

Associativity: an alternative to strengthen competitiveness¹

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Recibido: 27/07/2018 - Aceptado: 02/12/2018

Cómo citar este artículo: Alba, O., Arévalo, G. y Bravo, L. (2018). Associativity: an alternative to strengthen competitiveness. *Sinapsis*, 10, (1), 45 - 53

Abstract

As of 2014, the research group of a university located in the city of Bogotá has developed a research project that links small business owners that are neighbourhood stores of a specific locality or area. An important information database has been consolidated, which allows us to unveil important aspects of shopkeepers in the locality and supports the work that is currently being developed. This work involves the research on and development of a model of associativity that can integrate a pilot group of shopkeepers in the town of Chapinero. As a final phase of the work, the purpose will be to implement this model among the members of a selected group.

Keywords: storekeepers, association, economic competition, growth model.

Introduction and background

The current level of market development, the globalisation phenomenon and the great uncertainty that the world's largest economies reflect, are still important concerns for organisations of all types. In these troubled times, there are countless unpredictable phenomena shaping people's consumption that hinder the growth of producers; in most cases, they lead to a loss of customers and a notable reduction in profits for the producers.

In this turbulent panorama of fierce competition, the individualistic principles enunciated by the classical school come to mind: As if an invisible hand existed, each one seeks to satisfy his market needs in the best possible way and this search leads to a transitory balance of the same. (Mendes, 2009). Each producer then evaluates, reevaluates, rehearses and implements countless strategies that can allow him to approach his customer more effectively and hence to maintain the latter's faith in the consumption of his product and in anticipation of the most imperceptible changes in his behaviour and preferences.

In addition, the consumer of these days—the one that pursues each organisation—has developed expertise, knowledge and a domain of the issues that have empowered him, and he can therefore change the way he makes purchasing decisions: the contemporary customer acquires the products not by a simple necessity, rather he evaluates the different alternatives presented by the market in detail, compares, investigates and judges. This has pushed entrepreneurs to closely review the role of distribution channels, and they have found that middlemen are the fundamental conduit for products to reach the final consumer. Kotler and Armstrong (2008) affirm that 'A distribution channel moves goods and services from producers to consumers, and eliminates the important

¹ Proposal of a model of associativity for shopkeepers in the town of Chapinero in Bogotá

gaps of time, place and ownership separating the goods and services from those who will use them' (p.399)).

It is only the middlemen who keep in direct contact with the consumer and can deliver certain and credible information about what the consumer expects and needs. And why not develop customised products? Here, at this point is where an important reflection arises about the role that retailers play in the market, since they are the ones who will present the product in the best possible condition to the final consumer: they talk to him, they watch him in his natural environment, and they are able to perceive what satisfies him and what does not. This important role is described by Stern et al. (2007), who state that 'the origin of the purchase in the retail sale is always the personal or family satisfaction that the final consumption of the purchased item produces' (p.49).

When speaking of retailers, we must talk about the format of the neighbourhood store, given the ravages coming from the market that seems to crush it with the competition of large stores and new models such as D-1 and Justo y Franco. These small stores gain strength against the above situation that enhances them as a great competitor, and despite what many claim, this format will hardly disappear. (Alba, 2014).

The neighbourhood store fulfils an important social and economic function since, according to results of the characterisation study developed in 2014, phenomena were identified from this solution, which comprises the following in terms of employment generation and economic sustainability: three people depend on one store and 75% of the stores are family businesses. Also, 68% belong to women that are the head of household, one store generates between two and three direct jobs and more than five indirect jobs.

This is validated if the case of Chapinero is taken into account, where around 4,360 stores exist. In another sense and starting from the same characterisation study, the neighbourhood store has huge strengths that are difficult to replicate: personalised sales, agility, ability to offer, in addition to products that are trusted and represent the cultural expression of territory and locality, products tailored to the consumer, among others (Alba, 2014)

As a consequence, the neighbourhood store also becomes an important scenario for entrepreneurs and their products, as it can adequately distribute products and become an ally for the organisation. Beyond the simple function of distribution, the shopkeeper is a key player in the consumer-product relationship, since he assumes the role of consultant and, because of the closeness that he often has with the client, he is highly influential in the final decision of the purchase.

