



## **Impacto Of The Manufacturing Sector In The Fase Of The Socioeconomics Crisis : Colombia - Venezuela**

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**Abstract** The objective of the article is to analyze the manufacturing sector of the city of Cúcuta in the face of the socioeconomic crisis in Venezuela and the border context. The research is part of the empiricalanalytical paradigm and corresponds to a descriptive, non-experimental, transectional quantitative study. A validated questionnaire was used, which was applied to 130 companies. Four variables were analyzed: managerial profile, general characteristics, operating environment and financial management. key words: manufacturing sector, border, trade exchange, socioeconomic crisis.

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### **1. Introduction**

Colombia and Venezuela have always faced ups and downs in their relations as a result of political and diplomatic differences, although these have remained despite their disagreement (Ardila, 2005; Bustamante & Sierra, 2005; González & Galeano, 2014; Polo, Serrano & Triana, 2018). Some studies identify five stages within VenezuelanColombian relations, which start from decisions on border boundaries in the early nineteenth century to the political relations woven by former presidents Hugo Chávez and Álvaro Uribe Vélez up to 2010 (González & Galeano, 2014: 93). But since 2015, a new stage is being lived, characterized by the total breakdown of relations At a political level, the closure of the border and an unprecedented migratory mobilization towards Colombia (Polo, Serrano & Triana, 2018). The migration of Venezuelans to Colombia has allowed new territorial dynamics to be generated.

Despite the political distancing between governments and the abandonment of cooperation and integration projects, relations between populations continue to exist between one country and another,

of course, at a border level. Undoubtedly, the neighbourhood and the shared space, have generated that the department of Norte de Santander and the main cities of Colombia, become receiving territories of the Venezuelan emigrants, which arrive with expectations of labour opportunities and a greater well-being, although others in search of security and protection of their civil and political rights (Fernandez & Orozco, 2018; Heredia & Battistessa, 2019; Bermúdez, Mazuera, Albornoz & Peraza, 2018; Rodríguez & Robayo, 2018).

It is estimated that more than 3.8 million Venezuelans have emigrated, making this phenomenon one of the largest migrations of the 21st century, along with that of Syria, Africa in the Mediterranean and Central America to the United States (García & Restrepo, 2019; Rodríguez & Ramos, 2019). Of this population, 50% of the migratory flow ends in Colombia and another 40% uses the national territory as a transitory passage (Rodríguez & Ramos, 2019). This is only one manifestation of a complex problem that is tending to expand. Indeed, inflation in Venezuela has risen dramatically, unemployment is close to 50%, the gross domestic product has been negative for the last 6 years and the economy has contracted by 50% (Luna, Henry 2020). Without a doubt, the socialist project of Chavism in Venezuela did not manage - or has not managed - to overcome the country's structural problems at both the economic and social levels, and it seems that the crisis will continue to increase and aggravate (López, 2016).

It is logical that economic and social crises in neighboring countries end up affecting or inciting within the border territories in different dimensions and levels, and even more so when their economy has depended on bilateral trade. If we add to this the exodus of thousands of people to the border area as migrants, the impact is greater in all its dimensions. This is the reality of the most representative border between Colombia and Venezuela comprised of Cúcuta - Villa del Rosario and Ureña - San Antonio, and like any border marked by migration, is influenced by relational dynamics arising from human behavior itself, the effects of decisions at a political and institutional level, and many other forces (Peyrony & Denert, 2012; Perkmann & Sum, 2002; Blatter, 2004; Perilla, 2011; Di Brienza, 1997).

The city of Cúcuta has about 850,000 inhabitants, and in addition to these there are about 185,000 immigrants from Venezuela. This is a number of men and women with the potential to influence new realities, for example, changing the urban landscape, efficiency of public resources (Rodríguez & Robayo, 2018), security (Castillo et al., 2018), work and labour relations (Fedesarrollo, 2018); Chamber of Commerce of Cúcuta, 2018), the economy (Pabón, Bastos & Mogrovejo, 2016; Sayago, 2016; Chamber of Commerce of Cúcuta, 2018), culture, social relations, imaginaries and representations (Aliaga, Baracaldo, Pinto & Gissi, 2018), among others.

The first effects of the closure of the Colombian-Venezuelan border are felt on the economy and on most of the companies that depended to a lesser or greater degree on bilateral trade. Three years after the closure, there was still a decline in income for some sectors: information and communications (-41%), manufacturing (-36%), professional activities (-35%), trade (-31%), health (-27%), agriculture and livestock (-24%), hotels and restaurants (-23%), among others (Cúcuta Chamber of Commerce, 2018). Today, the effects of the socio-economic crisis continue to have significant effects, although strategies and actions have been advanced from the institutional and governmental level to promote and strengthen the city's representative economic sectors.

One of these sectors corresponds to manufacturing, which had about 5 thousand companies at the end of 2019, most of them being micro, small and medium enterprises (MSMEs) (Luna, & Riaño, 2019). Of this total, 1,493 belonged to the subsector of clothing and garments, and 1,065 to the subsector of footwear and leather. Considering that the Venezuelan crisis goes beyond the closure of the border, this study seeks to analyze the manufacturing sector of the city of Cúcuta in the face of the socio-economic crisis in Venezuela, and with it, to contribute to the knowledge that has been built around the relations between the Venezuelan socio-economic crisis and the impact on the border.

