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EFFECTS OF THE APPLICATION OF COMPLIANCE ON SMALL AND MEDIUM ENTERPRISES (PYMES) IN COLOMBIA: ANALYSIS OF BENEFITS AND CHALLENGES

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Abstract. This article aims to explain the purposes, importance, impact and challenges of the adoption of compliance in small and medium-sized enterprises (Pymes) in Colombia. By reviewing part of the existing literature, positive impacts are identified, such as reputation enhancement, risk mitigation, access to new business opportunities, and challenges associated with compliance implementation. The importance of implementing the measures suggested by compliance can strengthen business management, promote transparency and responsibility. In addition, it may promote ethical practices in organizations. Likewise, this article shows that a culture of regulatory compliance through the adoption of adequate policies and procedures and the training of personnel are key elements for the success of Pymes in Colombia. Through the critical reflection of part of the existing literature and the advances in the implementation of compliance in companies, the advantages of adopting strategies related to compliance programs and the effects on business management are established. Among other reasons, it is evident that compliance promotes transparency, responsibility and encourages ethical practices in organizations. However, Pymes that implement compliance face a series of challenges which can be mitigated through clear and effective management strategies.

Keywords: compliance, small and medium, businesses, strategies.

EFFECTOS DE LA APLICACIÓN DEL *COMPLIANCE* EN LAS PEQUEÑAS Y MEDIANAS EMPRESAS (PYMES) DE COLOMBIA: ANÁLISIS DE BENEFICIOS Y DESAFÍOS

Resumen. El presente artículo pretende explicar los propósitos, importancia, impacto y desafíos de la adopción del *compliance* en las pequeñas y medianas empresas (Pymes) de Colombia. Mediante la revisión de parte de la literatura existente se identifican los impactos positivos, como la mejora de la reputación, la mitigación de riesgos, el acceso a nuevas oportunidades comerciales y los desafíos asociados con la implementación del *compliance*. La importancia de implementar las medidas sugeridas por *compliance* pueden fortalecer la gestión empresarial, promover la transparencia y la responsabilidad, además de fomentar prácticas éticas en las organizaciones. Así mismo, este artículo evidencia que una cultura de cumplimiento normativo mediante la adopción de políticas y procedimientos adecuados y la capacitación del personal son elementos clave para el éxito de las Pymes de Colombia. A través de la reflexión crítica de parte de la literatura existente y los avances de la implementación del *compliance* en las empresas, se establecen las ventajas de la adopción de las estrategias relacionadas con los programas de *compliance* y los efectos en la gestión empresarial. Entre otras razones, se evidencia que el *compliance* promueve la transparencia, la responsabilidad y fomenta prácticas éticas en las organizaciones. Sin embargo, las Pymes que implemente el *compliance* enfrentan una serie de desafíos los cuales pueden ser mitigados a través de estrategias de gestión claras y efectivas.

Palabras clave: cumplimiento normativo, pequeñas y medianas empresas, estrategias.

Introduction

This article aims to explain the purposes, importance, benefits, impact and challenges of the adoption of *compliance* in Colombian SMEs. Considering that the existing literature on the subject in Colombia is still incipient, this article will contribute in a moderate way to a better understanding of the implications and benefits of implementing the measures proposed by *compliance* in companies. A first step in addressing the issue is to bear in mind that the adoption of good *compliance* practices does not necessarily imply the allocation of considerable resources. Some small businesses may perceive *compliance* as a complex process that is affordable only for large companies or organizations. However, it is a good starting point to propose a code of ethics on which to reflect on the way in which the organization wants to project itself and to transmit it to all the company's personnel. (Sanchez, 2021, cited by Brands, 2021).

