

# Organizational Challenges in Small and Medium Enterprises on the Colombian

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## Abstract

**Objective:** Analyze what the challenges are for small entrepreneurs and formulate possible lines of action in order to promote growth in organizations. **Methodology:** In order to achieve the general objective, a qualitative method is proposed that relies on the revision of the literature of the last five years in both the English language and the Spanish language. **Findings:** SMEs should focus their efforts on training, sustainability and technologies in order to achieve higher levels of competitiveness. **Application:** The SMEs of the Caribbean coast have great potential to grow in the coming years, requires the commitment of all stakeholders to achieve a better situation in the region.

**Keywords:** Competitiveness, Globalization, Organizations, Sustainability, SMEs

## 1. Introduction

Without a doubt, SMEs have acquired great relevance in the national economy and are an important source of productivity, especially for their contribution to employment generation and economic growth. However, in order to fulfill this driving role, these companies must align themselves with new organizational performance initiatives in order to stand out in the international market and guarantee integral development in their area of influence<sup>1</sup>.

In Colombia, according to the Red de Cámaras de Comercio<sup>2</sup>, in 2016 an approximate number of 299,632 productive units were created in the country, of which 76,794 corresponded to societies and 222,838 to natural persons, which in balance shows a growth of 15.8% compared to 2015. The same entity indicates that the economic activities with the greatest participation in the national scenario are the following<sup>2</sup>:

- General trade
- Food services
- Professional, scientific and technical activities.

- Manufacturing industry
- Administrative services
- Construction service

When examining the growth of sectors by region, the following are the most dynamic sectors in SMEs<sup>3</sup>:

- Andeanor Central Region.
- Pacific Region.
- Atlantic Region

## 2. Methodology

For the development of the research, a qualitative approach was chosen with support in the documentary review, in order to be able to observe from the contributions of recent research which are the aspects that have been most highlighted by the researchers and experts consulted<sup>4</sup>. The interpretative component was also incorporated, since the central idea was to take the factors suggested in each of the articles consulted and, from them, generate a reflection applicable to the problem

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studied<sup>5</sup>. For the selection of the Papers, key words were taken such as: competitiveness, SMEs, globalization and sustainability. Once the publications were captured, they were analyzed by means of a revision matrix, where 25 Papers were filtered at the end, where a greater conceptual richness was found for the objective of this document.

### 3. Outcomes

In Colombia, small or medium sized enterprises oral so known as SMEs are classified according to the Banco de Desarrollo Empresarial y Comercio Exterior de Colombia (Banco de Desarrollo Empresarial y Comercio Exterior de Colombia (Business Development and Foreign Trade Bank of Colombia)<sup>6</sup> detailed in Table 1.

In the Caribbean region these economic units have had a sustained growth reaching, according to BANCOLDEX, by 2016 a participation in the GDP of the whole country of 15%. According to the projections of the National Administrative Department of Statistics (DANE) for 2016 the Caribbean region had an approximate number of 10,300,000 inhabitants, representing 21.5% of the total population of the country<sup>7</sup>. According to data from the Chamber of Commerce of Barranquilla, the Caribbean region has more than 10 clusters or productive fronts which are as follows:

- Health businesses.
- Elaboration and sale of furniture.
- Tourism and associated activities.
- Information and Communication technology (ICT).
- Dairy products and derivates.
- Bananas.
- Agro-inputs
- Culture
- Nautical industry
- Logistic services

Figure 1 shows the predominant clusters by geographical area in the departments of the Caribbean region<sup>8</sup>.

**Table 1.** Classification of enterprises

Company size	Total assets / SMLV
Microenterprise	Until 500
Small enterprise	Superior to 500 to 5000
Medium	Superior to 5000 to 30.000
Big	Superior to 30.000

SMLV for the year 2018 \$781.242.

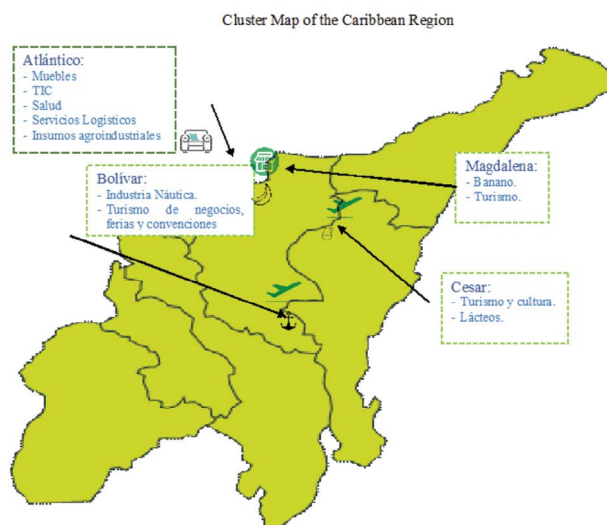
### 3.1 Organizational Change Strategies

SMEs are the cells of the production process in the country today, which is why it must be under permanent review of its business structure to respond to the dynamics of the global market<sup>9</sup>; thus, not only can they achieve a competitive advantage financially, but can benefit from all agents involved in the economic cycle<sup>10</sup>.