Enterprises and entrepreneurs in the area of clothing and footwear, must face various challenges and external constraints imposed by constant change and crisis (Burbano, 2017; Cardenas, Cristancho, Sayago & Ureña, 2017; Acevedo and Albornoz, 2019). Some of the main deficiencies are in the area of innovation and adoption of technologies, development of human talent capacities, access to new markets, redefinition of the value chain, among others, which are determining factors in a global market (Romero, Monroy & Ramírez, 2017). Clearly, all this requires new rationalities and a more holistic vision that allows them to adapt and strengthen their productivity, innovation, competitiveness and market penetration

## 2. Methodology

It corresponds to an investigation framed in the empirical-analytical paradigm and the quantitative approach. At the same time, it is a non-experimental-transectional study with a descriptive level, considered that there was no control over the variables under analysis (Hernández, Fernández & Baptista, 2014).

The population was determined by companies in two sub-sectors of the manufacturing industry in the city of Cúcuta in Norte de Santander (Colombia): on one hand, clothing and garments, and on the other, leather and footwear. Of the first group, there are 1637 companies, and of the second, 1420 productive units, for a total of 3057.

The sample -not probabilistic-, and selected through a simple random sampling, was determined from the application of a statistical formula with the following characteristics:

$$n = \frac{N \times Z^2 \times P \times Q}{e^2 \times (N - 1) + Z^2 \times P \times Q}$$

Where:

Probability of success: P=0,85

Probability of failure: Q=0,15

Confidence level, value in the 95% table: Z=1.96

Population size: N=3.057

Error margin: e=0,06

On the basis of the above parameters, the investigation sample corresponded to 147 companies, distributed as follows: 96 companies in the clothing and garments subsector, and 51 companies in the leather and footwear subsector.

A questionnaire was applied to the selected sample, in which the management profile of the company, characteristics of the company, operating environment and financial management were inquired.

The questionnaire, Following Riaño 2022, in his book *Management skills in the hotel industry in Cúcuta*, he points out that "management skills are the skills, abilities, skills and knowledge that managers in the sector must possess in order to carry out the functions inherent to the charge, execute the processes of planning, organization, direction and control"

### 3. Results

As indicated in the methodology, a multiple-choice questionnaire was applied to a total of 147 companies in the manufacturing sector in the city of Cúcuta, 96 in the clothing and garments subsector, and 51 in the footwear and leather subsector. The findings are presented considering the four variables analyzed: management profile, company characteristics, operating environment and financial management.

**Table 1. Management profile of the company. Distribution by gender**

Analysis Dimension	Options	Women percentage	Men percentage	Total (%)
Sector	Leather and footwear	19.1	22.7	41.8
	Clothing and garments	23.1	25.1	48.2
	<b>Subtotal</b>	<b>42.2</b>	<b>47.8</b>	<b>100</b>
City of origin	Cúcuta	45.3	33.2	88.5
	Other city	6.5	5	11.5
	<b>Subtotal</b>	<b>51.8</b>	<b>48.2</b>	<b>100</b>
Manager's age	15-25 years	3.6	1.0	4.6
	26-35 years	20.3	7.4	27.7
	36-45 years	18.5	13.0	31.5
	46-55 years	5.4	20.0	25.4
	More than 55 years	1.4	9.4	10.8
	<b>Subtotal</b>	<b>49.2</b>	<b>50.8</b>	<b>100</b>
Academic training of the manager	Elementary	6	12	18
	High school	35.3	32	67.3
	Technological	7	7.7	14.7
	<b>Subtotal</b>	<b>48.3</b>	<b>51.7</b>	<b>100</b>

According to Table 1, there is no gender predominance for each of the subsectors analysed. Similarly, there is no evidence of gender predominance by origin of the entrepreneurs, age and level of training. It should be noted that 88.5 per cent of managers are from the city of Cúcuta. About 62% of the

entrepreneurs are between 26 and 45 years old, which is young entrepreneurs who enter the manufacturing sector. Similarly, it is relevant that 61.7% only have secondary and middle school education, and that more than 95% of managers have no university education.

### 3.2. Characteristics

of enterprises in the manufacturing sector Below are some correlations between different dimensions analysed such as type of company, company activity, number of workers, length of service and effects due to the border situation

**Table 2. Company activity according to type of company**

Activity	Type of company					Total (%)
	Sole proprietorship (%)	Simplified joint stock company (%)	Private limited company (%)	Public limited company (%)	Family business (%)	
Manufacturing	8.2	5.3	0.0	0.0	6.6	<b>20.0</b>
Marketing	12.5	0.5	0.0	0.8	11.6	<b>23.4</b>
Manufacturing and Marketing	23.9	2.7	0.8	0.0	27.2	<b>56.6</b>
<b>Total</b>	<b>44.6%</b>	<b>8.5%</b>	<b>0.8%</b>	<b>0.8%</b>	<b>45.4%</b>	<b>100%</b>

Table 2 shows the main activity of the company in correlation with the type of company. 54.6% of companies are dedicated to the manufacture and marketing of products, and the other (45.4%), to one of these two activities. The majority of companies are concentrated in the type of single-person and Family Business. Only 10.1% of the participating companies have opted for a company form, with the Simplified Joint Stock Company being the most widely used. This is because this type of company has flexible requirements within the commercial legislation. This data allows some inferences to be made. Companies that arise from corporate forms have greater investment possibilities because they have partners who are willing to inject capital.