Among the most recent studies on the progress of *compliance* in Colombia are the following:

Table 1

Evolution and development of compliance in Colombian SMEs

CONTRIBUTIONS TO THE ADVANCEMENT OF COMPLIANCE IN COLOMBIAN SMES			
AUTHORS	WORK	YEAR	APPROACHES
Fonseca, Contreras and Porras.	State of the art on rural development.	2017	This study explores the need for change to achieve sustainable rural development and establish solutions to meet the needs of communities in terms of training and welfare. Likewise, the study raises the need to seek the sustainability of agricultural production and preserve the capacity of natural, environmental and cultural resources.
Vargas, D., and Martínez.	Evaluation of the level of regulatory compliance in small and medium-sized companies in Colombia"	2017	The study assessed the level of compliance in Colombian SMEs and found that, although some companies apply compliance programs, there are still significant challenges, such as lack of resources and knowledge, which hinder their effective implementation.
Gutiérrez, M., and Torres.	Impact of Environmental Regulations on the Colombian Mining Sector	2017	Corresponds to the analysis of corporate social responsibility policies and practices in Colombia for companies in the mining sector.
Ramirez, L., and Lopez.	Compliance and corporate governance in Colombian companies",	2018	The study found that companies that implement effective compliance programs tend to have a better corporate governance structure and greater transparency in their operations.
Torres, F., and González, R	Analysis of the perception of regulatory compliance in Colombian companies.	2019	This study investigated the perception of regulatory compliance in Colombian companies and found that organizations that have a proactive approach to compliance and a strong ethical culture obtain greater benefits in terms of stakeholder trust and improved corporate reputation.
Gómez, M., Ramírez, L., and Rodríguez.	Effectiveness of compliance programs in Colombian companies: a quantitative approach	2020	The authors argue that there is a positive correlation between the proper implementation of compliance and business performance. Among other reasons, each area of the company must be committed to both compliance with the corresponding legal regulations and with established internal policies

According to the above studies and approaches, establishing a strong compliance culture can be a major challenge for companies in Colombia. It is necessary to promote an ethical and compliance mindset at all levels of the organization, encourage individual responsibility and adherence to corporate values.

This can be considered one of the main challenges. In many companies there is resistance in terms of awareness and training. Employees may not be fully informed about

relevant regulations and compliance best practices, which can lead to risky behavior or inadvertent non-compliance.

It is important to bear in mind that these challenges affect companies in all economic sectors: agricultural, mining, commercial, industrial, manufacturing, health and financial services, among others, in both public and private companies. For sectors involving the supply chain, it is also a greater challenge because companies must ensure that their suppliers and business partners also comply with the required ethical and legal standards.

In view of the conditions faced by rural communities since the beginning of the stages of economic globalization, both in production and in obtaining raw materials, it became a priority to establish parameters to ensure the proper use of resources. In this sector, regulatory compliance can cover aspects related to sustainable production, water management, soil protection, proper use of pesticides and fertilizers, animal welfare, food safety and product traceability. Agribusinesses must comply with government regulations and international standards, such as good agricultural practices. In this sense, the urgent need for change to achieve sustainable rural development and to establish solutions that meet the needs of the communities in terms of training and welfare is beginning to be discussed in depth. Therefore, alternatives must be sought that promote the sustainability of agricultural production and the preservation of natural, environmental and cultural resources. (Fonseca, Contreras and Porras, 2016).

In the mining sector, regulatory compliance is linked to environmental, social and labor issues. Mining companies must comply with national mining legislation, obtain the necessary permits and licenses, conduct environmental impact assessments and implement mitigation measures. They must also ensure the safety and well-being of workers, comply with occupational health and safety standards, and address the concerns of local communities. (García, 2017).

In the manufacturing sector, regulatory compliance may include aspects related to product safety, proper waste management, energy efficiency, pollutant emissions, fair labor practices and compliance with quality standards. Manufacturing companies must comply with government regulations, such as product safety standards, and may also be subject to international standards and certifications. Moreover, with the increased use of information and communication technologies (ICTs) in all economic sectors, data protection and privacy have become major challenges. Companies must comply with data protection legislation and establish measures to ensure the confidentiality and security of customer and employee information.

Regarding the objectives of investigating the effects of the application of compliance in SMEs in Colombia, the following can be established:

Identify the benefits of compliance: this objective seeks to determine the positive effects that the implementation of compliance programs can have on Colombian SMEs. Aspects such as improving corporate reputation, mitigating legal and financial risks, accessing new markets and customers, and strengthening business relationships can be examined.

Analyze the challenges of implementing compliance programs: this objective seeks to identify the obstacles and difficulties that SMEs face when implementing compliance programs. Factors such as limited resources, lack of compliance knowledge and training, resistance to change, and cultural and organizational barriers can be investigated.

