

Chapter 4

Management Practices and Their Impact on Performance: Evidence From the Furniture Sector in Colombia

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ABSTRACT

Business skills are based on the quality of management, which guarantees the ability of people to incorporate technology and manage the necessary changes in order to adapt to various forms of competition. Colombia is below the Latin American average in management practices. Large companies have access to the best managers while SMEs do not, and this is reflected on their performance. The birth of companies does not imply the automatic renewal of the business fabric because there are problems of management capacity. In this sample of the furniture sector in Bogota, the management practices of SMEs based on Blackman are presented. This sector is made up of 98% of SMEs with a good performance in obtaining benefits but low performance in competitiveness, innovation, and sustainability. Management practices are proposed based on participation, planning, innovation, the use of external consultants, and financial control.

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INTRODUCTION

The neoclassical school considers that the performance of the company depends on market prices, technological conditions, supplies, different periods, future market behavior and prices based on probabilities. This implies that all firms have the same knowledge and the same capability to produce (Dávila, 2009).

In Colombia, the business sector borders the 900,000 companies that are strengthened with more than 75,000 new companies each year; in the capital, there are more than 350,000 companies (OCM, 2007), and around 50,000 are being born. During 2017, entrepreneurs created 70,022 companies and 253,243 businesses of individuals, which represents a growth of 7.3% over the same period in 2016. These new companies are in the commercial sector (38%) and the manufacturing industry (9.7%) (Confecámaras, 2018). However, business performance is inertial caused by their small capital, managers without sufficient knowledge in business management, restricted access to credit and local markets, and low innovation.

The Colombian furniture industry has seven companies whose size is between 350 and 500 employees; the other companies are small workshops with an average of fewer than five employees. The main center of the furniture is Bogotá, followed by Medellín, Cali, Popayán, Pasto, and finally the Atlantic Coast. (Montealegre, 2007). The sector has some weaknesses inherent to its activity: the depletion of natural resources due to indiscriminate exploitation, both legal and illegal, which has led to the use of substitute raw materials that interfere in the quality of the products. In Bogotá, there are around 2,800 producers and marketers of furniture and other articles.

The performance of the sector is irregular, marked by large companies, which make economies of scale, have access to financial and human resources, participate in networks and free trade agreements. However, this group of companies represents only 2%, the other companies are small and medium-sized and lack this type of support. Six out of ten producers in the area used accounting or financial books to record their income and expenditure operations. Only twenty-three out of every hundred productive units belonging to this cluster applied for credit in the last year. Of these, twenty-one got their application approved. Formal education is scarce in the workers employed by this cluster. There is no partnership aimed to increase the scale of production or to socialize the common problems of entrepreneurs in the area (Secretaría Distrital de Desarrollo Económico, 2014).

The products of highest demand in the world are those made in wood, “the trends are global, and the products are local. The aspects of design and tastes of each country are taken into account” (Revista el mueble y la madera, 2016). Latin consumers are inclined to “modern, organic, functional and intelligent furniture (...) furniture in wood-colored tones draw a lot of attention (...) everything depends on the type of furniture and stores where they are sold” (Revista el mueble y la madera, 2016).

The objective of this research is to determine the performance of companies in the furniture sector and its durability based on management strategies and practices of entrepreneurs. The design of the research was based on a quasi-experimental and multifactorial methodology developed by Professor Alan Blackman (2003) in a study on the furniture sector in Australia. From the questionnaire applied to 120 owners - founders, the information in question 45 which deals with management strategies and practices and their impact on performance will be extracted. Correlational analysis between variables will be made to establish if performance and durability depend on the strategies and practices; it also includes a multivariate statistical analysis with the use of variance of management strategies and practices.

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