

Success and resilience factors of rural enterprises in Mexico: RENDRUS case

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ABSTRACT

Objective: To identify the success and resilience factors of rural enterprises in Mexico in order to contribute to the theoretical and empirical differentiation of these concepts.

Design/Methodology/Approach: We used the National Network for Sustainable Rural Development Companies as a case study to formulate key questions to identify their success and business resilience factors.

Results: Permanent job creation turned out to be the main success factor, and timely delivery of the product was the main resilience factor.

Study Limitations/Implications: Recognizing the difference between success and resilience factors can help rural enterprises, their leaders, and decision-makers in the rural sector to understand and adjust their operating strategies based on their objectives.

Findings/Conclusions: A success factor is a way to stand out among similar rural enterprises, while a business resilience factor serves to face adversity and continue over time.

Keywords: success, failure, agribusiness.

INTRODUCTION

Enterprises are a fundamental pillar of the economy as they are centers for the generation of economic resources and value (Pavón, 2010). In 2018 there were 4,057,719 enterprises in Mexico, out of which 97.1% were microenterprises, 2.7% were small and medium-sized, and 0.3% were large (INEGI, 2018); the rural enterprises of this study are found in the first category. According to Arvelo (2004), the rural enterprise is an organization located in the rural sector whose purpose is to generate profits from the use of the factors and capitals of its territory.

Rural enterprises are not exempt from recurring problems that place them in a situation of low survival. In this regard, Pavón (2010) indicates that in 2008, only 17.5% of Mexican enterprises survived and the other 80% of these enterprises closed down definitively before reaching their first year of operation.

The word “success” of an enterprise is a very broad and subjective concept; Luk (1996) mentions that a company can be successful when the owner or manager has obtained a surplus in profits. The literature identifies success factors with different approaches, including natural leadership, responsibility and honesty of the leaders, permanent training, adequate financing, and elimination of intermediaries (Valtierra *et al.*, 2008); the business plan, management, operational procedures, and conflict resolution (Avendano-Alcaraz *et al.*, 2009); available technology, the offer of more than one product, and high market integration



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(Remilien *et al.*, 2018); the degree of schooling, the number of years in productive activity, trust in government institutions and relational capital (Jaramillo *et al.*, 2013).

Valtierra *et al.* (2008) indicate that the factor that leads to success in more than 75% of rural economic organizations is for the organizational process to be truly assumed by its members. The success factors of an enterprise are not necessarily the same as the resilience factors.

Resilience is an ability to surface from adversity, adapt, recover and access a meaningful and productive existence (Kotliarenco *et al.*, 1997). In turn, Meneghel, Salanova and Martínez (2013) point out that business resilience is composed of factors originating from critical or adverse situations, resulting from the weaknesses and threats faced by the enterprises.

Theory states that any significant disruption has consequences on the enterprise's performance, whether in sales, production level, customer service or other (Sheffi & Rice, 2005). It also states that the disruptive situation faced by the company has eight phases (Sheffi & Rice, 2005); in this regard, Sanchis and Poler (2011) explain that it would be valuable to be able to identify the factors of business resilience even before the preparation phase of the enterprise. This study addresses the need to identify the factors that make the company resilient.

The concept of resilience used in this study refers to the capacity of rural enterprises to face adversities, crises and uncertainties, through their risk and protective factors, in a given period, so that changes and ruptures can be generated to prevail over time (Cordero *et al.*, 2014).

The objective of this study was to analyze the factors of success and business resilience of rural enterprises in Mexico, through their identification, with the purpose of contributing to broaden these concepts and to understand the actions that contribute to the survival of the enterprises. The hypothesis underpinning the present study was that the success and the resilience of rural enterprises are connected because there may be factors that contribute to the success of rural enterprises and coincide with factors that contribute to business resilience. However, they are different concepts that should not be expressed as synonyms.

MATERIALS AND METHODS

The objective of the study were the 1,278 rural enterprises of the National Network for Sustainable Rural Development (*Red Nacional de Desarrollo Rural Sustentable*, RENDRUS) during the period 2004-2010, located throughout the country. The base was generated from information of the enterprises at www.rendrus.gob.mx that was available until 2015, where the leaders of the rural enterprises (owners or legal representatives) expressed the success factors of the enterprises they represent. The research was qualitative. The critical success factors methodology proposed by Romero *et al.* (2009) was used, which is characterized by the collection of information through questions. The success of an enterprise was identified through the question: What has made your company different to generate more profits or to differentiate its product or service? The question was formulated based on Luk's (1996) definition of success. The resilience was identified through the question: What action did

the company have to implement to face certain adversity that allowed it to continue through time and be in a better situation? The question was formulated in this way to identify the resilience factors of the rural enterprise (Sanchis & Poler, 2011). Finally, the proportion of the presence of business success and resilience factors was calculated for the total number of enterprises.

