Strategy design to modify the corporate culture in Morelia MSMEs. Literature review and research proposal

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Abstract

This paper aims to demonstrate that a paradigm shift in corporate culture can generate growth in MSMEs of Morelia, which will bring many benefits, not only for the business but also for the community at large and for the same government. This is because there are too many MSMEs in Morelia but they are not able to generate the growth that is required on the one hand, and on the other the worrying situation of death soon after the star up.

Growth, corporate culture, MSMEs.

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Introduction

Traditionally it is intended and expected that the government (municipal, state and / or federal), is the generator of welfare in all its aspects. But its function is to regulate the activities and behavior of society as a whole, in order to assure so that citizens are the generators of the common good; and these citizens are the entrepreneurs.

From individuals with entrepreneurship skills emerge the entrepreneurs, true initiators of economic progress, wealth generators, same as in any city however small they exist, and Morelia is no exception. However, Vargas Hernandez (2007) defines culture as human behaviors learned and received from previous generations in the form of values, rituals, customs, etc., and hence, from this can follow and detach corporate culture, which is going to be analyzed with the intention check out and demonstrate how functional it is for Morelian’s entrepreneurs.

Background of the problem

The Mexican Institute of Executives in Finance (IMEF) states that each year in the country two hundred thousand companies are created which by passage of one year will be gone in half and only 35,000 reach their second year. Of these, one quarter has little chance of development and only about 3,500 can be successfully integrated into the economic formality (Lemus, 2013). In Mexico it is estimated that 100,000 companies disappear just after one year of being born and the surviving are unlikely to grow. Beyond moral judgments that can be made on capitalist enterprises, their logic is to grow in a optic that for sure does not do justice to evolution, the company that fails to adapt and develop, must disappear.

According to National Directory of Economic Statistical Units (INEGI, 2012) in Morelia Michoacán, by December 2012 there were 9,842 economic units according to the following classification: in manufacturing, support services to businesses, waste management and services remediation, as well as providing temporary accommodation and food and beverage preparation, talking from small to large units.

From the above, it could be understood that there are sufficient generators of jobs that are required to create wealth and social welfare in Morelia. However, the reality is very different because it is the opposite. There are very few sources of employment and social welfare economic units, then the economic units lack of growth strategies or simply lack of a corporate culture.

Definition of the problem

In the city of Morelia Michoacán, MSMEs are the main source of wealth and the main generator of employment, but unfortunately are poorly paid jobs and the growth rate is low near zero. Therefore, the research question is to assess business models, with special emphasis on those successful but do not take the next step to grow or diversify. Is it lacking corporate spirit? Changing paradigms of corporate culture, economic growth will be functional and real?

Justification

This investigation is warranted given the importance of manufacturing MSMEs for the economy, the state and the municipality, because they are the engine of the economy. In Mexico, MSMEs account for 90% of companies, 42% of employment, and contribute to 83% of GDP. There are more than 5 million enterprises, of which 98% are micro, small and medium.
The SME is today the center of the economic system of the country; microenterprises are real links in the production because they export and generate more jobs.

It is worrying that a high percentage of companies disappear so prematurely and the ones who manage to survive are few that have favorable results. Hence the importance and need for this research.

**Hypothesis**

The hypothesis of this research is posed as follows: Changing corporate culture of entrepreneurship will lead toward economic growth. This hypothesis corresponds generally to the research question posed at point 3. The variables considered in this investigation, are on one hand the corporate business culture and on the other hand, economic growth, which to unite in a relationship means- end, they show that corporate culture is a key to generate economic growth.

Independent variable (X) = EMPRENDEDORA CORPORATECULTURE

Dependent variable (Y) = ECONOMIC GROWTH

Based on these variables, the deployment of the corresponding indicators is shown in table 1 below.

