

# ***THE COSTA RICAN SOFTWARE CORRIDOR***

## **CASE STUDY**

**MBA 6303-02**

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# Protagonists



**Jorge Sequeira**  
CEO

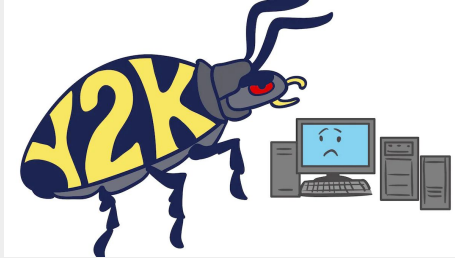


**Claudio Pinto**  
CTO/ Co-Founder

# Executive Summary

SPS Software has established their business model and success through partnerships with other companies to expand their presence in the information technology market. In order for their company to grow, SPS will need to expand their business outside of Costa Rica into the South American market and other Central American countries. Through an analysis of the problem, their competitors, and the economic climate, SPS would benefit from strategic expansion and securing the proper investments.

# Analysis of Problem



1. ERP system needs to develop BUT short of cash
2. Y2K Crisis needs new platform and higher secure environment
3. Strategic alliance with KPMG delay the expanding in Central America

# PESTEL Analysis of Costa Rica

- **Political:**  
Control of corruption is rated as strong
- **Economic:**  
Services accounted for 68.5% of GDP in 2020
- **Sociological:**  
1.4 M, San Jose is the largest urban area, high level of human development
- **Environmental:**  
Guanacaste has the highest exposure to air pollution in Costa Rica  
low recurrence of extreme weather events
- **Legal:**  
Regulatory quality in Costa Rica is on a high level

# SWOT Analysis

## Strengths:

- Strategic investment incentives
- First tech company leverage with VC
- Programming ability
- Bold vision for Central America

## Weaknesses:

- Costly for R&D
- Unavailable for Credit Loan

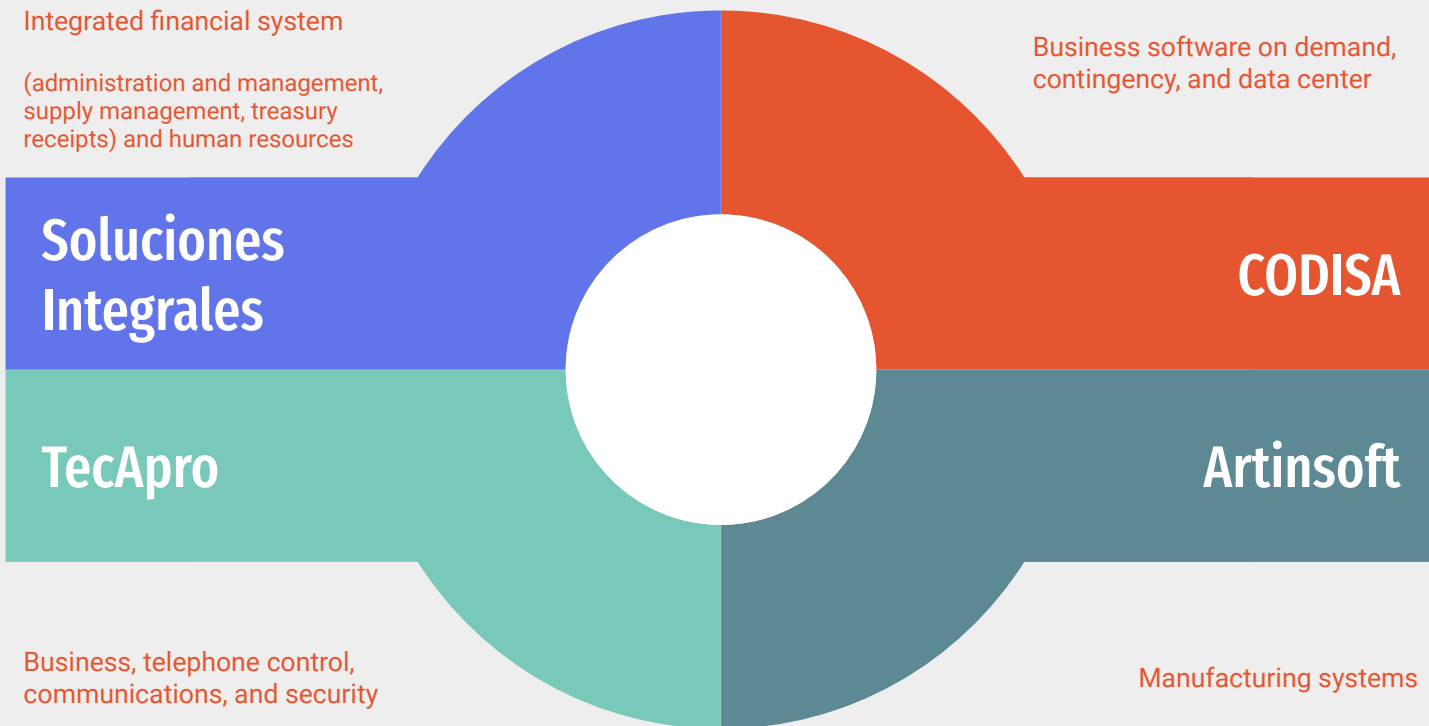
## Opportunities:

