

## **ANALYSIS OF THE CONCEPTUAL FOUNDATIONS OF THE INTERNATIONAL BUSINESS STRATEGY FOR THE DECISION MAKING : CASE CAFÉ GALAVIS, CÚCUTA, COLOMBIA.**

**ABSTRACT.** Café Galavis is one of the most representative family businesses in San José de Cúcuta, Colombia, with 101 years producing and commercializing roast and ground coffee. According to their tradition and history in the regional market, the purpose of this article is to analyse the main conceptual foundations of strategy in international business, taking into account the strategic direction chosen by the top management to diversify their products and guide its expansion toward foreign markets; for this purpose, an approach by the most relevant authors was made, the results of which allow us to consider a process of internationalization of the firm.

**KEY WORDS :** Corporate strategy; International business strategies, Value Chain, Diversification.

### **1. INTRODUCTION**

Café Galavis is recognized as one of the leading companies in industrial development and business recognition, with more 101 years of trajectory in the region of the department of North of Santander, Colombia, in the production and commercialization of roasted and ground coffee; whose raw material, productive process, control and follow-up of the product, high-technology machinery and skilled human capital, marked a differentiating factor in the quality and variety of its products.

The consolidation of the brand equity throughout more than one century in consonance to the leadership on the regional market and to the different external variables that affect the organization (Political factors, economic , incursion of new competitors, among others), it has focused on the high direction in the value creation through the recombination, reconsidering the strategy aimed at enhancing the diversification of its portfolio and expansion of the production lines of traditional coffee, instant coffee, lofty coffee, organic coffee type

exportation and to the chocolate commercialization Galavis and Choco-Galavis it mixes in dust supported in the investments in adequacy and restructuring the distribution of the plant, acquisition of efficient machines and teams.

Likewise, the signature has been adapted to the new requirements and trends of the administrative management and production of coffee, Strengthening and standardizing the activities of the value chain to certify their processes in Quality Management ISO 9001:2015; and Food Safety Management ISO 22000 and HACCP NTC 5830, ensuring the safety of the food in each one of the stages of the production chain.

In this order of ideas, the present research article aims to analyze the main conceptual foundations of the strategy in the international business taking into account the strategic direction of the organization to expand into foreign markets, by which the information helps in the decision of the senior management to consider a process of internationalization.

## **2. THE CONCEPT OF STRATEGY AND ITS RELATIONSHIP WITH CORPORATE GROWTH AND INTERNATIONAL BUSINESS**

### *2.1 The concept of strategy*

The concept of "strategy" in the literature has a broad scope and is applied in the different organizational contexts, political, cultural, economic, between others. Therefore, Davies, (2000), recognizes the concept complexity, on having had multiple options, ways and results. Chandler, 1962 defines the strategy as "the determination of the basic goals and objectives of a long-term undertaking, actions to be taken and the allocation of resources to achieve these goals" (p.196).

While Mintzberg, Ahlstrand and Lampel (1998) analyze the concept through the "5P", Plan, guideline, Pattern, position and perspective. The plan sets out the course of action or guide to address a particular situation; the pattern of action, defines the maneuver to defeat the competitor; the pattern, model or flow of actions; the position, leads to locate the organization in a place of the environment with regard to the competition; and the perspective, analyzes internally by the company in order to determine their own identity. In contrast, Druker (2007)

points out that the strategy should be targeted taking account of the reason for the company and its relationship with the market, driving the core of the business through innovation and improvement of products or services.

2.2 The Corporate strategy

Wheelen, Hunger and Oliva (2007) consider that "Corporate strategy describes the general direction of a company in terms of its overall attitude towards growth and management of its various business lines and products". Considering the organizational life cycle, mature companies must rethink their management strategy. For this reason, CEOs can implement growth strategies, performing in their own businesses through two basic growth strategies: Concentration on the current product line(s) of an industry (vertical concentration) when the company takes control of a function previously provided by a supplier or distributor; (horizontal concentration) by shipping its products to other geographic locations or increasing the range of products or services; and diversification into other product lines in related (concentric diversification) or unrelated industry sectors (conglomerate diversification).