### Table 1 Deployment of variables and indicators

<table>
<thead>
<tr>
<th>Variable</th>
<th>Description</th>
<th>Concept</th>
<th>Indicators</th>
<th>Instruments</th>
</tr>
</thead>
<tbody>
<tr>
<td>X Independent Variable</td>
<td>Corporate culture</td>
<td>Set of norms, values and ways of thinking that characterize the behavior, positioning of staff at all levels of the company, the actions of the management, the style of management, how to allocate resources, how to organize the corporation, and the image of the company (García, 1998; PAG).</td>
<td>Effectiveness, Risk aversion Visionary personality traits Improving management (Espíritu Aguilar, García Pérez de León, and Durand Guzmán Gómez, 2010).</td>
<td></td>
</tr>
<tr>
<td>Y economic growth of MSMEs</td>
<td>Business economic growth</td>
<td>Sustained return on investment Performance (Espíritu Aguilar, García Pérez de León, and Durand Guzmán Gómez, 2010). Corporate social responsibility Market expansion Competitiveness</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Research objectives**

A. **General purpose**

To demonstrate the efficiency in economic growth of MSMEs with changing paradigms of corporate culture of corporate profile of Morelia.

B. **Specific objectives**

1) Check that creating new jobs is possible by modifying the corporate business culture.

2) Verify that it can be possible to generate more wealth for both the employer and the employee with the change of paradigms.

**Conceptual theoretical framework of corporate culture**

A. **Concepts**

1) Classic authors.

The study of corporate culture has been approached from different perspectives and disciplines, which is in a competitive and open economy a major strategic potential of an enterprise economy.
Taking as the first definition of corporate culture, it will begin with Jacques (1951: 251) which says it is the culture of the factory and its customary forms and traditional ways of thinking and doing things forms, which is shared to a greater or lesser degree by all its members and which new members must learn, and at least partially accept, in order to be accepted into the company.

Therefore, culture is part of a second nature to those who have been with the company for some time. Literally in the original language "The culture of the factory is customary and traditional STI way of thinking and of doing things, Which is shared to a lesser degree by Greater or all its members and Which new members must learn, and at Least partially accept, in order to be accepted into service in the firm ... culture is part of second nature to Those Who Have Been With The firm for some time.

To Montesinos (1995) corporate culture is interpreted as the set of values, principles, norms, perceptions of life and knowledge of production processes, which show a total picture that determines the real possibilities that each society has in the process of globalization. Business culture in a society in particular offers the evaluative framework that determines the direction of relations between the peculiarities of the companies and their leading figures, entrepreneurs and managers (Vargas-Hernández, 2007). For Garcia Echevarria (1990: 68) corporate culture as an analysis intends to discover what the skills-value-based of the company that have made their managers and staff.

The corporate culture is normally used to refer to the attitudes, opinions and behavior patterns, through which the elementary virtues manifest constant work, take risks, energy and initiative.

Intelligence and preparation, honoring employees and recognition and meeting the needs of customers (Karlof, 1993). Schumpeter (1957) develops the theory of entrepreneurship derived from entrepreneurs which states that the activity of entrepreneurs can be grouped into two broad classes: those that are limited to the maintenance of the organization and structure received and those that promote the creation of new structures. It is the latter who should be called exclusively "entrepreneurs", since only they are able to appreciate new opportunities for progress for the company and for themselves (Schumpeter 2014).

It is interesting to note, when analyzed some of the classic definitions of corporate culture, how broadly refer to the values, attitudes and behavior patterns, to name a few, who are the ones who should govern all entrepreneur to bring success to the organization that represents all aimed toward the common good. That is, on the one hand to contribute to the generation of more jobs and creating new opportunities for progress, and on the other side to have growth that is also reflected on well-being for the entrepreneur is inevitable, that the most cases is the shareholder himself.

Therefore, business culture is defined by García (1988: 20) as: The set of rules, values and ways of thinking that characterize the behavior, positioning of staff at all levels of the company, the actions of the management style of management, how to allocate resources, how to organize the corporation, and the image of the company. Corporate Culture according to Pumpin (1988) covers the set of opinions, norms and values that thrive within a company and determine the actions of management and staff as a whole.
2) State of the art of the concept of corporate culture.

The economic situation that exists today is extremely complex, compared with the situation a few years ago; so much so that now it can be seen how companies are increasingly demanding more from their employees, thereby leading to the total satisfaction of current customers and by assumption of potential customers. However a point that is worthy of shock, although still the years are passing and passing, it is shown that an important aspect of corporate culture are the values expressed in different ways but finally reaching the same point.