Given this background and the previous work of the GIP Target Research Group, some aspects that limit the capacity of growth and competitiveness of the neighbourhood store were identified. Among these and perhaps the most notorious is the economic factor associated with financial leverage: the shopkeeper does not have the capacity to demand and manage the logistics involved in buying merchandise in large volumes. This makes him lose the capacity to negotiate with the producers and has an impact on the price scales to increase the profitability of his business. (Arévalo, 2016).

One of the solutions with which there is much speculation is the possibility of establishing associations with shopkeepers, which would strengthen them. However, the creation of guilds or associations of shopkeepers has been tried at least in Bogotá. However, these have never prospered because these associations have little or nothing to do with the expectations of the shopkeepers, do not represent their interests, and are almost always created with objectives and expectations that only seek to favour those who create them, which is rarely the shopkeepers themselves. (Supertiendas, 2016).

This makes it clear to the GIP Target Research Group that there is a great opportunity to investigate about the association in this sector of the economy in greater depth and, from there, propose a model that overcomes the difficulties and shortcomings faced so far. This model must be able to link academy, shopkeepers, and their customers to the greatest extent possible, but above all, demonstrate the capacity to be sustainable and successful.

This research project has been developed under three stages that, along with their own objectives and methodologies, were integrated into the search for the associative model, allowing this important economic sector to achieve appropriate positioning and profitability. First, a study was conducted on the characterisation of the shopkeeper and the store by analysing the main socioeconomic variables of these retailers, as well as the methods and tactics applied in their businesses. Second, the main features of the store were determined, such as its dimensions, types of advertising material used and merchandising strategies. With these variables, it was possible to define the main needs and problems faced by this sector.

Some of the results obtained showed that the shopkeeper is an important economic factor for the sustainability of their homes. Despite this, many of these businesses have not become stable over time, they have a low average income and, coupled with the cultural problems of their owners, this generates great uncertainty about their future. Once this information was consolidated, the second stage of the study was conducted. The research team's concern was to determine how this population could be accessed to gather advice on the most important issues in the development of their businesses. As it was not intended to make them understand that they had no knowledge of the subject or that the university was the owner of the truth, it was determined that the best way to consult them was through an effective accompaniment in their workspace. To this end, content cards were designed and periodic visits were conducted to provide a direct and non-invasive consultation. The results of this stage revealed great administrative flaws and the absence of a union in this important sector of the local economy.

The conclusions of the first stage and the preliminary results from the second were presented during the XXI International Congress of Research in Accounting, Administration and Computer Science in October 2016, and in this document the continuity and the state of the project are manifested.

Context for associativity

To start from something concrete, first, we will talk about some approaches and definitions of associativity: according to Carlos López de Banrural, associativity can be defined as 'a cooperation mechanism between small and medium-sized enterprises, where each participating

company, while maintaining its legal independence and managerial autonomy, voluntarily decides to participate in a joint effort with the other participants for the search of a common goal' (Mendizabal, 2012): In this approach, the condition of free and voluntary association is clearly evidenced and emphasised. It is also interesting to think about small and medium-sized companies. However, Cristian Marcelo Rifo, professor at the Bio Bio University in Chile, affirms that the concept of associativity involves beyond the simple sum of wills, synergy in market activities, solidarity before competition and shared experience and knowledge, along with strengthening of support networks. Only in this way the associativity becomes, according to this author, the pillar of the business world because it removes fear and in turn shares the skills of each entrepreneur. (Caceres, 2017).

By leaning the report more towards the regional approach, a report from the Andean Community of Nations defines associativity as a mechanism of cooperation between producers, which may be individuals or small- and medium-sized enterprises, where each one of those linked to the association keeps administrative independence and strategic competence, but they all share a common purpose in the search for better conditions to participate in markets that have become highly competitive (Secretaría General de la CAN, 2013).

By looking back at the various forms of associativity, it is noted that the various forms and expressions of this concept are too broad and complex to explain them further in this section. Therefore, only some of these features will be listed without describing them in their particularities. Some of the forms of associativity evidenced are the following: subcontracting, strategic alliances, productive chain, mini production chain, industrial districts, business centres, service networks, purchase pools, group of exporters, cooperative associations, federations and associations and foundations. (Lozano, 2010).