Evaluate the impact of compliance programs on business performance: this objective seeks to analyze how the implementation of compliance programs affects the performance and

sustainability of Colombian SMEs. Indicators such as sales growth, profitability, customer satisfaction and talent retention can be examined.

Explore the key factors that influence the effectiveness of compliance programs: this objective seeks to identify the critical factors that contribute to the success of compliance programs in Colombian SMEs. Aspects such as top management commitment, employee participation, internal communication, supervision and monitoring, and adaptation to the specific needs and resources of SMEs can be analyzed.

Provide recommendations and best practices for the successful implementation of compliance: this objective seeks to provide practical suggestions and guidance for Colombian SMEs to effectively implement compliance programs. Specific recommendations can be developed to address the challenges identified and promote a culture of compliance in these companies.

Identify compliance best practices: examine specialized literature and previous studies to identify best practices in the implementation of compliance in SMEs.

Analyze the benefits of compliance: review reports and studies that evaluate the positive effects of the application of compliance in SMEs in Colombia. This may include benefits such as improved reputation, access to international markets, reduced legal and financial risks, among others.

During the last two years, significant progress has been made in Colombia regarding the knowledge and importance for the business sector of adopting and implementing compliance practices.

Although the regulatory system in Colombia is complex, companies are also complex and as such, they are framed within business law, which covers tax, labor, commercial, civil, stock exchange, administrative, transfer pricing, customs, property and criminal matters, among others. Thus, companies must assume and fully comply with all the requirements demanded by the regulatory and supervisory bodies of the State, comply with internal policies and commit to good practices on Corporate Social Responsibility - CSR.

In this sense, and with the precedent of several cases that have come to light in recent years, especially for acts of fraud and corruption, the Congress of the Republic, through the issuance of Law 2195 of 2022, took an important step for companies to adopt measures to prevent these acts and to recover the damages caused by such acts and promote a culture of legality and integrity.

Through its 69 articles, Law 2195 of 2022 promotes transparency in business activities, establishing clear requirements and standards in terms of disclosure of financial, operational and corporate governance information. It also requires the adoption of measures to prevent corruption in the business environment, promoting compliance with anti-corruption laws and establishing mechanisms to prevent and punish acts of corruption in companies; it establishes regulations to promote responsible conduct by companies in areas such as the environment, human rights, occupational safety and other dimensions related to the social and environmental impact of business activities, and promotes competitiveness and business development through incentives, tax benefits or other measures that encourage the growth and innovation of companies. (Law 2195, 2022).

Specifically, Article 9 of Law 2195 of 2022 establishes the obligation for legal entities to adopt transparency and business ethics programs, in order to implement internal audits in the organization. The Law also establishes that the superintendencies, 10 in total (Superintendence

of Finance, Superintendence of Solidarity Economy, Superintendence of Family Subsidies, National Superintendence of Health, Superintendence of Industry and Commerce, Superintendence of Corporations, Superintendence of Surveillance and Private Security, Superintendence of Notaries and Registry, Superintendence of Public Utilities and Superintendence of Transportation), will be the ones to determine the content of the transparency and ethics programs. To achieve this, specific criteria will be taken into account for each sector, where assets, income, number of employees and corporate purpose will be analyzed. In the specific case of the Superintendency of Companies, Law 2195 of 2022 will allow the entity to more effectively combat corruption and transnational bribery involving legal persons or corporate entities.

For the public sector, this new law also improves the articulation and coordination of state entities and promotes a culture of legality and integrity in order to regain public confidence. In the words of Billy Escobar Pérez, Superintendent of Companies, "*with these new tools we will be able to effectively and forcefully combat corruption and transnational bribery of legal entities, in order to protect the country's business fabric, preventing and sanctioning these criminal conducts that affect economic public order and competitiveness and impede the growth and development of the nation*".

Taking into account the importance of small and medium-sized companies in the development of the country and because they can be affected by the conducts stipulated in Law 2195 of 2022, this article aims to outline the importance for the survival of this group of companies, to know and apply the measures offered by regulatory *compliance* as a pillar for business strengthening.

Thus, in the specific case of SMEs, Article # 9 of Law 2195 of 2022 establishes that support programs must be established to facilitate the development and implementation of transparency and business ethics programs, ensuring that they do not generate additional costs or procedures for them.