That said, in the Blog CorpXcoach (2013) mentions that corporate culture to Google, the Internet giant is based on the "happiness of its people". It is known that such culture is based on elements that are not typical of any company. Such is the importance of conducting its business culture, which feature people whose only function is to maintain productivity taking employees happy, which is a fact that has influenced the success of the company.

In the Empresario.mx (2012) is mentioned in simple terms, that the culture involves values, principles and practices shared by the members of the organization, and establishes not necessarily written rules that will determine what people value, say, listen and or does not, which often serves as a counterweight to what is in the written rules, mission, vision, processes, procedures and policies. On the other hand, for Manene (2014), corporate culture is a set of beliefs or basic and manifested in norms, attitudes, behaviors that guide the conduct of members and allow them to perceive, judge, feel and act in the securities assumptions different situations and relationships in a stable and consistent within an organizational environment.

B. Review of theories.

Once analyzed and mentioned some of the features and concepts of corporate culture, then it will be summarized in table 2 taking some of the authors mentioned above as well as some new ones.

C. Review of the empirical literature.

An overview on studies on corporate culture and improved management of family businesses is presented in the following table 3.

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Methodology</th>
<th>Main results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hallinan (1988)</td>
<td>Survey to owner-managers of family businesses.</td>
<td>The level of strategic planning, perceived family harmony, the presence of external members of the board and the level of actual control manager-owner are positively associated with a high level of continued planning.</td>
</tr>
<tr>
<td>Oterell, (2001)</td>
<td>Multiple studies of three case studies on small and medium-sized family English businesses second and third generation. It was applied the proposed questionnaire by Cameron and Quinn (1999) to a sample of non-family employees.</td>
<td>Case studies tended towards a more formalized culture, more rules and adherence to norms. Employers showed a trend toward market culture with more flexibility and less dynamism.</td>
</tr>
<tr>
<td>Kornmr (2002)</td>
<td>With a sample of 10 family businesses and 17 from Finland, explored the values that these companies have in their ability to remain competitive in the market.</td>
<td>The results show that the most important values are honesty, friendship, reputation, quality and hard work, which represent the block of good ethical conduct.</td>
</tr>
<tr>
<td>Zahra, (2004)</td>
<td>Study with 218 families and 318 non-family firms from the US, examined the relationship between four dimensions of corporate culture and entrepreneurship.</td>
<td>The study shows a positive relationship between the elements of strategic control of the family business and entrepreneurship. The study also shows evidence that financial control systems are mainly oriented toward the short term.</td>
</tr>
<tr>
<td>Ferreira y Bozanan (2007)</td>
<td>Analyzed by case method with four Spanish, family firms, organizational culture and leadership styles.</td>
<td>Show that successful businesses, the founders dedicate special attention to the implementation of management control systems as tools that contribute to the growth of the company.</td>
</tr>
<tr>
<td>Dantas, (2007)</td>
<td>Using a sample of 285 family businesses and 153 non-family Spanish, analyzed the type of culture, systems management control and performance.</td>
<td>Confirm that family firms have high hierarchical values and low values of advisory. In terms of management control systems, confirm that they are used to a lesser extent by family businesses.</td>
</tr>
</tbody>
</table>
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Table 3 Review of the literature on corporate culture and improving corporate governance.

<table>
<thead>
<tr>
<th>Author</th>
<th>Methodology</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Galarza (2009)</td>
<td>Interviews with 120 Mexican family businesses.</td>
<td>In the strategic planning process should involve and engage both family members and key executives of the company for the company to remain over time.</td>
</tr>
<tr>
<td>David-Hollis and Richardson (2009)</td>
<td>They compared empirically 168 members of family businesses and 168 bank managers in Ukraine and USA; values and beliefs of the members of these companies and their professional managers.</td>
<td>High flexibility, social spirituality and low power distance are potentially universal in terms of culture of the family business.</td>
</tr>
</tbody>
</table>

From the above table, a primary feature is the fact that to conduct a strategic planning really must be carried out seriously and with absolute commitment by managers and / or owners of companies. Another important consideration is when talking about honesty, credibility, compliance with the law; the quality and hard work, which all of them somehow characterize companies in Finland. However, in the vast majority of companies in Morelia, experience shows that few are conducting a strategic planning according to their real objectives, and this is mainly due to lack important information for their own businesses and therefore their decisions are not reflected in the good expected results.

