

## Chapter 16

# Business Support as Ongoing Policy Helping Permanency Companies in the State of Colima in Mexico

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### ABSTRACT

*The objective of this chapter is to propose the implementation of a plan of continuous support from the government of the State of Colima in Mexico to start-ups and micro-enterprises classified as belonging to the trade and services sector, policy public, to increase the economic units that manage to stay beyond three years and thereby derive social benefits such as employment generation, greater wealth and improving the quality of life of the population of the state. This proposal is given based on the sequential design procedure policies. The method used is the analysis of the national situation. It can be concluded from the analysis on the proposal for a design process of public policy based on the matrix of policy alternatives under the assumption that continuity and permanence of the companies will be positively impacted in the current rates of survival if companies born have the support of the government.*

### INTRODUCTION

According to an analysis in the majority of countries micro, small and medium enterprises account for the bulk of their business, in some cases it is over 90 per cent and is also producing more than 50 per cent of gross domestic product (GDP) and 60 per cent of jobs (Morales, 2011). This makes it the focus of attention, or at least should be, of governments, specifically in Mexico have implemented hundreds of programs to support enterprises in particular to micro small and medium programs ranging from economic subsidies training, consulting, special studies, to the equipment and infrastructure projects for

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new investment or expansion, and financing at preferential rates. The point is that despite the programs mortality of companies indicators remain unanswered, this is where the convenience of the government to implement a public policy that contributes to business development during the first 3 years of life arises.

In Mexico, excluding those that are classified as large companies represent 99.8 percent of economic units; they are producing 34.7 per cent of Gross Total Production and generate 7 out of 10 jobs, accounting for 21.7 million jobs (Economy, 2013). The theme of the development of micro, small and medium enterprises is a topic that of course has become important to uncover these statistics, however what moves this proposal are the statistics of business mortality because of the 200,000 businesses that open in Mexico each year, only 70,000 survived after two years (Tan, Lopez-Acevedo, Flores, Rubio, Slota, Tinajero, & Beker, 2007). This is suggesting that there is still much to be done and in the case of policies by creating adequate ones. The official governmental programs aimed to support the new business are not well sustained on a public policy framework to reduce the high rates of new company's mortality.

According to the above information it is supposed an economic potential in Mexico by raising the percentage of live companies after the third year of operation through a public policy that allows companies to access by competitiveness to support the government in its various levels and uninterrupted, accompaniment to seek the formation of corporate culture or ratified it through subsidies to hire advisory services, consulting, training and assistance in administrative, legal, finance, human resources, production and sales and support for its equipment and infrastructure, all in a framework of technical, administrative and financial feasibility.

The units newly created competing for this support are those that have previously been hatched in a form approved by the Ministry of Economy in which processes have been qualified with high probability of success parameter that would be in the hands of the incubator determination. In other words, the public policy designed and implemented by Mexican government and State of Colima government does not provide sufficient support to the new business ventures to avoid the high rates of mortality.

Based on the above facts, this chapter is aimed to propose the design and implementation of a plan of continuous support from the government of the State of Colima to start-ups and micro-enterprises.

## **CONCEPTUAL FRAMEWORK**

According to data provided by the Institute of Economics, Geography and Informatics (INEGI) Mexico has 4 million companies, out of which 99.8% are familial. They represent 52% of gross domestic product (GDP) and 72% of employment in the country. For this reason, family businesses are vital to the national economy as they generate 52% of GDP and 72% of employment in the country (Ministry of Economy). Some family businesses are large even they are recognized internationally as in the case of BIMBO, COMEX and WALMART. However, this article analyzes those family businesses that fall within the category of Small and Medium-sized enterprises (SMEs). It is clear that within SMEs only 65% are family business (Clavijo & Aguilar, 2013).

It is possible to distinguish between two types of SMEs. The first type of SMEs is those in which one can distinguish an organization and structure, as well as business management process. These arises companies or firms themselves, usually develop within the formal sector of the economy and have on many occasions with multinational capital. On the other side are those SMEs who had family origin, are characterized by a management that focuses only on survival showing little or no interest in the growth

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