RESULTS AND DISCUSSION

The enterprises studied were classified into three types according to their characteristics.

Data analysis consisted of a list of 178 success and resilience factors of the companies under study, which were classified into 116 success factors and 99 resilience factors. The success factors of the companies studied are shown in Table 2. The percentages indicated in the tables represent the proportional share of each factor in the companies studied, showing the top ten.

A success factor is determined by the benefits it generates. The main factor found in rural enterprises that participate in the RENDRUS is permanent self-employment. Remilien *et al.* (2018) point out as one of the main factors for the creation and permanence of microenterprises that people have no other work option, and these are known as entrepreneurs out of necessity.

In the type of organization of the rural enterprise, informal groups stand out, which are established by friends, family, and temporary workers. According to Hernández (2007), the family system plays a major role in the performance of the enterprise, as a result of the permanent search to guarantee the family’s well-being and economic stability.

Another success factor identified is having a high production volume, resulting from high yields or greater product generation. In this regard, Belausteguigoitia (2003) suggests that the focus on productive aspects is a common characteristic of family businesses, as they tend to be oriented towards production and sales.

Profit is considered as an indicator that influences the success of rural enterprises, the representatives of the enterprises express that the economic activity must generate profits for the family or for the partners. However, this result is opposite to what was analyzed

Table 1. Classification and characteristics of the rural enterprises studied.

| Rural Microenterprise A | Rural Microenterprise B | Rural Microenterprise C |
|---|--|---|
| Informal and family microenterprise, more than ten years of existence, less than 5 members. The business has basic services. Few tools and without information and communication technologies (ICTs). It has used financing. Does not receive training in a continuous manner. There is trust between members of the enterprise and the suppliers. Strengths: discipline and honesty. Lack of economic resources to invest in labor capital. They reinvest 60% of income or less. | Informal and family microenterprise, with more than five years of existence. Between 1 and 3 employees. Direct sale to the local consumer. Does not have the necessary infrastructure to work, has basic services, sufficient tools and equipment. Low technological level since there are no ICTs. Never has had access to financing or training. Strengths: good customer care and product quality. Lacks economic resources to invest in labor capital. | Family microenterprise, of 6 members or more. Direct sale to the local consumer. It has basic services, without access to ICTs, financial resources or training. The members of the family do not receive a salary for their work, 70% of their income is reinvested in the activity. It is a disciplined group in work. Lacks economic resources for labor capital. Good quality product. It does not have product variety, price according to production costs. Without new market options. |

Source: Prepared by the authors with information from www.rendrus.gob.mx

Table 2.

| Success Factor | Definition | Percentage |
|---|---|------------|
| Permanente self-employment ^{&} | Giving work to someone to conduct an activity permanently, including the owner of the Enterprise. | 10.3 |
| Type of organization ^{&} | Social system designed to achieve goals and objectives through human resources or talent management. | 8.6 |
| High production [*] | Having high yields in its production, whether agriculture and livestock, or agriculture and industry. | 6.6 |
| Temporal employment ^{&} | Employing someone in the performance of a productive activity seasonally. | 6.2 |
| Profit [§] | It is the net benefit obtained by the capital invested in the enterprise. | 5.4 |
| Benefit generated [§] | It is the economic and social benefit obtained by the establishment of the enterprise. | 3.2 |
| Experiencia [*] | Form of knowledge or ability derived from observation, housing or from practice. | 3.1 |
| Capacity installed [*] | Generating a maximum production volume during a specific period, considering the local resources. | 3.1 |
| Quality [*] | Set of properties inherent to a product or service to satisfy implicit or explicit needs. | 3.1 |
| Acceptance of the product [§] | Acceptance of the product or service and amount that it is willing to acquire. | 3.1 |

Note: Factor classification: [&]Organizational, [§]Economic, ^{*}Productive.

Source: Own elaboration with information from www.rendrus.gob.mx

by Remilien *et al.* (2018), where they compare rural micro-entrepreneurs against normal entrepreneurs, and found that the former aim at survival and the latter aim at profit. The main resilience factors identified are shown in Table 3.

The elements indicated in Table 3 are considered as resilient because they are the skills and capacities that the enterprise has and that allow it to remain in the long term meeting its economic, social and environmental objectives.

