

## Chapter 43

# The Effects of Culture on Planning and Technology in the Internationalisation of Medellín's SMEs

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### ABSTRACT

*As an emerging market, global business is of greatest importance in Colombia and several efforts are implemented to keep up with the international competitive environment. However, these efforts should be accompanied with the development of entrepreneurial capabilities in a wide range of ambits, among others, cross-cultural management. This chapter describes cultural influences in internationalisation activities of Medellín's small and medium enterprises based on original research results using descriptive multi-case methods within five companies and documentary review of business publications. It starts with an overview of the Colombian SME and cross-cultural management theories; then, the cultural influences on planning and internationalisation are listed, suggesting that systematic plans during internationalisation are not followed and technology tools are not properly seized due to management styles, a changing business environment, and small education levels.*

### INTRODUCTION

*Unless you know everything what you need is thinking. Edward de Bono (Maclure & Davies, 1991, p. xii)*

DOI: 10.4018/978-1-4666-4979-8.ch043

Business opportunities materialise in any national environment committed to provide proper conditions to investment and entrepreneurial activity. These conditions mostly rely on various actors whose interaction determines the environment's prospective or at least that's expected; for this reason governmental role is highly accepted as

important in a company's performance as an organiser of the national environment towards business matters, among others. Since 2002 the Colombian government has been implementing several policies and programmes to attract foreign direct investment and improve a company's relative competitiveness (Posada, 2012a). Tax incentives, export promotion agencies, free trade agreements, financing opportunities, and multiple others efforts have configured an interesting market for foreign direct investment.

Recent research on the business environment does not confirm a solid relation between the conditions of the business environment and incubation of companies (Struwig & Meru, 2011). According to Rugman, Oh, & Lim (2012), the competitiveness of multinational firms rely on several factors, such as Firm-Specific Advantages (FSAs) and Country-Specific Advantages (CSAs); both are articulated to generate appropriate business conditions not only from an external perspective, but also from an internal company approach. This also applies for SMEs around the world; they are called to develop their own set of capabilities and seize tools which proved to work in bigger entrepreneurial scenarios to face internationalisation. Specifically, Colombian SMEs are facing greater challenges given the governmental policies of economic integration and promotion of internationalisation activities and the relative informality in the sector's economic entrepreneurial action.

Recent economic events and governmental policy in Colombia encourages companies to improve their competitiveness. Soon, more international companies will penetrate the local market, forcing SMEs to look abroad and start internationalisation processes and national culture will propose difficulties (Leung, Bhagat, Buchan, Erez, & Gibson, 2005). Certainly, no company can escape from globalisation processes<sup>1</sup> (Deresky, 2005). This means every manager will eventually face the challenge of obtaining results and leading the organisation towards sustainability, profitability, and growth (Sallenave, 2002), and

minimise culture consequences in entrepreneurial action. Constant changes of the Colombian business environment raise several questions on firms' performance and managerial capabilities to achieve competitiveness from different theoretical and practical perspectives.

This chapter objective is to describe cultural influences in internationalisation activities of Medellín's small and medium enterprises and the non-software technological tools integrated based on original research results. The first part presents a briefing on the SME in Colombia and the cross-cultural management approaches used in research. Then, cultural influences are linked with the use and appropriation of technology. Afterwards future research directions are proposed to encourage academic debate.

## **BACKGROUND**

### **SME in Colombia**

Defined by law, SMEs represent 92.6% of Colombian companies (Ministry of Commerce, Industry and Tourism of Colombia, 2008). In the target geographic area of research, there are over 14,000 medium, small, and micro enterprises according to countries regulation stated in Law 905 of 2004 (as follows, also presented in Box 1):

*Article 2°. Definition. For all purposes, the term micro, including small, family owned enterprises, and medium enterprises, means every unit of economic exploitation by a natural or legal person, in business, agricultural, industrial, commercial or services activities, rural or urban, responding to two (2) of the following parameters:*

For classification by combination of these parameters, the decisive factor is total assets

According to the Colombian Ministry of Commerce, Industry and Tourism (2008, p. 4), SMEs employ nearly 80.8% of the country's work force.

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