

Chapter 4

Management Practices in Chaotic Environments of SMEs in Bogota

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ABSTRACT

The purpose of this chapter is to analyze the management practices in chaotic environments followed by micro and small enterprises (MSEs) in Bogota, specifically in the neighborhoods of Candelaria, Bosa, Puente Aranda, and Tunjuelito to generate sales and profit. In order to accomplish the foregoing, a co-relation analysis is made among the management practices that can be implemented by MSEs in sales and profit when faced with chaotic environments. The management practices used as independent variables in this study were human resources management, market analysis, suppliers, direction management, finance, sales, production-operation, innovation, marketing, and entrepreneurial responsibility. The dependent variables considered were annual sales and profit.

INTRODUCTION

Management in today's organizations is getting more complex every day due to the constant changes in the global and sector environment as a result of markets which are increasingly competitive, fortuitous and, therefore, with episodes of order, disorder, and chaos.

DOI: 10.4018/978-1-7998-8185-8.ch004

Salazar (2017) mentions that organizations are exposed to turbulent and changing environments where there appear signs that can become opportunities, from management and innovation practices that can allow to rethink their course to generate new products and services that better meet the customers' needs.

Considering the foregoing, according to the "chaos theory", open, dynamic and complex systems such as enterprises are exposed to different factors which probably have not been considered from the beginning and that may change, transforming them in chaotic and unpredictable. This means that the irrelevant variables that a system may have from the beginning can turn into momentous ones, no matter their behavior, thus conditioning the operation of the whole system. The foregoing is one of the reasons why innovation plays an important role in organizations, since it helps companies to face the alterations that appear in a dynamic non-linear system. As assured by Marchione (2010, p.7) quoting Melendez (2000):

based on the value innovation logic, the company itself is prepared to alter the essential and initial conditions of the system. In this way, the innovator is in a better position to face the alterations in a dynamic non-linear system, such as the development of business, because it is the innovator who causes the alterations, which -as minimum and insignificant they may seem today, can deeply affect the market and the traditional parameters of an industry.

Along with the above mentioned, another important concept arises to face situations of chaos, which is "good practice". It is conceived of as a model or activity to be followed because, thanks to its implementation, it shows that it is especially relevant since it gives a competitive advantage to the organization with respect to its main competitors, helping it to reach the first places in the sector it belongs to. "Good practice" shows itself relevant because it represents a value for any organization that wants to be competitive and it allows companies to offer the best products or services in the market, thus contributing to reach the corporate objectives (Fernandez 2014, quoting Chickering and Gamson 1991).

On the other hand, and taking into account that this research is focused on MSEs, following is an analysis thereon. In Colombia, 94.7% of registered companies are micro enterprises and 4.9% are small and medium size organizations, hence their importance for the economy of this country (Cubillos-Calderon, Montealegre-Gonzalez, & Caceres-Mayorga, 2018). As per the Chamber of Commerce of Bogota (2019), in Bogota, the capital city, as of November 2018, the city had 788,675 companies and trade establishments, 91.4% of which are micro enterprises, 6.1% small enterprises and 1.8% medium size enterprises. However, an alarming situation arises since 85% of the MSEs tend to disappear three years after their organization. Moreover, management in these organizations shows a high degree of informality and most of them are characterized for giving importance to setting prices as the main strategy to survive in a highly competitive market and in many cases, affecting the profit of the organization. To operate with a proper profit margin allows them to guarantee self-sustainability over time. (Rincon, 2017)

Rincon (2017) assures that in his experience as consultant for this type of organizations, most of them do not carry out a thorough research, modelling and validation of the market that can allow them to compile previous information to build a business plan according to the needs of the market. The MSE entrepreneur thinks that a business can work based on his observation of the environment and on intuition. Rincon further gives the following reasons for such entrepreneurs to open a business:

- To copy a successful model based on observation and on the belief that if there are several companies working on a specific activity, then, it can be inferred that they are doing well because it is

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