector occupies more than 3,000 jobs in 34 companies that export to 38 countries and the main concentration of materials is given in the coatings, whether for walls, floors, or ceilings (COFOCE, 2016). This becomes an opportunity for the company to sell its products internationally in order to dynamize its income and contribute to the development and diversification of the country's export offer. This opportunity can be driven through the support of COFOCE (Coordinadora de Fomento al Comercio Exterior del Estado de Guanajuato), the joint organization of citizens and decentralized participation of the state government that promotes the export offer.

### **Competitor Analysis**

This section presents a summary comparing different measurement variables of the company's competence in the subsector of specialized construction, specifically for the concrete stamping for floors and walls. Nine competing companies were identified in the national market. Table 1 presents the summary of the research and analysis of the competition that the company has in the market.

The company maintains commercial relations with two companies, one in Mexico city and another in the state of Mexico with whom they have signed maquila contracts to supply the materials under the allied

company brands. This contributes to the stability of manufacturing levels and allows the SEC to be present in these markets with their own brand. In this sense, they do not represent competition in the market but reaffirm the quality of SEC products and diversify the income of the company.

In conclusion of the environmental analysis, the sector and the competition are key to showing that the SEC has a great market opportunity in the subsector of specialized works specifically in manufacturing of concrete stamps for walls and floors. The market is just emerging and the SEC has differentiating advantages that allow it to expand its market not only in Mexico but also abroad. Below is the result of a company analysis at an internal level and the analysis of the environment (market, sector, and competition) in order to locate the strategic position of the SEC in the market and to carry out the initial diagnosis of the situation that will be studied in the proposed consultancy.

Table 1

*Competitor Analysis*

Indicator	SEC	Nine competitors
Product portfolio	Concrete stamping Inking of surfaces Stamped on walls	Concrete stamping Inking of surfaces
Price levels	10% below of six trade marks. Same price level of the other three trade marks	Above the company
Quality levels	The best quality in sealants and color hardener Similar quality in the rest of the products	Three brands with very low quality. The other brands can compete in some products
Distribution coverage	Authorized dealers in nine cities of the country	Authorized dealers in 15 cities of the country
Prestige and reputation	From good to excellent	Very good for two brands, the rest of the brands do not achieve good levels
Own branches	The company does not have its own branches	Two brands have branches in Merida and Veracruz, the rest have no
Communication channels and social networks	Web page, email, phone with long distance call service at no cost to the customer, WhatsApp	Web page, email, phone with long distance call service at no cost to the customer, WhatsApp, Facebook y Twitter

Source: Own elaboration (2017).

### Results of the Strategic Analysis

This section will evaluate the results of the internal analysis and external analysis of the company in order to dictate guidelines and strategies to be followed in the development of the research. For this, a series of strategic analysis matrices have been carried out that allow the identification of the strategic position of the company with respect to the environment and the competition, as well as the resistance to internal problems and the development of the competitive advantage.

#### SWOT Analysis

The SWOT (strengths, weaknesses, opportunities, threats) analysis identifies and classifies the strength, opportunities, weaknesses, and threats of a business model. In this case, after the company's recognition analysis (internal and external), the following matrix was obtained:

As shown in Figure 2, the company has serious competitive advantages in terms of strengths that characterize it for the good quality of its products, the excellent service it provides to its customers, and the optimal response times. On the other hand, it presents weaknesses, such as under brand recognition, few sales



channels, and the lack of international areas. These weaknesses can be worked to exploit the opportunities of the market, such as the development of new products, expansion to international distributors, as well as participation in national and international fairs and events that will increase brand recognition and market positioning.

However, the threats of the sector are priority to be addressed in order to mitigate its impact on business operations. This can be exercised through market diversification and the start-up of expansion plans before competition. The factors found in the SWOT analysis will be studied in depth in the following evaluation matrices of internal and external factors that will add a quantitative component to the initial evaluation.

<b>STRENGTHS</b> Top quality level Market knowledge IMCYC (ASTM) certified Own production Variety in the product portfolio Exclusivity in stamped walls Service and specialized care Financial stability Optimal response times Corporate social responsibility	<b>WEAKNESSES</b> The brand recognition is low Outdated web page Sales made by order and direct quote Low promotion and advertisement Direct delivery inability Few distributors There is no international trade area
<b>OPPORTUNITIES</b> Poor service of competition Opening of new interancional markets Development of new products New potential distributors at the international level Participation in national and international trade fairs Marketing strategies and brand positioning Export of the products to the Latin American region by the cultural proximity Commercial promotion and sales by virtual channels	<b>THREATS</b> Negotiating power of buyers Development of substitute products Energy reform and political tension with the United States High negotiating power of suppliers Lack of investment in the public sector in infrastructure Unemployment in the construction sector Little product differentiation and price competition Rapid competition reaction

Figure 2. SWOT matrix. Source: Own elaboration (2017).