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D. Proposal.

Having studied and analyzed different concepts, from the point of view of classics to contemporary authors, it is considered in this investigation corporate culture that is normally used to refer to the attitudes, opinions and behavior patterns, through which the elementary virtues manifest constant work, take risks, energy and initiative, intelligence and preparation, honoring employees, recognition and satisfaction of customer needs (Karlof, 1993). The latter particularly anterior adding the "happiness of its people" philosophy of Google, as seen from inside the company, with happy staff expectations functioning of it is much greater than those that do not have them. Thus, the odds of satisfied and happy employees and customers ensure further success for the company.

Another important consideration mentioned by Karloff is honoring employees, a situation that is rare to hear from companies that actually carry out this practice, being that does not require a profound teaching for managers and / or owners, who can put it in action at their regular routines and can when handled as incentives and inducements whenever any of your employees deserve. Now all this is due to make very clear that it is aimed at meeting the needs of customers, who are ultimately the reason for being and existence of any business, be it products or services. Satisfied customers are permanent customers and generators of wealth and welfare for owners, employees and suppliers in a first end, and a second end to all those who are involved indirectly with companies.

Conceptual theoretical framework of business growth

A. Concepts
1) Authors classics.

The small and medium enterprises (SMEs) have an importance in the global economic context because they represent alone 95% of companies in most OECD member countries, combined to generate a high level of employment (OECD, 2002). After analyzing the literature on business growth, it can be mentioned in a generalized way that there is no uniform and precise definition that includes all content that the concept has immersed. The various studies reviewed address the issue from different approaches depending on the view taken by the author and the approach that it is wanted to give. Following then will be mentioned several definitions of business growth.

There are some attempts to define the economic growth, which will begin with the pointing of Penrose (1962, p) who contends that growth is characterized by the complex action of the internal modifications leading to an increase in size and changes in characteristics of objects subjected to this process. Penrose discusses the perspective of business growth from an organizational or internal focus of the company. According to the same author, from the time that management strives to fully exploit the factors of production available to a truly dynamic dialectical process that favors the continued growth occurs.

For Perroux (1963, p) business growth is defined by the lasting increase in the size of a simple or complex economic unit, made with structural changes and possibly of system variables and accompanied by economic progress. This concept is inextricably linked with the increase in the size and structural change. Business growth is defined by Echevarría (1974) as any positive change in the business dimension of the production process, which involves the prior setting of a reference variable.

On the other hand, Brockhoff (1974) notes positive long-term change a reference measurement, reference being determined by the weighted sum of all those values which are the business goals, provided these are not restrictive objectives.

Now to Fernandez Garcia and Ventura (1988) defined business growth as an index of dynamic behavior of the company that measures its ability to expand its business opportunities, financial and technical markets with high technological dynamism and, consequently, with high doses of uncertainty, which requires companies that want to maintain competitive parity with its direct competitors, to meet at least the generation of resources to develop their investment strategies in R & D, marketing and new production equipment thereby ensuring survival. Similarly, AECA (1996) focuses on the same elements and believes that the growth of the company is the development that is reaching the same, manifested by the increase of economic variables that explain their activity as observed changes in economic and organizational structure.

The authors Correa Rodriguez Acosta González Pérez Molina (2001) argue that business growth does not have a general theory nor a generally accepted conceptual definition, as the concept adheres to different approaches and views on its extension, measurement parameters and determinants.

2) State of the art of the concept of corporate culture.

One of the main constraints that arise when researching business growth is the lack of knowledge accumulation, as is mentioned by several authors, which can be explained by the multidimensionality and heterogeneity of the concept of growth.
**Hence**, it cannot have a conceptual definition of business growth, which makes for some authors consider growth as a desired goal and to others as a result of good management companies.

