

## FINANCIAL MANAGEMENT AND INNOVATION IN SMEs MANUFACTURERS OF WOOD FURNITURE IN TEQUISQUIAPAN, QUERÉTARO, MEXICO.

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### ABSTRACT

*The furniture sector has traditionally been a resource and labor-intensive industry characterized by the coexistence of both local craft-based firms and large volume producers. This work analyses management in the relationship between financial practices innovation processes in furniture companies. Financial management and the innovation are relevant factors for what wooden furniture manufacturers companies, remain in the market, this implies to transmit and systematize knowledge and ideas for product development with innovative designs and making competitive advantages. Research shows that lack of financial management skills and the application of innovative practices are more factors affecting the competitiveness of these productive entities.*

**Keywords:** Furniture companies, financial management, innovation, small and medium enterprises.

### 1. INTRODUCTION.

The research addresses the issue of financial management and its relationship with innovation in SMEs wood furniture manufacturers in Tequisquiapan, Querétaro, Mexico, which are limited in factors such as strategic planning, market, and production management, among others. Productive entities in this sector need to improve their economic management of their resources to determine their profitability through financial mechanisms supported by innovation in their administrative and productive processes.

The methodology of the Model modernization of Organization Management (MMMO) was applied, which allows us to characterize the competitive behavior of such organizations and establish proposals in time stages to improve position and market share generating long-term profitability more efficiently.

### 2. LITERATURE REVIEW

Internationally, an SMEs company is defined by annual turnover and the number of full-time employees in the company (World Bank, 2011). To qualify as an SMEs in Mexico, a company must have no more than 250 employees and a turnover of less than \$250 million pesos (CONDUSEF, 2020).

The factors that contribute to the failure of these companies can be classified into external and internal factors. External factors are those that cannot be controlled by the owner-administrator, such as the macroeconomic environment, social factors such as crime, ethics and corruption, technology, and the regulatory environment. Internal factors within the entity are elements that can be controlled such as access to funding, geographic location, and level of management skills (Olawale & Garwe, 2010).

Financial management is one of the most important management skills of a SMEs because it affects all aspects of entrepreneurship (Watson, 2004). Financial management involves minimizing costs, maximizing profits, and planning and controlling the financial asset. Bloom & Boessenkool (2002).