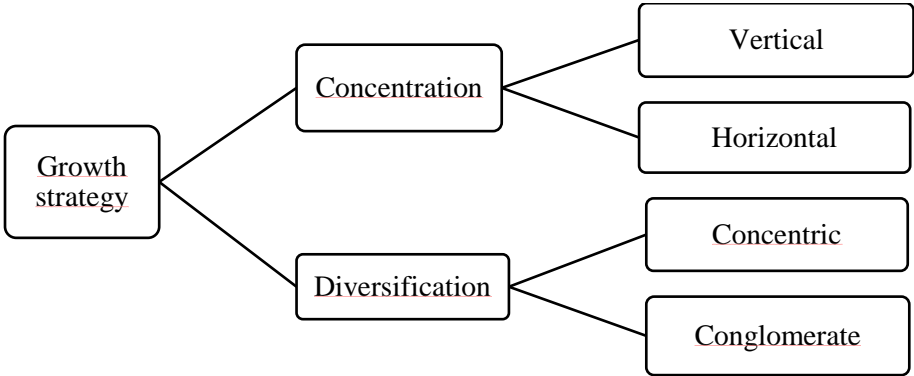


Figure 1. Growth strategy. Wheelen, Hunger (2013)

Different studies on family businesses determine that the larger the family business the more diversified it is Tsai (2009) and the family businesses are more diversified than non-family businesses, Ducassy, Isabelle & Prevot, Frédéric (2010). Considering that their main objective is to ensure their permanence in the market in the long term.

### 2.3 The international business strategy

Verbeke, (2009) points out that the strategy in the field of international business focuses on it organizations achieve a differentiating factor in relation to the competitors, through the articulation of their internal strengths with the opportunities and challenges of geographical environments that cross national borders, turning it into a multinational company, having economic operations located in at least two countries (fatherland and in the hosts). The mail between the above mentioned specific advantages of the signature and the opportunities in foreign environments they allow to create value and satisfy the targets of the interested parts, both at national and international level.

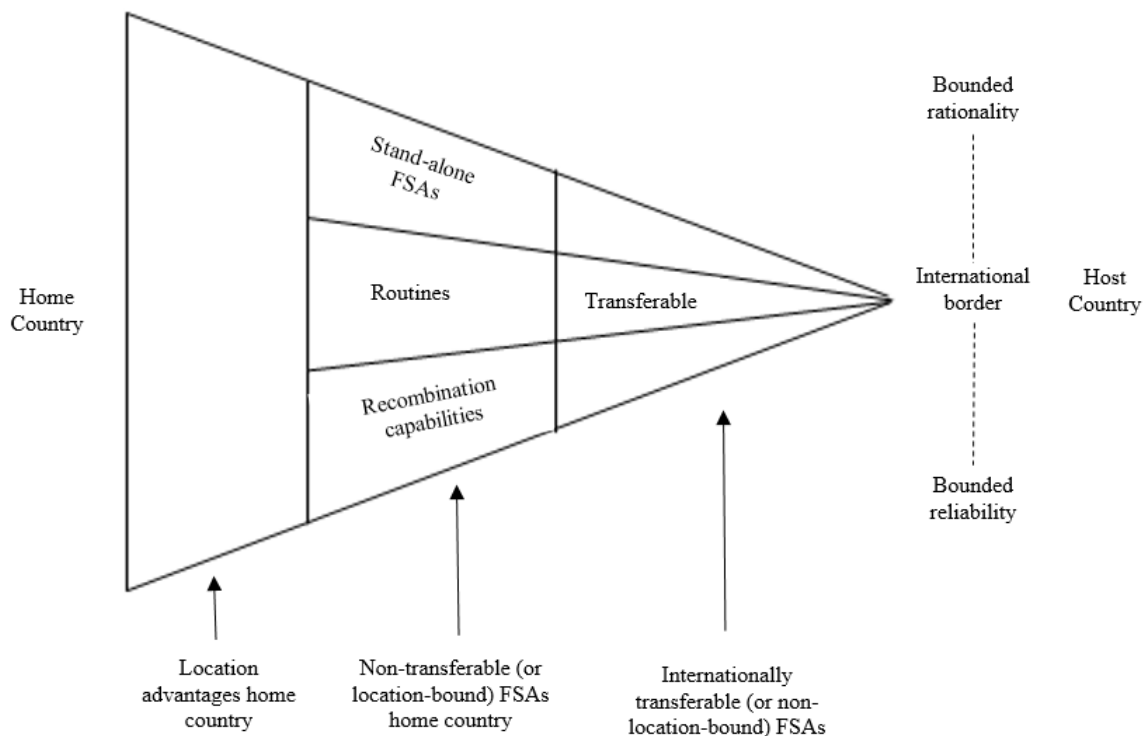


Figure 2. Conceptual foundations of international business strategies.