- Progressive Free Trade Agreement
- High level of education and skilled labor

## Threats:

- Competitors
- Y2K Crisis

# Competitors



## Appendix A

### Principal Competitors in the Costa Rican Software Market

Company Name	Founding	Products	Web Page
PRIDES	1983	Health systems, insurance, industry, justice, communications	<a href="http://www.prides.net">www.prides.net</a>
Soluciones Integrales (SOIN)	1984	Integrated financial systems (administration and management, supply management, treasury and receipts) and human resources	<a href="http://www.soin.co.cr">www.soin.co.cr</a>
TecApro	1985	Business, telephone control, communications, and security	<a href="http://www.tecapro.com">www.tecapro.com</a>
Dinámica Consultores	1986	Private and public sector software built to measure, and training	<a href="http://www.dcint.org">www.dcint.org</a>
Proyectica	1987	Managerial, financial, human resource, and supply systems	<a href="http://www.proyectica.com">www.proyectica.com</a>
SPS/Exactus	1987	Managerial, financial, sales and logistics, manufacturing, human resources, and made to measure	<a href="http://www.exactus.com">www.exactus.com</a>
CODISA	1989	Business software on demand, contingency, and data center	<a href="http://www.codisa.com">www.codisa.com</a>
Master Lex	1990	Systems for lawyers	<a href="http://www.masterlex.com">www.masterlex.com</a>
SYSDE	1991	Financial, pension fund, and bank credit card systems	<a href="http://www.sysde.com">www.sysde.com</a>
Avantica Technologies	1993	Internet applications, intranet, integration, and consulting	<a href="http://www.avantica.net">www.avantica.net</a>
ArtinSoft	1993	Manufacturing systems	<a href="http://www.artinsoft.com">www.artinsoft.com</a>

Source: Created by the author using company web pages listed.



# SPS SOFTWARE EXPANSION/ OPTIONS



## ERP SYSTEMS

New Generation of  
Product Development  
Platforms required  
improved ERP Systems