With this, it is possible to advance strategies and plans, innovate the means of production, machines, processes and products, and face, to a better extent, changes and crises. Because most companies are sole proprietorships and family businesses, they do not have the possibilities and advantages of corporate companies, and therefore, emphasis is placed on strategies focused on partnership and alliances with both companies in the same sector and public entities (Cárdenas, Cristancho, Sayago & Ureña, 2017; Romero, Monroy & Ramirez, 2017)

<b>Number of employees in the company</b>	<b>0 – 2 (%)</b>	<b>2 – 4 (%)</b>	<b>4 – 10 (%)</b>	<b>10 – 15 (%)</b>	<b>+ 15 (%)</b>	<b>Total (%)</b>
<b>Number of workers</b>						
1 – 10	17.5	16.7%	23.5%	10.2%	7.5%	<b>75.4%</b>
11 – 50	9.4	8.7%	5.0%	0.0%	0.2%	<b>23.0%</b>
51 – 200	0.0%	0.0%	0.0%	0.8%	0.0%	<b>0.8%</b>
+ 200	0.0%	0.0%	0.0%	0.0%	0.8%	<b>0.8%</b>
<b>Total</b>	<b>26.9%</b>	<b>25.4%</b>	<b>28.5%</b>	<b>10.8%</b>	<b>8.5%</b>	<b>100.0%</b>

According to Table 3, more than 80% of the companies are less than 10 years old and 52.3% are between 0 and 4 years old. These are young companies, many of which have not yet crossed the time line to become stronger, position themselves and access new markets, including international ones. In Colombia, about 57% of SMEs do not survive the first 5 years and only 20% of companies created reach their third year of life (Montoya, 2018; Franco & Pulido, 2010), and thus the future of participating companies with less than 5 years old is uncertain.

In relation to the number of workers, Table 3 indicates that the length of service of manufacturing companies is a variable that can affect the number of workers.

**Table 4. Effects of the border closure and Venezuela's socio-economic crisis**

<b>Effect</b>	<b>Options</b>	<b>Percentage</b>
<b>Decrease in workers</b>	Yes	38.5
	No	61.5
<b>Impact of markets</b>	Yes	40.0
	No	60.0
<b>Sales and Net Profits</b>	Increased sales	23.7
	Decreased sales	33.8
	Increase in net profits	20.0
	Decrease in net profits	22.4

The results in Table 4 show the perceptions of the manufacturing sector entrepreneurs as a result of the closure of the border and the socio-economic crisis of the Venezuelan State. In terms of hiring, only 38.5% of the companies had a decrease in workers or collaborators by an average of 15% of the staff, although the vast majority were not affected in this regard (61.5%). In relation to the markets, half of the businessmen said that they were affected, since one of the traditional destinations of the products of this industry was the Venezuelan market. Similarly, 33.8% report that sales decreased and another 32.4% of the businessmen indicate that net profits decreased. Only 23.7% indicate that sales increased and only 12% show an increase in net profits.

## **Conclusions**

The destination of the products of 91.5% of the participating companies is the city of Cúcuta and its metropolitan area and the national market, especially the Atlantic coast. A lower percentage of manufacturing companies export to international markets (6.2%). For the latter, the main markets are Central America, Ecuador and North America (United States and Canada). Regarding the products of the footwear and leather goods sector, the main product of the companies is in the female line (casual, sports and formal), and only 25.3% corresponds to the male line. And with regard to the products of the clothing and garments subsector, jeans, both in the female and male lines, are the ones with the highest production (63.2%).

As for the female and male clothing lines, there is no trend (51.5% and 38.5%, respectively), and the children's line has an important participation (30.8%). The distribution channels for manufacturing industry products are varied. The main distribution modalities correspond to own points of sale (29.5%), wholesalers (21.4%), e-commerce (20.9%) and direct sales (20.3%). In a few cases, the modality of department stores is used, although it is a good option as is e-commerce

In short, another perspective is needed that leads to more favorable actions for the Colombian State and society, and specifically the North Santander region. Public policy requires a transformation in all spheres, political, economic, financial and ethical, that takes into account changes in virtual interconnection, commercial dependency, technology and innovation, demographic changes, consumption patterns and production, in order to guarantee a better standard of living for the population and ensure permanence in the fully globalized market economy model.

Only through a targeted approach to strategic competitiveness in the economic, educational and research model will the region have a promising future; starting from business development as the basis of social and public development, although none of the other transforming axes should be neglected, it is a new direction for the design of regional development plans and programs for the next period and the following ones, since only with the permanence over time of precise policies, development is maintained as a constant.

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