In accordance with the previous thing, Verbeke, (2009) raises the following model representing the pyramidal nature of the advantages of a company, to see figure 2: First of all, in the wide base, of the location advantages (LAs) of its home country, as regards the natural resources, climate, strategic geographical place, between others. Second, (on the left) a subset of the firm-specific advantages (FSAs) are built in the country of origin, consisting of three dimensions,

such stand-alone or proper advantages of the firm as the position of the brand in the local market, the routines or best practices such as the knowledge of the distribution networks and relationships with suppliers, wage incentive and the recombination capabilities of knowledge to extend the lines or the development of new products through innovation. In the third place, the internationally transferable (or non-location-bound) FSAs; related with the tacit knowledge acquired in the main routines done in the organization since its creation, technological knowledge, marketing, administrative in relation to governance or efficient management of value chain activities at the international level. These specific advantages do not cease to create value when the border is crossed between the country of origin and the host country.

In the same way, Prahalad and Hamel, (1990) consider that the specific advantages of signature as the “Competitions should be fixed by you” of the organization long-term which can be constructed or acquire strengthening the competitiveness. In order to help the managers to identify the above mentioned competitions the authors describe the following characteristics: a) The competitions acquired in the routines in terms of knowledge and learning must be for the competitors difficult to answer; b) provide potential access to new economic environments and market, c) generate an added value to the product or service, generating a strong link with the client to meet the needs; d) The high address must ensure the core competencies in terms of creation of value and satisfaction of the objectives of the parties concerned.

Fourth, the limited rationality focuses on the scarcity of information on the environment given the complexity and little knowledge of the host country, which is relevant to the operation and performance of the Multinational Company, such limitation restricts the management capacity of managers due to the uncertainty about exogenous events, making it impossible to measure the consequences of their decisions, Simon, (1979)

In fifth place, the limited reliability, related at the low level of effort to achieve a result or level of particular performance, Verbeke and Greidanus, (2009). The rationality and reliability limited are in the international border, influencing the ability of transfer and exploit these advantages specific to Signature or transferable internationally to the host country.

## 2.4 Analysis of the competitive advantages based on the value chain

Porter, (1985) affirms that the strategy is the creation of a unique and valuable position comprising a different set of activities, and defines the value chain as a tool of business analysis that identifies and breaks down the set of activities of an organization that generates value and thus gain a competitive advantage, see figure 3.

The dimensions of the value chain are the following: primary activities (internal Logistics, operations, external logistics, sales and marketing, service) which create and deliver the product; Support activities (supply, technology and development of systems, administration of human resources, infrastructure) that support the execution of such activities; the profit margin, how the company creates value; the activities "upstream knowledge" as the research and development (R&D) and activities "(downstream knowledge);" which can be configured or relocated from the value chain (Marketing, sales and service), see figure 4.