The growth of established companies aims to make sustainable business viability. However, the growth of small startups has to do with something prior, i.e. obtain viability, as sustained by Gilbert et al. (2006). Now, to Blázquez (2006, p. 172) business growth is a process of adaptation to the changes required by the environment or promoted by the corporate spirit of management. It is noted that for this author the necessary organizational changes are prompted by the corporation, all aimed towards a growth dynamic. Some other authors raise growth as Cardona and Cano (2005) which state that growth is a process that depends on intangible and tangible elements or accumulation of physical and human capital, and especially proper organization and internal structure.

**B. Review of theories.**

Following there is an analysis of the main theories of business growth:

**Table 4 Characteristics of business growth.**

<table>
<thead>
<tr>
<th>Theory of resources</th>
<th>Description</th>
<th>Author</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth as a stochastic phenomenon</td>
<td>In 1931 the Law of Proportional Effect stated that the size does not influence the growth rates. This law is not based on theoretical foundations, but presents the hypothesis that growth is a stochastic phenomenon resulting from various factors that act in multiple forms on the initial size of the company. These factors are not only a function of the company but also the environment in which it acts, and in some cases, favor the expansion, while others induce stagnation.</td>
<td>Gilbert (1931) states the law of proportional effect, which states that the size does not influence the growth.</td>
</tr>
<tr>
<td>Growth according to classical economic theory</td>
<td>From this point of view, the process of growth of companies based on the pursuit of minimum efficient size is to compete in a given sector. According to this theory, there is a negative relationship between size and growth of the company, growing faster small businesses than large until reaching its minimum efficient size.</td>
<td>Veblen (1924) focuses on the search for the optimal size. Piccirillo (1962) explains that growth is a slow adjustment to the most appropriate size for given conditions.</td>
</tr>
<tr>
<td>Behavioral approaches (behaviorist) to growth</td>
<td>These approaches are able to explain the growth of companies beyond the limits proposed by the economic efficiency in the productive sector, starting to do the existence of a separation between the functions of property and control, since growth allows managers to obtain a higher degree of satisfaction of their individual goals.</td>
<td>Buoni (1959 and 1962), Piccirillo (1970 and 1975) and Maruri (1974) analyzed separately ownership and management.</td>
</tr>
<tr>
<td>Learning theory</td>
<td>According to this theory, not only efficient firms survive and grow, and this comes to explain the growth by adding new factors such as age of the company and the industry in which it competes, with special emphasis on organizational learning through which managers learn how to get better results in the company.</td>
<td>Jovanovic (1982) explains the faster growth of small businesses through the introduction of a learning mechanism.</td>
</tr>
<tr>
<td>The existence of idle resources is the main motivation for growth. This theory states that growth is conditioned by the company that tries to put resources into use to improve their efficiency. Therefore, the existence of idle resources of a specific nature will allow for growth in an industry, while the existence of idle resources will allow general growth in industries other than the traditional roots of diversification.</td>
<td>Fornaciari (1989) understands that for a set of resources and business growth can be explained because there are idle resources.</td>
<td></td>
</tr>
</tbody>
</table>

The study and analysis of business growth has been approached from different perspectives and different points of view. Mainly this is because it is not possible to generalize the concept of growth as a first difference that is about the size of companies. Thus, sales growth is valid for the purposes of this research variable.

In the corporate environment, the study of competitiveness is an essential tool. Cuervo (2004) suggests that the generation of wealth and dynamism of a country are supported on the competitiveness of their companies, and it basically depends on the capabilities of their entrepreneurs and managers.
The international financial crisis, as mentioned by Sánchez (2009), forced to consider the feasibility of micro, small and medium-sized Mexican companies, taking the role of MSMEs, as being an instrument of social cohesion and stability by providing employment opportunities, either formal or informal, to people with or without training. Thus, the knowledge of the productive sectors’ behavior in Mexico is useful for understanding the dynamics of the factors behind the growth in economic activities.

For the specific case of this investigation, it was a review of the literature finding limited information on this variable, motive by which some previous study was not found.

D. Proposal

Once analyzed and studied the variable business growth, where it makes clear that there is no definition to be as universally valid, for the present research is taken the concept of Blázquez (2006, p. 172), that states that business growth it is a process of adaptation to the changes required by the environment or promoted by the corporate spirit of the management.

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