

Chapter 5

Organizational Components That Explain the Strategic Direction of SMEs for a New World Economic Order: The Case of Colombia

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ABSTRACT

This chapter aims to show some concepts related to the importance of planning and strategic direction as a fundamental tool for the sustainability of Colombian SMEs for a new world economic order and present the proportionality relationship between this concept of strategic management and the organizational components. Keys that explain it and facilitate its development, considering the modernization model for managing organizations (MMOM), were developed by a group of researchers from the EAN University in Bogotá-Colombia. It was found that market management, organizational culture, organizational structure, and knowledge and innovation management are the components that a high percentage explain the strategic direction of this type of company on which priority improvement and innovation activities should be developed in such a way ways that allow strategies to develop more smoothly to achieve business objectives of effectiveness, efficiency, profitability, and sustainable development.

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INTRODUCTION

The Colombian economy relies on MSMEs (Micro, small and medium enterprises), as they represent at least 90% of all firms, generate 73% of employment, and represent 53% of the gross production on manufacturing, trade, and services (Ramírez-Garzón, Pérez-Uribe, & Espinoza-Mosqueda, 2020). Their importance has made them the main objective for several industries, and there is an interest to strengthen them due to their role as job creators and their contribution to non-traditional exports (Rodríguez, 2005).

Regardless of their importance, there is still a lot to know about them, especially of microenterprises. There is no consensus yet about the number of microenterprises in Colombia. For this chapter, the authors use the definition of Law 905 issued in 2004, which considers as a micro, small, and medium enterprise any economic activity performed by a person or organization belonging to the entrepreneurial, agricultural, manufacturing, trade, or services sector, either rural or urban (Congress of the Republic of Colombia, 2004).

Since the 70s, strategic planning has been a guide to fulfill organizational goals. At the same time, top managers accepted strategic planning, but mid-managers and employees had lower acceptance levels, considering it another way of filling forms (Castro, 2010; Perez-Uribe, 2018; Ansoff & McDonell, 1990). Since the 80s, strategic management arises as a continuous process to achieve long-term goals stated by enterprises, in which managers and employees participate based on executing strategic plans (Perez-Uribe, 2018).

This research aims to clarify some aspects and definitions of strategic management for a new world economic order, oriented towards the construction, implementation, and feedback of strategic direction in firms. Then, we propose the main topics related to its importance for SMEs (Small and Medium enterprises). Finally, we establish the proportional relationships that may exist in firms by connecting their strategic direction and long-term sustainability for a new world economic order. We will analyze this relationship with the use of the organizational components of the MMOM (Model of Modernization for Organizational Management) (López, Ocampo-Guzmán, & Pérez-Uribe, 2013) applied in 316 Colombian SMEs.

THEORETICAL FRAMEWORK

Hill and Jones (1996), Vidal (2004), Fuentelsaz, Polo and Maicas (2003), Dixit and Nalebuff (1991), Manso (1991), Fernández (2001), Perez-Uribe, Ocampo-Guzmán, Salcedo-Perez, Piñeiro-Cortes, and Ramírez-Salazar (2020), and others, state the importance of implementing strategy as an essential tool of direction in a changing environment. As a result, strategic planning, as a primary methodology of strategic management, is done in the short, mid, and long terms, usually in five stages (Pérez-Uribe, 2018):

1. *Description of the current strategy.* It identifies what the organization has done during the last taxing term regarding vision, mission, purpose, principles, values, objectives, process, and organizational structure to identify and document them in the organization.
2. *Strategic assessment,* with the implementation of internal (strengths and weaknesses) and external (opportunities and threats) analyses.
3. *Strategic conclusions.* They come from the two previous stages by proposing strategic options linked to the objectives set in the organization. These two concepts are prioritized using adequate

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