

Comprehensive Ethics Programme for Small and Medium-Sized Enterprises (SMEs), Colombia

I Fact Sheet

Name of the Tool: Comprehensive Ethics Programme for Small and Medium-Sized Enterprises (SMEs)

Brief Description: The objective was to design, implement and monitor a comprehensive programme to promote ethics at SMEs in Colombia. The project aimed to improve relations between individual companies and the different interest groups they interact with by promoting a more ethical approach to business.

Responsible Organisation: The project was managed by Transparencia por Colombia, the national chapter of Transparency International.

Creation of the Tool: Corporación Transparencia por Colombia

Problems Addressed by the Tool: The lack of a culture of ethical behaviour at SMEs, which in turn encourages corruption and can impact negatively on other interest groups.

Areas of Work: Voluntary education and cultural change, corporate and social responsibility.

When the Tool was Implemented: The project was first implemented as a pilot exercise in November 2001. It was then decided to introduce it fully in three stages:

- 1) Design and development of a methodology.
- 2) Dissemination of the tool, training of facilitators through alliances.
- 3) Monitoring the success of the project and analysing its impact.

The project is currently in the first stage.

Alliances: Ethics Resource Center (www.ethics.org).

Financing: Transparencia por Colombia has so far spent US \$20,000 donated by the Merck Sharp & Dhome Foundation and the Corona Foundation.

The total cost is expected to be around US \$260,000. Other potential sources of funding are being investigated for the next stages.

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II Objectives

To design, publicise, and monitor the implementation of self-applied Comprehensive Ethics Programmes for SMEs as a management strategy. This strategy is geared towards helping the enterprise balance its relationships with different interest groups with which it interacts such as employees, clients, the community, suppliers, and owners of the enterprise. As it generates trust and credibility in its surroundings, the enterprise also increases its competitiveness.

The specific objectives of the project were:

- To promote a more ethical approach to business as a management tool.
- To build mechanisms to promote organisational excellence and to improve corporate ethics.
- To discourage corrupt practices at private SMEs.
- To improve relations between private enterprises and the interest groups they work with in order to raise productivity and enhance the overall business environment in Colombia.
- To raise the awareness of business people about ethical practices in management.
- To encourage business to make concrete commitments to social responsibility and the development of better ethical practices.
- To promote the consideration of ethical principles in corporate decision-making.
- To develop management models for implementing more ethical practices.

III Context

National

The 1991 Constitution redefined the role of enterprises in Colombia as important agents of economic and social development. It also committed the state to the task of strengthening and supporting Colombia's business community (Article No. 333) in exchange for a commitment to greater social responsibility.

Small and medium-sized businesses constitute one of the driving forces behind economic growth and development in Colombia. SMEs play an important role in creating jobs, wealth and thus the social and cultural well-being of the country as a whole. They participate in all facets of national life as the suppliers and producers of goods and services, and they make up the bulk of

the country's business community. There are approximately 200,000 SMEs in Colombia, representing some 90 percent of the total business community¹.

However, because of their size, SMEs are also more susceptible to downturns in the economy and structural weaknesses in domestic and global trade. These hardships can prompt companies to adopt unclear and disperse management policies that can sometimes be inefficient, dishonest or unfair.

To head off this risk, there is a need for Colombian companies to pay greater attention to their internal management processes, as well as their relations with the public and private sectors.

If SMEs make a conscious decision to tackle these problems, then corrupt practices will be less likely in their relations with both the public and the private sector². This should in turn strengthen the culture of business ethics.³

The Colombian government is aware of the importance of SMEs and the difficulties they face, and is committed to supporting them. In 2000 this became official policy when Law 590 was approved to promote the development of smaller companies. The law reflects the fact that improving the institutional environment is a key element for the development and sustainability of SMEs (Article No. 1)

The TI Chapter

A group of Colombian private sector enterprises expressed interest in leading an initiative to fight corruption and it found that Transparencia por Colombia was the most suitable organisation for pursuing this aim. The movement was strengthened when a considerable number of private sector enterprises joined up.