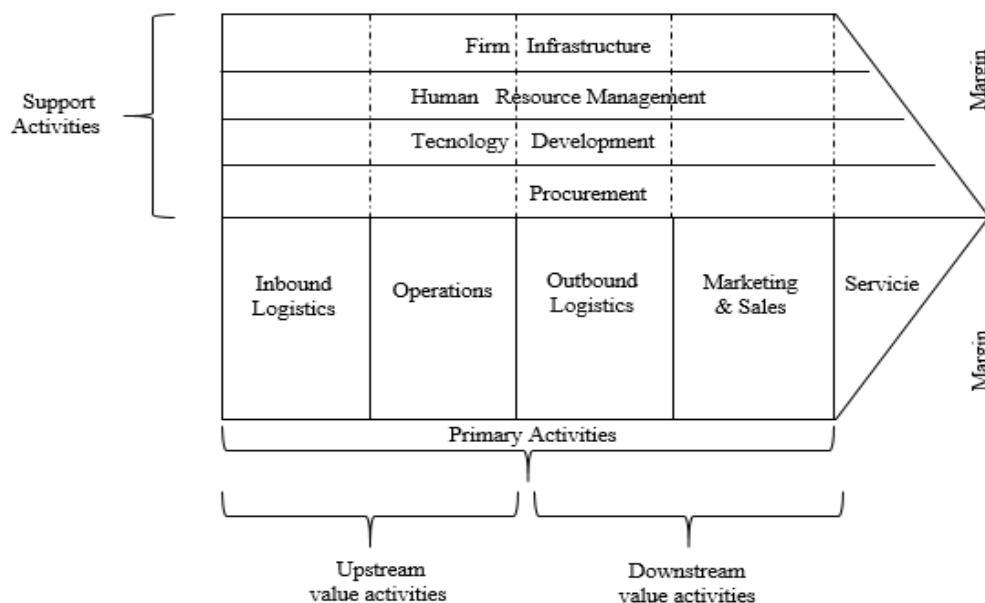


Figure 3. The Value Chain, (Porter 1985)

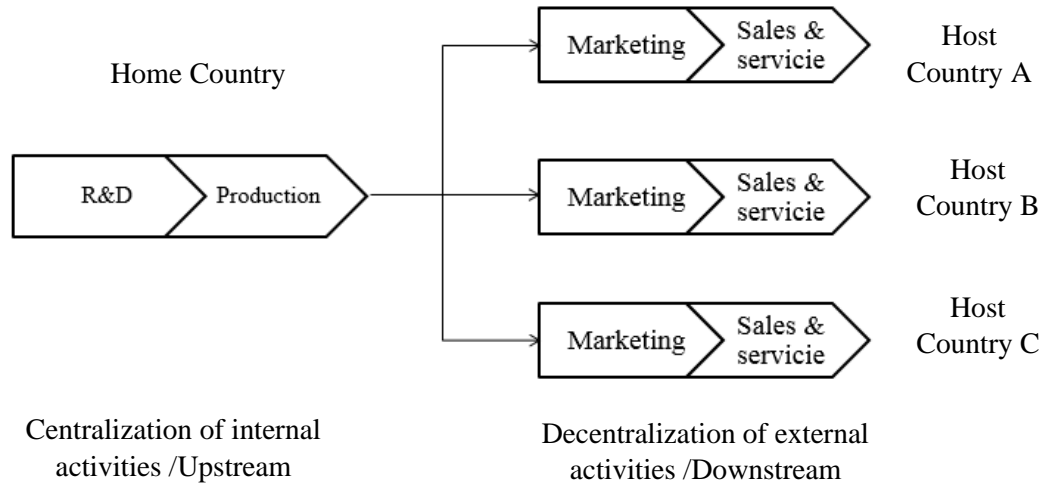


Figure 4. Upstream y Downstream Activities. Own elaboration

According to the analysis of competitive advantages based on the value chain, the eclectic theory proposed by Dunning, (1988) establishes four conditions for a multinational to exploit its competitive advantages abroad: a) The firm must have its own specific advantages, in relation to its management and administrative organization, know-how, human capital, among others; b) Exploit the specific advantages of the firm without intermediaries by means of downstream knowledge; c) Establish its value chain in the host country by locating subsidiaries in order to achieve a learning curve and knowledge of the global business environment; d) Make a direct investment abroad taking into account the strategic planning and the expansion process.

Therefore, the task of the manager is to find places, resources, markets that support the vision of the company to create a value chain competitive, setting up the activities of its value chain optimally, taking into account the economic, legal, political and cultural conditions in the host country. Daniels, Radebaugh and Sullivan (2010).

### 3. METHODOLOGY

#### 3.1. Research methodology

This investigation was based on a case study, fundamental tool in the investigation, focused in measuring and registering the behavior of the parts of interest of the object of study, Yin, (1989) in turn allows to analyze the phenomenon in its real context, by means of quantitative and/or qualitative type evidences in parallel.