To begin with, it is essential to expand on the characteristics of SMEs in Colombia, which are identified mainly because they have a staff of less than 200 employees, total assets of up to 30,000 legal monthly minimum wages (SMMLV) and currently represent 99.5% of the business fabric in Colombia. (Confecámaras, 2016).

According to figures from DANE (National Administrative Department of Statistics), SMEs represent 90% of the productive sector in Colombia, being the trade and services sectors the main economic activity, with a percentage of 80% of Colombian SMEs. In 2021 alone, more than 250,000 SMEs were founded in Colombia, but the survival rate of these companies is only 50% and, it is estimated that 60% of businesses close their doors after 5 years of activities. One of the main reasons is competition, as hundreds or thousands of companies offer products or services for the same target market, making it difficult for them to remain in business. On the other hand, the compliance management strategies of SMEs are not very secure, especially at the beginning of the development of their corporate purpose. Generally, for this type of company, regulations are seen as a potential enemy, which in some cases can lead to complex and risky situations due to non-compliance with the rules. (Bonivento, 2023).

Recent studies indicate that the mortality rate of small and medium-sized enterprises in Colombia is very high and shows that about 76% fail during the first five years of life. (Restrepo, et al., 2009).

This makes it necessary to investigate the causes of these situations and to look for alternatives that will allow us to learn more about this problem. One of the possible alternatives is that regardless of the size of the company, from the beginning of the operational activities,

the existing regulations must be known in depth and mechanisms must be created to promote control and minimize compliance risks. In this regard, in recent years the set of strategies known as compliance has gained special relevance.

Compliance is an Anglo-Saxon term that emerged in the 1970s in the United States. In the U.S., following the financial corruption scandals that affected some of the companies considered to be important. These strategies are implemented within the companies with the purpose of adapting their behavior to comply with the applicable legal norms, according to the sector to which it corresponds and from an ethical framework defined by their management.

The origin of compliance dates back to 1992, when the report *"Internal Control - Integrated Framework"* called COSO I was published, which included as objectives of internal control, the effectiveness and efficiency of operations, the reliability of financial information and compliance with applicable laws, regulations and standards, *Committee of Sponsoring Organizations of the Treadway Commission*. (COSO, 2013).

The implementation of these internal policies has had special relevance through the publication of the ISO 19600-2014 Standard, whose main objective is to provide guidance for establishing, developing, implementing, evaluating, maintaining and improving an effective and responsive compliance management system for the organization. Likewise, the ISO 19600 Standard of 2015, was designed as an international reference guide that aims to provide companies with an effective Compliance Management system, with the objective of avoiding the risks of legal non-compliance.

The objective of compliance is to ensure that companies fully comply with both external regulations and internal policies, through management strategies that range from comprehensive employee training to the permanent review and monitoring of the application of the rules in each area of the company. Therefore, regulatory compliance is as much the responsibility of a company's management as it is of its employees.

Compliance is consolidated through the adoption of sufficient measures to analyze risks, the establishment of controls to prevent their occurrence and the implementation of measures to mitigate the effects of possible non-compliance. It includes, in addition to the corresponding laws, internal compliance standards, codes of ethics, internal policies, commitments with suppliers and customers. Consequently, it also helps to improve the brand image, reputation and perception of the company by society in general, by projecting an image of transparency and regulatory compliance.

While compliance is of particular relevance to large companies in both the public and private sectors, especially as it helps them manage risk, comply with laws and regulations, protect their reputation and operate in an ethical and sustainable manner, the compliance approach ensures, regardless of a company's size, that it stays on track and complies with its legal and ethical obligations. In this sense, for small and medium-sized companies that may also suffer from the problems of any other type of company, compliance is an alternative that can mitigate future projection to a large extent.

In Colombia, this is of particular concern because the regulatory framework is complex and constantly evolving. Companies must therefore keep up to date with the regulations applicable to their sector, which is a challenging task due to the number of laws, decrees and resolutions that exist in the country. It could also be said that the implementation by companies of a legal reference framework, both external and external, favors and facilitates management to the extent that it minimizes the risks that may arise in the development of the activities

inherent to the corporate purpose, making their operations more transparent. (Ramirez, & Lopez, 2018).