A decision was made to emphasise the core aim of “building corporate ethics and social responsibility for organisations”. This involved the development of

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- 1 A small business is an economic unit with 11 to 50 workers, whose assets are over US \$67,000 and under US \$670,000. A medium-sized business, as such, is an economic unit with 51 to 200 workers, whose assets are over US \$670,000 and under US \$2.1 million.
 - 2 The most common problems in managing one's business and in conducting business between private parties are related to relations with employees (discrimination and abuse of authority), and conflicts of interest (bias in procurement, policy on gifts and perks, hiring of relatives) and the development of organisational processes (tax evasion, false advertising, etc).
 - 3 Business ethics is understood as being a set of values that orient decision-making and the general behaviour of the people in an enterprise, in such a way that the consequences of their acts and decisions lead to prudent and fair results, to contribute to greater balance in the enterprise's relations with the different interest groups with which it interacts.

initiatives to create a culture of values and ethics in the business community. The Comprehensive Ethics Programme was conceived as a major part of this effort.

The project began with the implementation of a comprehensive ethics programme at an important enterprise, with the help of the Ethics Resource Center.⁴ The need to work with small and medium-sized businesses was evident from an early stage, because most of the Colombian business community is composed of these types of enterprise. The group realised that SMEs represented a decisive vehicle for bringing about voluntary cultural change in order to strengthen ethics in the private sector.

IV Implementation

The Pilot Project

To ensure the success of the project it was important to understand the degree to which a culture of ethics had already developed at SMEs. As a test case, Transparencia por Colombia and the Centro Colombiano de Responsabilidad Empresarial (CCRE)⁵ decided to work closely with a single company in the auto parts sector. As well as strengthening corporate ethics within the company, the pilot would also provide a general overview of the requirements and problems involved in this type of initiative.

The pilot included an analysis of the company's ethical climate as well as the development of specific commitments and the creation of a corporate code of ethics.

Transparencia por Colombia quickly learned from this experience that what was needed was the preparation of comprehensive ethics programmes reflecting the characteristics of individual companies. Furthermore, to have a real impact it would be necessary to find a way that these programmes could be introduced to SMEs nationally.

4 The ERC is a Washington, D.C.-based institute specialised in the field of business and organisational ethics. The ERC has worked together with Transparencia por Colombia on the design and application of different tools implemented in the private sector and it has provided feedback on the development of this methodology. Later it participated in the pilot experience undertaken with a small enterprise, which formed the basis for the design and testing of the Comprehensive Ethics Programmes for Small and Medium-sized Businesses in Colombia.

5 CCRE and Transparencia por Colombia only worked together on the pilot project with the Hermagú auto parts company.

As work progressed, it became clear that the project would include the design of a self-administered management tool for SMEs as well as techniques for disseminating and monitoring it.

The Three Stages (See Appendix 1)

The project entails three main stages:

- 1) Design and development of a methodology for the Comprehensive Ethics Programme for SMEs.
- 2) Disseminating the tool and training facilitators through alliances.
- 3) Monitoring the application of the tool and analysing its impact.

Currently, the project is in its first stage at five SMEs.

Stage One: Design and Development of the Methodology

Transparencia por Colombia, with support from the Ethics Resource Center,⁶ worked on defining the objectives and the modules for the project.

These characteristics were as follows:

A) Focus and General Characteristics of the Tool

- Self-administered: to be easy for a business manager to use so that a company can introduce it by itself.
- Dynamic: to promote corporate participation.
- Thought-provoking: to invite constant reflection.
- Adaptable: to be adaptable to a company's specific circumstances.
- Interdependent: these components should be interrelated and thus self-enforcing.

B) General Guide

The brief guide sets out the objectives, benefits, content and methodological characteristics of the Comprehensive Ethics Programme for SMEs. It aims to arouse the interest of the business community in the subject.