The research is exploratory in nature, seeks to achieve a rapprochement of the conceptual foundations of the strategy in the international business, and descriptive; to analyze the context of the organization and its main specific advantages, with the purpose of dealing with a positioning process and internationalization in international markets.

The study was conducted from a 360-degree look (General Manager, Collaborators, Suppliers and Clients) where an interview was conducted with the general manager, in order to establish the context of the organization and the strategic direction of the firm; It is applied a semistructured interview with Likert Scale to validate the conceptual foundations of the specific advantages of locating the country, Specific advantages of the signature (Autonomous, routines and its capacity of recombination) and transferable international; in the case of potential clients, the dimension Specific Advantages of Location of the country is excluded because they do not have enough knowledge; the semistructured interviews are based on a guide of questions where the interviewer has the autonomy of introducing additional questions in order to need concepts or to obtain more information about topics of interest. Hernández, Fernández and Baptista, (2003).

### *3.2. Procedure and samples*

The sample selection was made from a convenience sample. During the field work instruments with the dimensions of analysis will be applied: a) advantages of location of the fatherland, b) specific signature Advantages or not transferable and c) transferable international to the CEO; Collaborators (Production Supervisor and Commercial Manager of Cafe Galavis), Suppliers (RACAFE and a thresher of the city of Bucaramanga) And the wholesale supermarkets more representative of the city of San Jose de Cucuta, Colombia (Metro-Avenida Libertadores, Olímpica-Street 9, Victoria Plaza Libertadores, Supermarket Punto and Fama-Guaimaral and Supermarket the basket).



### 3.3. Variables Measurement

With regard to the analysis of the dimensions of the strategy in the international business, the reliability and limited rationality are excluded, on having been dimensions of present analyses in the process of internationalization of the signature in a host country. Figure 5 illustrates the categorization of the variables of first, second and third order. Defining in the third category the variable the internationally transferable – FSAs

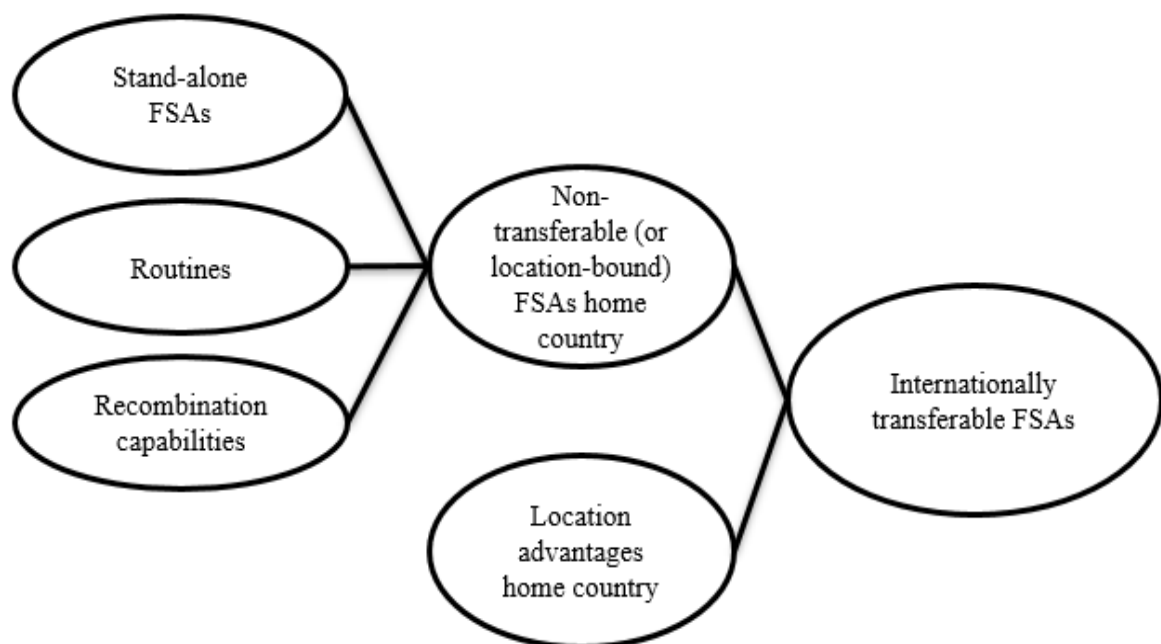


Figure 5. Variables categorization. Own elaboration.