### The Internal Factors Evaluation Matrix (IFEM)

Based on the identification of the strengths and weaknesses of the case, we proceeded to assign a weight to each factor that reflects the importance within the evaluation, and also qualified with respect to each factor according to the following scale: 4 = It is a great strength; 3 = It is a lower strength; 2 = It is a minor weakness; and 1 = It is a great weakness. The total sum, calculated by multiplying the weight by the qualification, is the indicator of the SEC for the internal analysis.

According to the internal factors assessment matrix, the SEC has an average score of 2.86 and indicates that the company has more strengths than weaknesses; however, it cannot be indicated that it is good or bad without analyzing in context the evaluation matrix of external factors.

### The External Factors Evaluation Matrix (EFEM)

This matrix collects the factors identified in the SWOT analysis and evaluates them by assigning a weight that reflects the degree of importance or impact on the evaluation. At the end, each one of these factors is qualified according to the following scale: 4 = great opportunity; 3 = minor opportunity; 2 = less threat; and 1 = great threat.

Table 3 shows the results of the company, with a score of 2.57 in the environment that the company is located. This implies that despite having important threats to the construction sector and to the market of the

stamped concrete manufacture, the SEC has interesting opportunities to do business abroad and increase its odds of success over competition.

Table 2

*Critical Factors*

Critical factor	Weighting-ponderation	Rating	Total
Strengths	1. Top quality level	4	0.4
	2. Market knowledge	4	0.4
	3. IMCYC (ASTM) certified	3	0.09
	4. Own production	4	0.28
	5. Variety in the product portfolio	3	0.15
	6. Exclusivity in stamped walls	4	0.28
	7. Service and specialized care	4	0.24
	8. Financial stability	3	0.15
	9. Optimal response times	4	0.24
	10. Corporate social responsibility	3	0.09
Weaknesses	11. The brand recognition is low	1	0.1
	12. Outdated web page	2	0.04
	13. Sales made by order and direct quote	2	0.12
	14. Low promotion and advertisement	1	0.08
	15. Direct delivery inability	2	0.1
	16. Few distributors	1	0.04
	17. There is no international trade area	2	0.06
Total	1		2.86

Source: Own elaboration (2017).

Table 3

*Critical Factors EFEM*

Critical factor	Weighting-ponderation	Rating	Total
Opportunities	1. Poor service of competition	3	0.15
	2. Opening of new international markets	4	0.36
	3. Development of new products	3	0.15
	4. New potential distributors at the international level	4	0.28
	5. Participation in national and international trade fairs	4	0.24
	6. Marketing strategies and brand positioning	4	0.24
	7. Export of the products to the Latin American region by the cultural proximity	4	0.4
	8. Commercial promotion and sales by virtual channels	3	0.09
Threats	9. Negotiating power of buyers	1	0.05
	10. Development of substitute products	2	0.16
	11. Energy reform and political tension with the United States	2	0.06
	12. High negotiating power of suppliers	1	0.05
	13. Lack of investment in the public sector in infrastructure	1	0.08
	14. Unemployment in the construction sector	1	0.06
	15. Little product differentiation and price competition	1	0.08
	16. Rapid competition reaction	2	0.12
Total	1		2.57

Source: Own elaboration (2017).

### Competitive Profile Matrix (Kepner & Tregoe, 1989)

In the framework of evaluating the strategic position of the company in this sector and with respect to competition, the main players of this market were qualified in nine key factors of success shown in Table 4.

Table 4

#### *Key Success Factors. Competitive Profile Matrix*

No.	Factor	Weighting-ponderation	Rate	Total
1	Product quality	0.17	4	0.68
2	Custom service	0.15	4	0.6
3	Adaptability to the environment	0.08	4	0.32
4	Variety	0.06	2	0.12
5	Product engineering	0.13	4	0.52
6	Localization	0.08	2	0.16
7	Brand positioning	0.15	2	0.3
8	Response time	0.1	3	0.3
9	Internacionalization	0.08	1	0.08
Total		1		3.08

Source: Own elaboration (2017).