For the sake of this work, it should be clarified that elements of these approaches have been taken and associativity is understood as an instrument that, without undermining the independence of associates, facilitates their becoming competitive. This allows them to voluntarily decide to trust each other and share knowledge, experiences and strengths, so that their linkage is the responsibility of a single body that is capable of driving them and enhancing their comparative advantages. Therefore, associativity is supported in the following aspects:

- it is a collective strategy
- it allows to solve common problems while maintaining the managerial independence of the associates
- it has a voluntary nature
- it is inclusive as it does not limit access
- it allows the adoption of various legal and organisational forms
- it is focused on models for small businesses or small business owners

Findings around associativity

For the development of an associativity model for shopkeepers in the town of Chapinero, the first step that has been taken is to review the legal framework: it is emphasised that in Colombia, the state itself has tended to strengthen the associations of people or companies to strengthen them in competition with the international environment. To wit, article 38 from the political constitution of Colombia 1991 enshrines the right to free association not only of individuals but also entities,

with the purpose of promoting the development and competitiveness of the nation in general. In line with this, article 103 also states that the state will contribute to the organisation, promotion and formation of civic, union, community, youth, charitable or common non-governmental associations, whereas article 333, which refers to the company as the foundation of the economy, states the possibility of people to associate freely and the duty of the state to strengthen solidarity organisations and promote their management. (Asamblea Nacional constituyente, 1993).

In this way, it can be affirmed that the idea of developing an associativity model and seeking its implementation is consistent with Colombian regulations and adheres to development policies that are not only local but also of national nature.

However, despite the will expressed by the state to strengthen the associativity models, it does not seem to be the protagonist in the development—concerning the shopkeepers at least—because when investigating about experiences in this sense, scarce evidence of its existence has been found. In this respect, and thanks to the thesis by some students from La Salle University, it was evident that shopkeeper organisations in the country are the shopkeepers' initiative and have a lifespan exceeding one year are few. Some of these existing ones with a creation date of more than one year are the following: ASOCOMEPUGA - Association of Merchants of Puerto Gaitán, ASOBASTOS - Association of Merchants from the Central Produce Market, ASOTENTOL - Shopkeepers Association of Tolima, ASOTENCOF - Shopkeepers and Merchants Association of Floridablanca and ASOTEDESCO - Shopkeepers Association of Barrancabermeja.

In addition, other efforts with a greater administrative structure and a clearer horizon of action exist, but not because of the initiative by shopkeepers but rather through third party management: Fecoltiendas - Colombian Federation of Shopkeepers and Merchants of Micro, Small and Medium-sized Enterprises. This is an entity that unionised shopkeepers and small merchant organisations, with the mission of striving for the integral development of federated entities and, consequently, of shopkeepers and small merchants who exercise their activity in the Republic of Colombia. In any case, it is pertinent to note that the information is scarce, difficult to corroborate and sometimes not credible. (Buitrago, 2009).

On the contrary, there are few or almost no initiatives arising from a domestic or governmental level that tend to support, implement or develop plans or programmes specifically aimed at strengthening associativity in the shopkeepers' guild. It is worth mentioning that a curious initiative originating from the Ministry of Information Technologies and Communications (ICTs) was discovered. Recently, this ministry presented an ambitious programme to some 1,200 shopkeepers in the city of Bogotá, a programme that could be considered as striving for the associativity of shopkeepers nationwide. This is the trade network for Colombians (REDCO).

The REDCO Network is a virtual network that links shopkeepers across the country, encouraging fluid communication and contact between shopkeepers, merchants and microentrepreneurs; encouraging the use of electronic and digital channels among them in order to consolidate practices and more efficient ways of working. It is assumed that this network is riding on a free platform offered by the ministry, and through it shopkeepers can make transactions in multiple channels and offer various products, negotiate, share experiences and information and even expand their markets. In this way, they will integrate a more sophisticated national trade network.

For shopkeepers, REDCO will specifically allow ordering of their stores' inventory of products, maintaining permanent contact with their suppliers and keeping clear accounts receivables and

accounts payables data. It can also generate electronic payment mechanisms, have databases of their clients, provide access to massive transactional services (money orders, recharges, collections and banking correspondents) and receive information about the behaviour of prices, among others, all with the use of technology and strengthening of the network. (Ministerio De Las Tecnologías De La Información Y Las Comunicaciones, 2016).