Table 3. Main resilience factors of rural enterprises (2004-2010).

| Resilience Factor | Definition | Percentage |
|--|--|------------|
| Timely delivery ^{&} | Fulfilling the time agreed with the delivery of products and services. | 16.8 |
| Effective commercialization ^{&} | Way in which they trade the product: individual (even going to the address), collective (in association with another enterprise), or both. | 12.1 |
| Productive capacity [*] | It is the maximum level of activity that can be reached with a productive structure within the enterprise. | 9.6 |
| Broad client portfolio ^{&} | Having a broad number of clients. | 6.6 |
| Professional management ^{&} | The person that leads the enterprise has an adequate professional profile to develop this activity. | 5.5 |
| Biotechnology [*] | Application of new technologies in biological processes or agricultural production. | 3.4 |
| Group discipline ^{&} | Each of the members of the enterprise respects a schedule, hierarchical levels, and activities. | 3.3 |
| Exports [§] | Selling the products generated to other countries. The enterprises that have a market outside, which are considered a competitive advantage. | 3.3 |
| Distribution ^{&} | The way in which products are taken from the production unit to the final consumer. | 2.7 |
| Support received [§] | Sources of help for something to happen. | 2.6 |

Note: Factor classification: [&]Organizational, [§]Economic, ^{*}Productive.

Source: Own elaboration with information from www.rendrus.gob.mx

In the case of the RENDRUS enterprises, timely delivery was identified as the main resilience factor. This finding coincides with that analyzed by Sanchis & Poler (2011) who report how timely delivery impacted an increase in market share from 27% to 30%. Therefore, it is advisable to adopt strategies that take into account production parameters, timeliness and delivery of the product or service to meet customer expectations and face the competition.

Partnering with other companies to market the product allows to decrease marketing costs and cover larger-scale orders. In this regard, Rubio and Aragón (2008) state that one of the sources of competitive success is commercial resources such as access to markets and distribution channels, so companies must respond quickly to trends.

Businesses have had to expand their production capacity to meet unsatisfied demand and abide by their customers. Production capacity is the result of the decision to increase market share; it is a productive and technological decision (Tapia, 2012). The resilience factor “productive capacity” is related to the success factors of “high production” and “own installed capacity”; these factors generate strength in the company to respond to such demand.

Professional management refers to the fact that it is desirable for the administration of the company to be entrusted to a professional person, because of his or her ability to make appropriate decisions. However, professionalization is a process of gradual transformation that implies a change of mentality in each of the members of the enterprise (Belausteguigoitia, 2003).

Biotechnology is defined as “any technological application that uses biological systems and living organisms or their derivatives to create or modify products or processes for specific uses” (SCDB, 2018). The use of agricultural biotechnology is a resilience factor because it strengthens rural enterprises, since it has an impact on the quality and level of production; in addition, in order to use it, it is necessary to receive training, thus strengthening the enterprise with technological knowledge.

Finally, to compare a success factor and a business resilience factor, the following definitions are set out in Table 4.

As can be seen in Tables 2 and 3, the hypothesis that the success factors were not the same as the resilience factors for the rural enterprises studied is proven; however, a similarity was found between high production, own installed capacity, and productive capacity. In addition, there are resilience factors that contribute to the success of the enterprises, as pointed out by Rubio and Aragón (2008) referring to marketing, and other factors that

Table 4. Success factor and resilience factor of rural enterprises.

| Success Factor | Resilience Factor |
|--|---|
| Internal and external factor that responds to a predefined standard by a development model that influences the enterprise positively, placing it as reference for other enterprises, since it presents singular characteristics that allow it to be different from others (SAGARPA, 1996). | Element that promotes the capacity to face critical situations, through the recognition of risk and protection factors of the enterprise, which allows absorbing changes, ruptures and prevailing in time (own definition). |

Source: Prepared by the authors.

were considered by Gibb and Ritchie (1982) as necessary to have a successful start were motivation and determination. Finally, we find that Morales-Jiménez *et al.* (2015), in their study with rural microenterprises, found that schooling is a success factor for enterprises, which is related to professional management.

The results serve as a reference to generate strategies that help the business sector to make decisions that help to prepare the company to face disruptive events or critical situations, thus achieving resilience. It was identified that the greatest number of critical situations occurred in economic, productive and organizational aspects, so it is in these areas where more resilience factors have been developed, as indicated by López *et al.* (2011). It is important to note that an enterprise can be resilient and also successful, which is the best-case scenario. However, although business success and resilience are related attributes, a company does not always have both characteristics.

CONCLUSIONS

There is an important difference between a business success factor and a business resilience factor, and it lies mainly in the fact that success is a way of standing out among similar companies, while a business resilience factor serves to face adversities and continue over time.

The success factors are mainly economic and productive, as opposed to the resilience factors, which are mostly organizational. With these results, the hypothesis set out was confirmed. Identifying both factors can help rural enterprises to understand and adjust their strategies for permanence despite adversities. Permanent self-employment, type of organization and high production were the main success factors of the enterprises studied, while customer service, effective marketing and productive capacity were the main resilience factors.

Some open lines of research are to verify whether it is possible for an enterprise to be successful but not resilient and vice versa; furthermore, with the factors identified, it is possible to propose a scale for measuring resilience in rural enterprises.

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