

The Impact of Improving Management Practices among Small and Medium Enterprise on Exports in Colombia



Improving the productivity and export competitiveness of small and medium enterprises (SME) is a common path governments take to promote economic development. In Colombia, researchers are conducting a randomized evaluation to test whether improving management practices leads companies to export more, diversify what they are exporting and where they are exporting, and increase export productivity in the context of the “Colombia Productiva” program.

Policy Issue

Exports are an important component in promoting economic growth. Various economic theories suggest that developing countries should diversify their exports away from commodities due to declining and unfavorable trade conditions, low value-added, and slow productivity growth. Similarly, the United Nations Food and Agriculture Organization (FAO)⁽¹⁾ has documented cases in which the lack of diversification had a negative impact on income, investment, and employment rates. Small and medium-sized enterprises have the potential to help countries diversify and increase the products they export, thereby promoting sustainable economic growth. This research seeks to provide evidence on the impact of management practices to achieve this end.

Evaluation Context

Exports, mainly oil, coal, and gold fostered the Colombian economy during the so-called commodity boom. However, in recent years, its value and importance have decreased. Concerned about the country's economic development, the government is implementing various strategies to increase and diversify Colombian exports. In this context, the government launched a program called Colombia Productiva in 2015. This program provides technical assistance to companies to increase their productivity. Colombia Productiva currently works with 18 sectors prioritized in the latest productive development policy due to their impact on production, employment, and exports, and their potential to generate products and services



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COUNTRY

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PROGRAM AREA

Entrepreneurship and Private Sector Development

TOPIC

Access to Markets

TIMELINE

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with greater added value.

Details of the Intervention

In Colombia, researchers are conducting a randomized evaluation to measure the impact of providing technical assistance to SMEs under the Colombia Productiva program on exports. To be eligible for the program, companies must have existed for at least 2 years, be formally registered, belong to one of 13 selected sectors, provide financial statements and other documentation, and complete an online application process. A group of 200 eligible SME, which range from 2 to 750 workers, were randomly assigned to one of the following groups:

- **Technical assistance group:** SME in this group will receive a diagnostic of their management practices followed by 190 hours of technical assistance delivered over 10 months. 30 hours of assistance will be allocated to training in commercial management strategy and 160 hours of assistance in two other areas of choice among the following: quality standards, energy efficiency, labor productivity, and operational productivity. Firms will also participate in an export fair.
- **Comparison group:** SME in this group will receive a diagnostic of their management practices and then will participate in an export fair. No technical assistance will be provided for these firms.

IPA Colombia will conduct a firm survey of export and business practices at the end of the 10 months intervention. The research team will use the survey information and administrative data including export products, the destination country and value of the export transaction, and formal employment data to measure the impact of the program.

Results and Policy Lessons

Project ongoing; results forthcoming.

Sources

^[1] Food and Agriculture Organization of the United Nations (FAO) (2004), The state of agricultural commodity markets 2004, Rome.