Also at the local level, specifically referring to Bogotá as a local realm, an initiative recently emerged from the Department of Economic Development of the Mayor's Office of Bogotá: this initiative has become known as the 'Tienda para Todos [A store for everybody]' programme. It comprises a training initiative for Bogotá shopkeepers in aspects such as associativity, financial education, financial leverage and other issues. With this, after acknowledging the economic importance and social value of the neighbourhood store, the local government seeks to strengthen a sector that begins to be perceived by the state as strategic in the development of the city and the localities in the capital. This programme has not yet analysed the associativity factors for shopkeepers, since the first step comprises of training in financial education, as this element has been identified as critical in the model of neighbourhood stores. (Alcaldía Mayor de Bogotá, 2016).

In a previous experience, it was evidenced that the Department of Economic Development (SDDE) trained shopkeepers from the meat sector to create associative companies. This training was given by consultants paid by the Mayor's Office of Bogotá. One of the most outstanding workshops of this initiative was the creation of associative companies. In this workshop, SDDE provided information about participation in the company, elements of conceptualisation of companies, basic administrative structure, analysis of administrative issues in the company, plans of action of the associative company and measurable goals in the associative company. What is worth noting is that this training programme did not research whether these were important issues for the shopkeepers and, because of the same, proving the existence of at least one association that arose from this programme has not been possible. (Secretaría De Desarrollo económico, 2015).

Why associativity

Before arguing the advantages of associativity for shopkeepers, it is pertinent to present results from the first phase of the project. Shopkeepers are a very important distribution channels, at least in Bogotá; they conduct almost 45% of the distribution of fresh and processed food products (Carrillo, 2009); the working capital for 75% of these shopkeepers does not exceed three million pesos. Also, 85% of them do not have any leverage in the formal financial sector, nor do they intend to build it, and therefore this represents a great obstacle for them when it comes to financing their businesses. Further, 90% of them do not know management techniques and handle their business empirically. Also it is noteworthy that their relationship with suppliers is overwhelmingly informal for 94% of them, their average income is less than a minimum wage of 46% and up to 1.5 for 23% of them. In addition, 97% of them do not belong to any company or have not formalised their businesses. (Alba, 2014).

The above description corresponds to data found during the characterisation of shopkeepers in Chapinero. A significant need in this sector to receive external support to change their reality is perceived. It is also understood that, given these circumstances, it is difficult for a lone shopkeeper to overcome all the limitations described. The conclusion is that a good way to push for a better situation in the union is for it to seek strength through associativity.

From this horizon, a good economic boost can be fostered that leverages the competitiveness of the members. Associativity would allow them to increase their capacity to offer products, create greater bargaining power with suppliers and the government. It would also foster the sharing of business risks, improve their cost structure by reducing them and improve administrative management and the value chain of their businesses. Associativity will then strengthen positioning of its stores in the environment, improve and facilitate access to technology and financing, improve the quality of its customer service, improve technical management of knowledge of their businesses and increase their productivity. All this in turn would increase their profits and the sustainability and legality of their small stores would be more easily managed. (Portafolio Editorial, 2008)

With associative strategies, collective groups can be built with individual ideas of reforms and improvements in the current operation of the neighbourhood store. This achieves a significant improvement in their sales and a few other variables that would increase the store's competitive capacity. This is on contrast to big facilities and new formats that appear on the local scene. These factors will also allow the store to have greater operational capacity and bargaining power against producers and suppliers.

Current status of the project

To date, two complete phases of the project have been executed. First, a characterisation that yielded important data about economic, social, communication and training of shopkeepers. In the second phase, and based on findings in relation to shopkeepers' weak points, a training model focussing on these weak areas, was designed and proposed. This training would enable store transformation. The training model was implemented and provided to a pilot group of thirty shopkeepers, who were then given an impact measurement instrument to manifest the results of the training model. The results are not very satisfactory; therefore, phase three of the project has been proposed, which is the one that is being executed. This phase aims to make a theoretical construction around the theme of associativity. It also proposes a model of association that links a pilot group as a sample of the population under the study and lays the foundation that paves the way for the creation of a shopkeepers' association. This association will be strengthened by shopkeepers that identify their initiatives and promptly solve their problems. Currently, we are in the construction stage of the theoretical framework for the third phase.

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