## Y2K BUG

Changing company  
computer systems to  
an environment safe  
from date change

## CENTRAL AMERICA

Businesses willing to  
invest in information  
technology

## LATIN AMERICA

Larger markets that  
were less fragmented  
and more developed

# Recommendations

**A**

**Take advantage of loan from VCs to expand into Latin America and other Central American countries**

**B**

**Improve ERP system with funds from angel investors**

**C**

**Change computing systems to avoid crash from Y2K bug**

Country Name	Year	MSME Definitions			Structure of the MSME Sector			MSME Participation in the Economy		
		Micro	Small	Medium	Micro	Small	Medium	MSMEs	MSMEs per 1,000 people	MSME employment (% total)
Costa Rica	1995	1-19	20-99	100-400*	90.6	7.3	2.1	39,200	11.4	54.0
Costa Rica	1994	1-19	20-99	100-400*	88.8	8.2	3.0	39,402	+	+
Costa Rica	1993	1-19	20-99	100-400*	86.0	10.0	4.0	+	+	+
Guatemala	1995	0-10	11-25	26-60	77.7	16.7	5.6	173,699	16.3	+
Guatemala	1994	0-10	11-25	26-60	78.5	16.0	5.5	173,403	+	+
Guatemala	1993	0-10	11-25	26-60	79.0	15.4	5.6	173,100	+	+
Honduras <sup>e</sup>	1995		11-25	26-150	96.0	3.4	0.6	258,503	+	+
Honduras <sup>e</sup>	1994	0-10	11-25	26-150	97.9	2.0	0.1	257,953	39.9	+
Honduras <sup>e</sup>	1993		11-25	26-150	98.0	1.8	0.2	257,405	+	+
Nicaragua	1995	1-5	6-20	21-100	65.5	31.3	3.2	158,715	34.9	86.8
Nicaragua	1994	1-5	6-20	21-100	64.5	32.0	3.5	158,403	+	+
Nicaragua	1993	1-5	6-20	21-100	63.4	33.3	3.3	158,800	+	+
Panama	1995	i ≤ 150,000	i ≤ 1,000,000	i ≤ 2,500,000	83.5	13.7	2.8	40,985	14.8	72.0 <sup>d</sup>
Panama	1994	i ≤ 150,000	i ≤ 1,000,000	i ≤ 2,500,000	83.7	13.5	2.8	41,073	+	+
Panama	1993	i ≤ 150,000	i ≤ 1,000,000	i ≤ 2,500,000	83.5	13.4	3.1	+	+	+
El Salvador	1995	0-4	5-49	50-99	97.3	2.6	0.1	476,900	79.3	52.0 <sup>d</sup>
El Salvador	1994	0-4	5-49	50-99	97.5	2.4	0.1	476,003	+	+
El Salvador	1993	0-4	5-49	50-99	97.8	2.0	0.2	+	+	+

The database "Micro, Small, and Medium Enterprises: A Collection of Published Data" presents secondary data. Using these data for precise country rankings may therefore be inappropriate.

The user understands that there may be errors and discrepancies within this database because of differences in the way the sources gather data and in the definitions of micro, small, and medium enterprises (MSMEs) they use in doing so. Because of the discrepancies in these definitions, harmonizing the data is costly and difficult and no attempt has been made to do so. Moreover, some MSME definitions used by each data source are not comparable over time. Accordingly, only the most recent data available are included.

The user understands that no claims, implicit or explicit, are made for the database and that any conclusions or inferences drawn from the data are wholly the responsibility of the user. No conclusions or inferences drawn from the data or accompanying materials should be attributed to the World Bank Group, its Board of Executive Directors, its management, or any of its member countries without their express written consent.

# MICRO, SMALL AND MEDIUM ENTERPRISES in CENTRAL AND LATIN AMERICA

- Costa Rica has many more established small and medium enterprises compared to the neighbouring countries
- Expansion and Growth opportunities in Central America and Latin America
- SPS can make strategic plans catered to expanding to Central America and Latin America based on this data.

# Conclusion

## ERP System & Y2K bug



- SPS was short on cash to improve the ERP system
- Y2K bug created unanticipated consequences and growth in the technology sector

## Alliance with KPMG

Proved to be beneficial in company's early success



- Resulted in the development of SIM (System Integrated Manufacturing) & SIF (System Integrated Financial Software)
- Aided KPMG's market segmentation strategy & further increased SPS software sales internationally
- Opportunity for brand recognition as KPMG provided a brand name (gained 100 clients in South America)

## Expansion?

Into larger South American or Latin America



- Current company cash flow doesn't allow for it
- Would require a substantial amount of money for the requirements of new markets, implementing changes, for personnel/training, positioning, marketing & working capital
- Would help build brand awareness & company growth

# Thank you!

Any Questions?