This matrix uses the key factors of success assigning a weight according to the degree of importance that influences the success of the business, compares the company studied with the rest of the sector, and qualifies each of these according to its performance. A rating of 4 is equal to a greater strength, 3 is equal to lesser strength, 2 is equal to minor weakness, and 1 is equal to “greater weakness”. The SEC is with a score of 3.08, a very competitive and difficult place to get if you consider the high rivalry between competitors and similarity in management processes. The company differs from the competition for its high levels of quality, the best customer service attention, the strong knowledge in product engineering, and its easy adaptability and flexibility that allow them to be at the forefront and meet the needs and requirements of customers.

### Internal Matrix Versus External Matrix (IMEM)

The IMEM crosses the information of the internal evaluation matrix with the external evaluation matrix and places the company in a quadrant that defines its strategic position, taking into account its resistance to internal and external problems. This is the final result of the matrix analysis and allows graphically identifying strategies and tactics to help the company maintain and/or develop its competitive advantage in the industry given a business climate.

Figure 3 shows the IMEM matrix that determined that the SEC is in a resistance position (Quadrant V). This is mainly due to the business climate and the threats of the environment. Mexico and, in general, the economy are in a process of transition and reforms that affect the survival of many sectors. In addition, the impact of political tension with the United States closes export expectations, but opens up new opportunities for other markets.

In this sense, it is clear to say that the SEC has a high potential to increase its internal strengths by implementing new marketing strategies to increase its recognition and brand positioning. This goal can be worked from the hand of internationalization as a way of developing the competitive advantage.

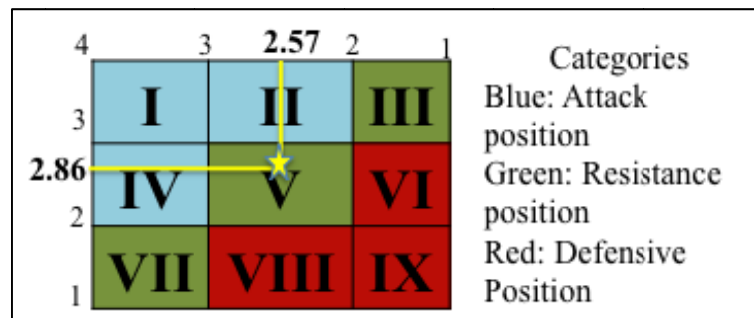


Figure 3. IMEM. Source: Own elaboration (2017).

## Conclusion

This case is an organization dedicated to the manufacture of materials for the elaboration of specialized works in the construction industry, specifically for stamped concrete on walls and floors. The company has competitive advantages in product quality, customer service, and product engineering knowledge. These advantages must be maintained in order to reap success in the industry and differentiate from competitors.

For opportunities of improvement, the company must work on positioning the brand, despite the business climate and external factors difficult to control. The SEC can make strategic decisions that strengthen its resistance to internal problems and locate in an attack position against the competition. The strategy for developing new markets is best suited for the situation of the company. Despite having optimal sales levels, a significant trajectory, and competitive advantages difficult to emulate, the company will need to continue the same market trend and hold its value curve with respect to the competition. It is therefore time for the SEC to define a national and international expansion strategy that not only covers the local business, but also allows them to transcend borders to gain strategic alliances for brand development. Concentric diversification also opens the possibility to identify unmet needs in external markets in the same sector using the knowledge of product engineering in practical and high-value solutions.

Another opportunity for improvement that would support the process of expansion and development within new markets is the approach to promote vertical stamped concrete for walls in external markets. This strategy is justified as a high degree of innovation for the SEC in manufacturing its products, unique in its category.

Likewise, it is necessary to implement an internationalization plan and create alliances with governmental entities at a national and international level that favor the exportation process. These alliances would be directed to urban development secretariats and civil works contractors in other countries. To do so, it is also essential to improve the communication channels of the company by updating virtual channels and transactions without losing one-to-one marketing and the personalization of the service. In short, the business panorama of the SEC is a tense and struggling environment for a company with talent and opportunities.

The development of the following phases of the project will aim to achieve the international expansion of SEC products and define your internationalization strategy that allows you to transmit your specific advantages of the firm in other markets. It is proposed that for the subsequent formulation of the internationalization plan, it is now necessary to carry out a thorough research of markets with a global focus that allows you to identify business opportunities and potential customers and distributors of their products for finishes of floors and walls. The company has serious competitive advantages to internationalize and differentiate itself in the foreign

market as it was presented in this work, namely, through the quality and high performance of its products, the exclusivity in stamped walls, the attention and the personalized services provided, product knowledge, and high operational production capacity.

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