

# Chapter 1

## Organizational Components That Explain the Management of Innovation and Knowledge in Colombian SMEs

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### ABSTRACT

*This chapter is based on a work of approximately twelve years implementing the MMOM (Model of Modernization for Organizational Management) in about 310 Small and Medium Enterprises (SMEs). In this way we wanted to analyze which of sixteen components better explain the behavior of innovation management and knowledge. This is in order to present to the entrepreneurs of this type of companies and to the academics, that a series of activities in which to concentrate to develop this component. A multivariate analysis was carried out, specifying a dependent variable in the innovation and knowledge component. The remaining fifteen elements act as independent variables, in such a way that this statistical model yielded the predictive mathematical equation. This equation showed that showed those factors that work preferentially in order to develop innovative SMEs.*

### INTRODUCTION

*Small and Medium Enterprises (SMEs) play a major role in most economies, particularly in developing countries. Formal SMEs contribute up to 60% of total employment and up to 40% of national income (GDP) in emerging economies. These numbers are significantly higher when informal SMEs are included. According to our estimates, 600 million jobs will be needed in the next 15 years to absorb the growing global workforce, mainly in Asia and Sub-Saharan Africa. In emerging markets, most formal*

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*jobs are generated by SMEs, which also create 4 out of 5 new positions. However, access to finance is a key constraint to SME growth. Without access to capital, many SMEs languish and stagnate. (Bell, 2015)*

The MSMEs (micro, small and medium-sized enterprises) play a key role in Colombian economy, as they represent 95.5% (Figure 1) with about 1, 372,943 companies in 2015 (Confecamaras, 2016) and according to the Dane<sup>1</sup>, they generate around 67% of employment and contribute 28% of the Gross Domestic Product (GDP) (Revista dinero, 2016). According to Law 905 of 2004 in Colombia, this type of companies is classified as follows (MINCIT, 2016) (Table 1).

Eighty percent (80%) of the SMEs are concentrated as following (Confecamaras, 2016) (Figure 2): Bogotá with 28%, Antioquia with 12.1%, Valle del Cauca with 8.9%, Santander with 5.9%, Cundinamarca with 5.1%, Atlántico with 4.1%, Norte de Santander with 3.2%, Tolima with 2.9%, Meta with 2.9%, Boyacá with 2.8, and Bolivar with 2.7. The other departments account for 20% of SMEs (Table 2).

However in the Colombian case, it can be stated that this large majority of companies (SMEs), as mentioned above, contribute the lowest value to GDP (28%) (Revista dinero, 2016), compared to large companies (72%). The bottom of this reality is the state of the low competitiveness and innovation of

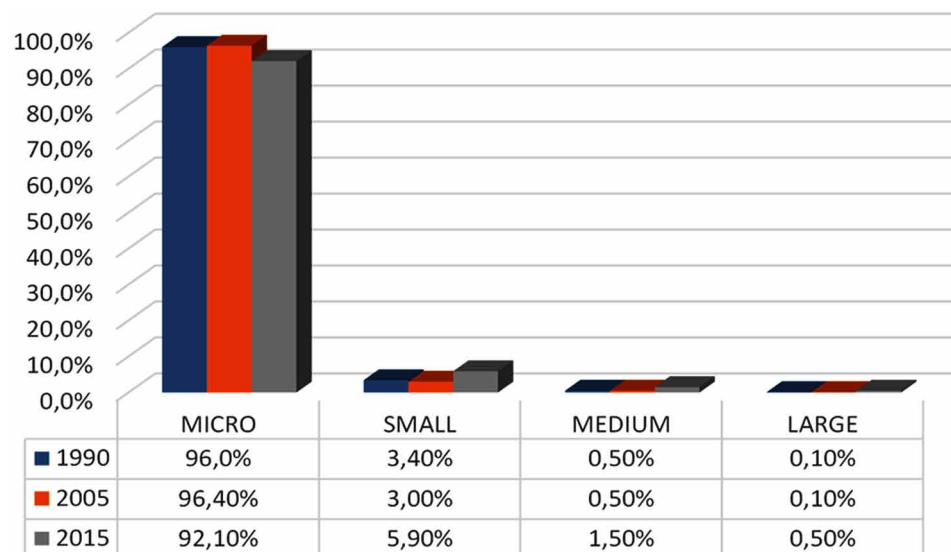
*Table 1. Classification of SMEs according to Law 905 from 2004*

Company Size	Workers	Volume of Assets
MICRO	Less than 10	Less than 500
SMALL	11 a 50	501 a 5.000
MEDIUM	51 to 200	5.001 to 30.000
LARGE	201 onwards	30.001 onwards

Source. MINCIT<sup>2</sup> (2016)

*Figure 1. Percentage of Enterprises in Colombia according to their size*

Source. Authors from Confecamaras (2016)



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