## 4. RESULTS

### 4.1 Individual analysis of the stakeholders.

Then , the result of the instruments for the stakeholders is detailed (Collaborators, suppliers and customers).

Actor / Dimension	Collaborators	Suppliers	Customers
Location advantages	<p>The region of Norte de Santander is characterized by coffee farms with excellent physical characteristics (grain size and consistency); the area has different thermal floors that allow handling a variety of grains (Castilla, arabica beans) and aromas.</p> <p>The Colombian State promotes spaces for the promotion of products and good practices.</p> <p>The new corporate purpose of the company is focused on being an "exporter of roasted and ground coffee</p>	<p>Areas of Colombian crops certified in the production of organic coffee, lands with high content of organic material and good physical characteristics for the production of coffee.</p> <p>The Colombian Coffee Growers Federation provides support in topics related to producer counseling and good cultivation practices.</p>	<p>Customers are excluded as they do not have the knowledge of the country's localization advantages.</p>
Non-transferable firm-specific advantage	<p>The corporate growth strategy focuses on expanding the product line, supported by the acquisition of efficient machines and equipment, in order to enter foreign markets.</p>	<p>Café Galavis is considered a company that complies with the periods of payment to its suppliers.</p>	<p>Café Galavis in the product category of roasted and ground coffee is recognized as one of the main brands of trajectory and history, of high demand and greater rotation in the supermarkets and chain centers.</p>

Actor / Dimension	Collaborators	Suppliers	Customers
	<p>The tacit knowledge in the production of coffee acquired in the routines is transmitted over time; good practices of the productive process.</p> <p>A traditional brand positioned for 101 years in the regional market.</p>		<p>Galavis Coffee is considered one of the main "top of mind" brands that is identified by the taste, aroma and freshness of the product, whose predominant strength is the quality of the product and raw material.</p>
International Transferables	<p>Organic coffee is considered a strength to enter foreign markets, a global opportunity according to market studies conducted by entities such as Procolombia (2017).</p> <p>The "Colombian Coffee" seal on Café Galavis products is a differentiating factor, the products are remembered worldwide thanks to the positioning that was achieved globally through Juan Valdez.</p> <p>Financing opportunities leveraged by the organization's financial muscle</p>	<p>Organic coffee has greater traceability in the supply chain, is self-sustaining and great in flavor.</p> <p>The recognition of the Colombian product allows it to compete in international markets given that it is a reference of coffee at a worldwide level.</p>	<p>The "Colombian Coffee" seal on Galavis coffee products is considered a distinctive feature to compete in international markets.</p>

Table 1. Individual analysis of the stakeholders. Own elaboration

## *4.2 Global analysis*

Inside the of the location advantages (LAs) of its home country, Colombia, the brand Cafe Galavis has been positioned along the history in the region of North of Santander like one of the main brands “top of mind”, whose main characteristic is the taste, aroma and freshness, predominating in the mind of the consumer. In the same way, one of the main added values of the product decides for the quality of classified raw material as of consumption and lofty and the trajectory of the human capital in the processes of production of the coffee, which reflect the tacit knowledge acquired over time in the routines and good practice of the productive process, in addition to certification under international standards in quality ISO 9001, harmless in food ISO 22000 for the food security management for the totality of the chain of supply and HACCP analyses of dangers and critical points of control that guarantee to the clients the fulfillment of standard high places of quality.

Due to the impact of different brands that have been positioned at a national level, to the varieties of traditional brands that are emerging directly from coffee farms in the region and the closing of the border with Venezuela, senior management focused on the capacity of recombination by rethinking the strategic direction of the organization, aimed at product diversification in its portfolio, as the traditional coffee, instant coffee, excelso coffee, organic coffee type export and to the commercialization of Chocolate Galavis and Choco-Galavis mixture in powder, taking advantage of the resources of its installed capacity and experience in the productive process and regional distribution, for consequent, the administration carried out the change of the social object of the company to "exporter of roasted and milled coffee".