The structural changes that SMEs in the Colombian Caribbean make in response to organizational challenges such as innovation, strategic alliances, training, human talent management and entrepreneurship<sup>11</sup>; they bring advantages to the local economy from its sustainable development, for which it is necessary to take advantage of the emerging market situation in our country, which defines it as the region with the greatest projection of development and competitiveness<sup>12</sup>.

In general terms, organizations are establishing substantive changes in organizational culture<sup>13</sup> within the new policies emerge with great relevance the management of values, leadership, innovation, entrepreneurship and efficient management of human resources<sup>14</sup>. In order to increase productivity indicators and increase their level of competitiveness, global SMEs are strengthening the following factors<sup>15</sup>:

- Entrepreneurship: this factor is intimately linked to education and innovation; to the extent that the processes of creation are opened, productive units can increase their participation<sup>16</sup>.



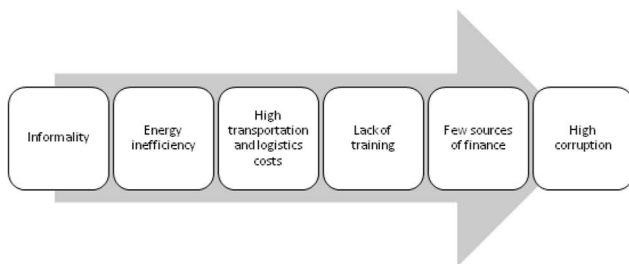
**Figure 1.** Cluster with the greatest productive participation in the Caribbean region.

- Integration with the environment: this component refers to the new social responsibility policies through which strategic alliances are achieved that promote the integral development of the region together with the other actors<sup>17</sup>. It is urgent that SMEs draw up a joint agenda and establish real commitments to attack social problems in critical areas such as social inequality, education, public health and inclusion, in order to guarantee sustainable growth that will last in the long term.
- Innovation: this is an important variable in the projection and development of SMEs. This tool is being widely applied in production processes, which has encouraged the creation of new economic cells that offer new products and services<sup>19</sup>. This has generated a two-way competitive dynamic: creation of new jobs and updating of the corporate technology component<sup>20</sup>.
- Strategic alliances: No entity can work without the elements of the environment and without taking into account all the agents of the operation<sup>21</sup>, that is to say, excellent relations must be established with all the interest groups; this is why the regional and economic integration initiatives developed by the chambers of commerce with the clusters<sup>22</sup> are very important.

### 3.2 Factors Holding Back Regional Development

In the case of SMEs in the Caribbean region, the main challenges to be overcome derive from the lack of unity at the local level and the alignment of economic policies with the reality of these companies<sup>11</sup>; this represents a disadvantage compared to other economic regions with high growth. Other factors that prevent the rise of SMEs at the regional level are<sup>23</sup> as illustrated in Figure 2.

As can be seen, the above components are essential and at the universal level<sup>24</sup>, it has been proven that as they



**Figure 2.** Factors that impact SME growth in Colombia.

develop in a balanced manner, the results at the business level are more complete and prolonged over time, regardless of the changes that occur globally due to the rotation of the economy itself<sup>24</sup>.

At present, it is notorious the accompaniment that has been carried out by the guilds and entities of business support to SMEs in the Caribbean region for the promotion of regional integration, evidence of this are the results that entities such as Confecámaras and DANE are generating in the sectoral reports<sup>25</sup>.

One of the initiatives developed by the chambers of commerce is Expogestión, which is a space for interaction between the company, the public sector, academia and society, in order to raise strategic alliances for administrative decentralization and regional unification. Among the work done by Expogestión is the preparation of a Great Regional Pact for Productivity, with the following challenges:

- Prioritize education as a factor of competitiveness.
- Construction of the necessary infrastructure for the competitiveness of the Caribbean.
- Rehabilitate the Magdalena River to improve fluvial transport.
- Develop an integral port that includes Cartagena, Barranquilla and Santa Marta.
- Potentialize the agricultural sector.
- Elaborate a Tourism Competitiveness pact in the Caribbean.
- Implement added value in production and trade, using tools of innovation, technology and financing.
- Strengthen the financial system to leverage development.
- Establish a system for evaluating the goals established in the productivity pact.

## 4. Conclusion

Due to the changes in the international business scenario and new economic trends such as globalization and the opening of markets, all companies have had to implement changes in order to sustain their business participation in the national economy, after reviewing the figures, recent orientations and projections of the guilds can enunciate the following final reflections:

- The Caribbean cities have great potential and strategic advantages derived from their geographical position;

by taking advantage of these variables, the region's SMEs will be able to overcome the business challenges imposed by the dynamics of globalization and the internationalization of markets and promote the economic development of the coast in general.

- SMEs in the region must face these new challenges for the survival of the organization and implement practices that ensure sustainable development and provide a competitive advantage over other Colombian companies.
- One of the key factors to dynamize processes in SMEs is the strength of the organizational structure, so constantly reviewing the appropriate way to renew this base will be key to adhere to the innovations that markets are imposing. Components such as: Innovation, entrepreneurship, strategic alliances and integration with the environment, will be fundamental to achieve the positioning and projection that is expected to reach the regional level.

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