C) Basic Modules and Thematic Modules:

- 1) Ethics Climate Analysis
- 2) Building Ethical Commitments

6 The ERC concentrated on providing support to define the characteristics of the SMEs and the modules that should be included in the programme, according to the needs identified and the results of the pilot experience.

The rest are thematic support modules containing strategies for improving the weak points that have been identified in the Ethics Climate Analysis.

Basic Modules

Module 1: Ethics Climate Analysis – A survey is used to identify weak areas that need to be reinforced in the company’s ethics structure. This represents a snapshot of employees’ perceptions and interpretations of the company’s ethical climate. Staff answer the survey anonymously and return it in a sealed envelope. The results are processed using software that the company receives as part of the project materials.⁷ The ethics climate analysis is applied using several variables that are addressed in the survey.

Module 2: Building Ethical Commitments – The survey allows the company to collectively develop **ethical commitments** that help shape corporate practices and decisions. These commitments define the values, the interest groups, and the risks faced by those who work at the company. These commitments are developed at a workshop that is held with all of the company’s staff and management.

Thematic Modules

Taken together, these modules provide the company with the support necessary to strengthen a culture of values. If necessary they can be implemented simultaneously because, although they are self-reinforcing, they do not follow any sequence.

The thematic modules are as follows:

- 1) **Defining and Implementing Mechanisms for Conflict Resolution:** This module aims to create harmony within the workforce and between partners in the same field, by promoting a collective commitment to providing effective solutions to disagreements.
- 2) **Designing and Implementing a Communications Strategy:** Without a clear and constant communications strategy that encourages compliance with the defined ethics agreements, both inside the company and with others, the workers’ enthusiasm will begin to flag over time.
- 3) **Designing and implementing a training strategy:** The organisation’s culture is greatly influenced by the ethical training processes. The basic objectives of this module are to encourage ethical attitudes and practices among the work team, and to develop the necessary criteria for making decisions and resolving ethical dilemmas that arise in any enterprise.

7 Transparencia por Colombia developed this software with the support of the ERC.

- 4) **Good Governance in Family Business:** This module aims to create an environment of sustainable trust and responsibility at businesses where employees and owners are members of the same family.
- 5) **Developing Ethical Leadership:** A leader is responsible for enforcing corporate values and lobbying for the adoption of an improved ethical culture.
- 6) **Evaluating Success:** This module teaches employees to measure the success of the programme within each company. It seeks to evaluate the programme's content and methodology and to find ways to constantly improve it.

Stage Two: Disseminating the Tool and Training Facilitators through Alliances

This stage works on establishing good relations with business associations, institutions and organisations that represent SMEs. It is not yet underway. However, some business associations have been contacted in order to get feedback on the design and construction of the project's methodology.

Hopefully, at a later date these contacts will become important alliances that help to make the project sustainable in the following ways:

- 1) To promote the project massively.
- 2) To secure the resolve of the business community.
- 3) To support the training of people to teach the methodology to those who are interested (e.g. the workshop facilitators).
- 4) To provide assistance to companies on the self-administration of the tool.
- 5) The fora, meetings and seminars held by business associations also represent the ideal settings for Transparencia to present its project.

Stage Three: Monitoring the Application of the Tool and Analysing its Impact

A series of indicators will be developed to measure the success of the programme at each SME, and to determine the extent to which the tool has encouraged transparency, efficiency and honesty.

Current Progress and Advances in Implementation

Currently the first two modules (Ethics Climate Analysis and Building Ethical Commitments) of Stage I are being applied on a trial basis at the five SMEs that have so far joined the project, under the guidance of Transparencia por Colombia. Trained external facilitators have arranged workshops for these

modules, along with business representatives and staff from Transparencia por Colombia. These workshops last an average of three hours.

The subsequent thematic modules are being developed with the advice of experts on organisational development, values education, conflict resolution, and the administration of family businesses. These external consultants have been contracted by the organisation, either hired directly or through an open call for tenders.