On the other hand, the Advantages of location of Colombia, they are related to the areas of cultivation of the different farms located in the different geographical areas of the country, which are provided with certifications in the production of the organic coffee (Armenia, Pereira, Bucaramanga, Popayán, Huila), with climatic conditions that propitiate excellent physical characteristics for the production of coffee and the good practices of sowing that guarantee the quality of the raw material.

As transferable International, in first place, highlights the certified organic coffee under the standards of the organic agriculture, for the commercialization in national territory as the Resolution 0187/2006 , as a source of competitive advantage to penetrate on foreign markets, on having been provided with the international certification under the standards of the Japanese market; handling and labeling of organic products of the United States; and the organic norms of the European Union, started to the global tendency towards the special coffees, faced to a niche of market that looks for the commitment of the producers with the environment, the social responsibility with the sowers behind the cultivation and the insurance of the harmlessness of the food in each of the stages of the productive chain. Consequently, such guarantees ensure the commitment of the organizations in the effectiveness of the processes and quality of the finished product, to comply with norms of high quality (National Federation of Coffee Growers of Colombia 2010).

Secondly, the stamp "Colombian Coffee" in the coffee products Galavis as a differentiator before the other competitors in the international markets. According to Costa (2004) the brand image serves as source to generate a favorable tie attitudinal or affectively and behavioral, from the emotional point of view; consequently, the Logo communicates respect for the origin and the tradition of the Coffee of Colombia, and the guarantee of a product of high quality, based on efficient models of harvest and on the programs of Sustainability in Action that improve the revenue of the family coffee growers. Finally, the opportunities of financing that the organization grants to its clients in reason of the time of payment, are leveraged for the financial muscle of the firm.

## **CONCLUSION**

The fundamental concepts of the strategy in the international business proposed by Verbeke, (2009) allowed by means of the ratification of the instruments applied to the collaborators, providers and clients, to realize an approach of the dimensions of study, specific advantages of location, specific advantages of signature acquired in the regional environment for its tradition and trajectory in the commercialization and production of roasted coffee and ground, and the transferable international ones, consequently it goes over to the following conclusions.

According to the results of the “Country-specific advantages” dimension, the Café Galavis firm has low pressures due to local adaptation, due to the centralization of upstream activities, such as the raw material identified with the seal "Colombian Coffee"; Land suitable for cultivation and the differentiation of the geographical location of the country to count with different thermal levels that allow to farms producing provide coffee with excellent physical characteristics (Granulometry, size and consistency) and in addition to handling variety of grains (Castile, Arabic ) and variety of aromas.

The change of social object "exporter of roasted and ground coffee" as modified by the new administration, the strategic addressing focused towards the recombination capacity diversified the products of the briefcase and impressing to multiple market niches, likewise, the trajectory of the human capital in the organization, reflect an intangible value "tacit knowledge" acquired in the routines of the productive process. On the other hand, the autonomous specific advantages as regards the brand value, reflected on the different parts of interest are located to Cafe Galavis like one of the main brands “top of mind”, based on notoriety, perceived quality, brand image and perceived value. Nevertheless, the innovation and the strategies of marketing are aspects that the buyers would bear in mind to consider it to be its first election of buy “The Brand Loyalty”, strategic assets that, on having been exploited, generates a competitive advantage in the organizations (Grover and Srinivasan, 1992).

Finally, the analysis of the concepts and sources of competitive advantage of the value chain allows the decision to establish an "international" internationalization strategy, developing in a centralized manner the production of the product from the headquarters in Colombia decentralizing the external/downstream functions (external logistics, marketing, services and sales), defining the determinants for the internationalization process "International Transferable" (organic coffee type export, seal "Colombian Coffee", financing opportunities), which generate value by crossing the international border, through the export entry mode, taking into account the high uncertainty, legislation, risks inherent in the economic, political, commercial and the learning curve of the organization in foreign markets.

## REFERENCES

- Colombian Institute of Technical Standards and Certification (ICONTEC), (2015). NTC-ISO 9001:2015 (Colombia: Colombian Institute of Technical Standards and Certification)
- Colombian Institute of Technical Standards and Certification (ICONTEC), (2018). Food Safety Management System Standard. NTC-ISO 22000:2018 (Colombia: Colombian Institute of Technical Standards and Certification)
- Colombian Institute of Technical Standards and Certification (ICONTEC). - Hazard Analysis and Critical Control Points. HACCP -NTC 5830 (Colombia: Colombian Institute of Technical Standards and Certification)
- Costa, J.(2004). La Imagen de Marca: un fenómeno social. Madrid: Ediciones Paidós Ibérica S.A
- Chandler, A.D (1962), Strategy and structure: Chapters in the history of the American Industrial Enterprise, MIT Press, Cambridge.
- C.K. Prahalad; Gary Hamel (1990) "The core competence of the corporation". Harvard Business Review.
- Daniels, J. D., Radebaugh, L. H., Sullivan, D. P., & Carril, V. M. P. (2010). Negocios internacionales. México, D.F: Pearson Educación. (p.417).
- Davies, W. (2000). Understanding Strategy. *Strategy and Leadership*, 28(5), (p.p 25- 30)
- Ducassy, Isabelle & Prevot, Frédéric, 2010. "The effects of family dynamics on diversification strategy: Empirical evidence from French companies," *Journal of Family Business Strategy*, Elsevier, vol. 1(4), pages 224-235, December.

Dunning, J. (1988). The Eclectic Paradigm of International Production: A Restatement and Some Possible Extensions. *Journal of International Business Studies*, 19(1), 1-31. Retrieved from [www.jstor.org/stable/154984](http://www.jstor.org/stable/154984)

Drucker, P. (2007). *The practice of management. The classic Drucker collection* (Edición revisada, reimpresión). M. Belbin (Ed.) USA: Elsevier

Grover, R., & Srinivasan, V. (1992). Evaluating the Multiple Effects of Retail Promotions on Brand Loyal and Brand Switching Segments. *Journal of Marketing Research*, 29(1), 76–89. <https://doi.org/10.1177/002224379202900107>

Hernández R, Fernández C and Baptista.(2003). *Metodología de la Investigación.*(México, Mc Graw Hill)

Ministry of Agriculture and Rural Development (2016). Resolution 199 of August 10, 2016. The regulations for primary production, processing, packaging, labeling, storage, certification, importation and commercialization of organic agricultural products, version 1, adopted from resolution 187 of 2006 are partially modified. Bogotá DC: Ministry of Social Protection of Colombia.

Mintzberg, H., Ahlstrand, B. & Lampel, J. (1998) *Strategy Safari, A Guided Tour Through The Wilds of Strategic Management.* USA: The free Press

National Federation of Coffee Growers of Colombia (2010). *Sustainability in Action*  
Recuperado de  
[http://www.cafedecolombia.com/particulares/es/la\\_tierra\\_del\\_cafe/sostenibilidad\\_en\\_accion/](http://www.cafedecolombia.com/particulares/es/la_tierra_del_cafe/sostenibilidad_en_accion/)

Procolombia, (2017). *Business opportunities, special coffees.* Recovered from:  
<https://www.colombiatrader.com.co/oportunidades-de-negocio>

Porter, M. E. (1985) *Ventaja competitiva: Creacion y sostenibilidad de un rendimiento superior.*



Mexico : Grupo Editorial Patria, 2016.

Simon, H. A. (1979). Rational decision making in business organizations. *The American Economic Review*, 69(4), 493-513.

Tsai, W. (2009). Corporate diversification and CEO turnover in family Business: Selfentrenchment or risk reduction? *Small Business Economics* 32 (1): 57-76.

Verbeke, A., & Greidanus, N. S. (2009). The end of the opportunism vs trust debate: Bounded reliability as a new envelope concept in research on MNE governance. *Journal of International Business Studies*, 40(9), 1471-1495.

Verbeke, A (2009). *International Business Strategy Rethinking the Foundations of Global Corporate Success*, Cambridge University Press, pp. 13-77.

Wheelen, T. y Hunger, D. (2013) *Administración Estratégica y Política de Negocios: Hacia la sostenibilidad global* 13° Edición, Editorial Pearson.

Yin, R. K. (1989): *Case Study Research. Design and Methods*, Applied Social Research Methods Series, Vol. 5, Sage Publications,. London.