A preliminary version of the module on good governance in family businesses already exists, developed by the business administration institute at La Sabana University (INALDE), and is being tested at three enterprises. Experts have also been called upon to design the educational strategy and the communications strategy modules. The contract for the former has already been awarded while the proposals received for the latter are being assessed.

V Results

In stage one, as well as the results from the pilot project with the auto parts company, the following results have been obtained:

Progress in Testing the Modules

The following table summarises the current status⁸ of the work with the five SMEs:

ACTIVITY	METALICAS	DONSSON	SCHOTT	NAVCAR	TOXEMENT
Module 1: Diagnosis					
1st Module Timetable	Yes	Yes	Yes	Yes	Yes
Delivery of information models for employee programme	Yes	Yes	Yes	Yes	Yes
Testing of the survey to make adjustments for the general application	Yes	Yes	-	-	-
Application of the survey	Yes	Yes	Yes	Yes	Yes
Interviews with employees to identify difficulties in filling out the survey	4	3	-	-	-
Survey tabulation	Yes	Yes	Yes	Yes	Yes

ACTIVITY	METALICAS	DONSSON	SCHOTT	NAVCAR	TOXEMENT
Meeting to analyse and interpret the results with the administration	Yes November 2001	Yes January 2002	Yes February 2002	Yes April 2002	Yes March 2002
Sharing of the results with the employees	Yes	Yes	Yes	Yes	Yes

Module 2: Ethics Commitments

Agreement on timetable	Yes	Yes	Yes	Yes	Yes
Workshop on values identification	Yes February 2002	Yes April 2002	Underway (July 2002)	Yes May 2002	The company had already identified and worked on values.
Workshop on identifying risks to that threaten values	Yes	Yes May 2002	Scheduled for July 2002	Yes May 2002	Scheduled for July 2002
Workshop on Ethics Commitments	*	Scheduled for June 2002	Scheduled for July 2002	Underway	Scheduled for July 2002

* It was not possible to continue applying the tool at the SME Metálicas because the company began to experience economic difficulties. At present the programme is on hold.

Development of the Programme's Basic Documents

A preliminary draft of the general guidelines, modules one and two already exist. These are being modified as the testing process provides feedback and information on areas for improvement.

Development of the Thematic Modules

A preliminary version of the module on good governance of family businesses exists entitled "Guía práctica para la Empresa Familiar en Colombia" (Practical Guide for Family Businesses in Colombia). This is being tested at three businesses. Progress has also been made on the education module. This is being tested at 10 SMEs so as to adjust the content. The terms of reference exist for the modules on ethical leadership, conflict resolution and evaluating success.

Reaction from the Business Community

Small business owners have been very receptive to the modules that have been tested so far. Despite the fact that the analysis has not been particularly in-

depth because it is self-administered, owners claim that the findings reflect the enterprise's situation and have even complemented previous assessments undertaken by other groups specialising in organisational culture.

Business representatives have said that the workshops have helped in a number of ways:

- 1) Promoting a sense of corporate participation.
- 2) Creating a collective corporate consciousness.
- 3) Building a culture of accountability.
- 4) Providing a useful tool for resolving ethical dilemmas that would have been hard for managers to identify and address on their own.

As companies focus their attention on the project as a collective, they improve their general business environment. This in turn increases competitiveness in the medium and long term.

Challenges

Even when small businesses have responded positively to the programme, there are sometimes structural limitations that make it difficult to put it into practice.

The limitations are usually dictated by the time needed to implement the project. Often the work schedule is intense and cannot abruptly be interrupted for an exercise that requires a certain amount of time and commitment. Second, there are economic limitations that restrict the enterprise's ability to invest in the training it needs to apply the tool. Third, there may be limitations on human resources and a lack of trained people to lead these sorts of exercises. Fourth, the fact that many SMEs in Colombia are family businesses makes it difficult for workers to separate their blood ties from their labour relations. This can make it hard to work on the different obstacles that arise in the organisational environment.

Because of the limitations of the SMEs, creating a tool that is right for them has been a complicated task which has demanded creativity and versatility. Transparencia por Colombia designed the programme with two basic modules and the rest as thematic modules that could be applied as needed precisely because SMEs tend to vary greatly. Each one must therefore be given the chance to select which modules to apply.

One of the main questions has always been how to ensure that the tool will have a real impact on the SMEs and on the business community as a whole.

To achieve this, the project organisers realised that it would not be enough to test the tool and adjust it. It would also be crucial that Transparencia por Colombia obtain commitments from influential figures in the business community who are willing to promote the programme.

It is also vital to measure the impact of the programme's widespread application. This is the only way to ascertain the tool's contribution to changing the attitude of Colombian SMEs toward business. For this reason, it was very important to take care in the design of the monitoring indicators for the third stage.

VI Project's Sustainability

The sustainability of the project depends on:

- a) Making sure the tool is of a high quality and can be applied in different types of SME.
- b) Building Transparencia's ability to measure its results and impact.
- c) Obtaining resources for replicating the experience, monitoring and getting different business associations involved in the project.
- d) Although the dissemination of the programme is part of the second stage, which is not yet underway, overtures have already been made toward some business associations and organisations that have expressed interest in getting involved. It is worth mentioning that the interest of business leaders has arisen from the application of the programme in their companies. This has started to resound throughout Colombia's business community.

The business associations that have expressed interest in the project include:

- a) Colombian Federation of Chambers of Commerce (Confecámaras): this business association is interested in applying the tool to the companies that have signed the code of honesty.
- b) Bogota Chamber of Commerce: interested in applying the tool to the companies involved in its business development programmes.
- c) The Colombian Association of Small Industries (ACOPI) and the Colombian Association of Clinics and Hospitals.

VII Recommendations

Because this is a tool for corporate administrators and managers, there shouldn't be legal restrictions in its application in other countries. The following are some recommendations:

- 1) Before applying the tool, it is important to pay special attention to the characteristics of the business community in the country so that the programme reflects particular national conditions and needs.
- 2) Establish preliminary alliances with one or more SMEs, or with a business association, in order to develop helpful contacts.
- 3) Try to seek results in the short term from which to learn, but remember that it will take time and resources for the programme to gain widespread acceptance, and to have real impact on the country.
- 4) Bear in mind that the Comprehensive Ethics Programme needs to be flexible and able to respond to variations in the business climate where it will be applied.
- 5) Be aware of the restrictions that small and medium-sized businesses may face when putting the tool into practice. It may be useful to determine whether the difficulties that arise are inherent to the sort of enterprise in which the work is being done, or whether they are the result of a lack of commitment on the part of the management and employees.
- 6) From an early stage establish ethics as a specific and important subject to address with the companies. They should be made aware that improved ethical standards can contribute to their corporate performance and to the country's economic development.
- 7) Where possible, systematise the experience as it proceeds. Every finding can be used to adjust and improve the tool.
- 8) Identify individuals in the business community who could become strategic allies for spreading and replicating the tool so that it has real impact.

Description by: Natalia Currea Dereser with support from the Transparencia por Colombia team

Appendix

PROJECT'S STRUCTURE & TIMEFRAME

THEME	ACTIVITY
(1) Stage 1. Estimated time: 12 months (November 2001 – November 2002)	
Development of a methodology to be self-administered by the SMEs	1.1 Identify the institutions interested in supporting the design of the programme's modules.
	1.2 Design the modules
	1.3 Pilot test of the first modules
	1.4 Edit and publish the modules
(2) Stage 2. Estimated time: 24 months (November 2002 – November 2004)	
Dissemination and application of the programme	2.1 Identify the institutions interested in supporting the dissemination of the Comprehensive Ethics Programmes
	2.2 Identification, training of Facilitators
	2.3 Monitoring and follow-up to the application.
(3) Stage 3 Estimated time: 6 months (Starts 18 months after stage 2 began)	
Monitoring and Evaluating the Programme	3.1 Monitoring the programme's implementation.