In accordance with the above, there is a need to educate and train all company personnel in the knowledge of the company's own regulations, strengthen control and supervision mechanisms for compliance with regulations, and strengthen transparency and accountability. In this sense, more effective measures are suggested to prevent and combat some of the most recurrent problems in Colombia today, both at the public and private levels, such as corruption and bribery.

It is therefore necessary to implement solid measures to prevent and detect in time possible activities and situations that may present important risks for the company. Establishing an ethical culture that promotes transparency and integrity in all the company's operations can have very positive effects on the smooth running of daily activities and the development of the company's corporate purpose.

Accordingly, Colombia has made significant progress in understanding and disseminating the effects of compliance in companies. Thus, in the forum held this year at the Universidad Externado de Colombia, on the Perspectives of the New Transparency and Anticorruption Law - Law 2195 of 2022. During this event, the words of Rafael Ostau de Lafont Pianetta, former president of the Council of State and professor at the same university, are particularly apt when he expresses that: *"let each of us become the replicators and propagandists of good behavior. It seems that the problem is not one of norms, because we have not attacked the frontal problem and that is the serious humanistic crisis of public ethics that certain sectors of our society suffer from."*

In fact, recent events in Colombia, such as the Odebrecht case, demonstrate the need to implement effective compliance programs, not only in public companies but also in private companies. According to different written and television media, the firm in question paid bribes in Colombia for approximately US\$11 million for the awarding of contracts. (Escobar Moreno, 2019).

Therefore, it is imperative to deepen the knowledge about the importance for the management of a company to establish strategies of good business practices such as those defined in the guidelines established by compliance.

Accordingly, Gómez, Ramírez and Rodríguez (2020) examine the factors that affect the effectiveness of compliance in small and medium-sized Colombian companies, identify the challenges in implementation and provide recommendations to overcome them. According to the authors, the challenges may vary according to the context and the specific characteristics of each company, but are generally related to:

Corporate awareness and culture: this is one of the key challenges and consists of establishing a culture of compliance throughout the organization. This implies that managers and employees understand the importance of regulatory compliance and are committed to ethical and legal principles.

Complex legal and regulatory framework: Companies may face difficulties in understanding and complying with the wide range of laws, regulations and standards applicable in Colombia. This may include national and international laws related to issues such as anti-corruption, money laundering, data protection and competition, among others.

Limited resources and capabilities: Many companies may face challenges in allocating the necessary resources to implement effective compliance programs. This may include hiring

specialized personnel, training employees, implementing technological systems and allocating appropriate budgets.

Risk identification: it is important for companies to identify specific risks related to their industry, operations and business environment. This involves conducting comprehensive risk assessments to determine areas that require special attention and mitigation.

Monitoring and supervision: continuous monitoring of business activities and internal procedures established in each of the areas or internal processes is essential to ensure regulatory compliance. Companies should establish effective internal control systems and monitoring mechanisms to detect and correct any non-compliance, failures or errors.

Liability and penalties: companies must also face possible legal consequences and penalties in case of non-compliance. It is necessary to establish internal mechanisms to investigate and address any irregular conduct, as well as to cooperate with the competent authorities in case of investigations.

On the other hand, there are significant challenges that hinder the effective implementation of compliance-related processes. Lack of resources and poor knowledge on the subject are some of the most relevant challenges to be taken into account. (Vargas and Martinez, 2017).

There is also a positive correlation between the proper implementation of compliance and business performance. Among other reasons, each area of the company must be committed to both compliance with the corresponding legal regulations and with established internal policies. (Gómez, et al., 2020).

Likewise, companies that implement effective compliance programs tend to have a better corporate governance structure and greater transparency in their operations. (Ramirez and Lopez, 2018).

Method

For the development of this article, the exploratory method has been chosen, which corresponds to a type of research used to study a problem that has not been clearly studied, so a literature review on the subject is carried out to better understand it, but without providing conclusive results.

The selected articles correspond to research conducted mainly in Colombia and comprise studies carried out between 2016 and 2020. Based on the reading, analysis and reflection of these articles, it was possible to establish the advantages, importance, benefits and challenges for small and medium-sized companies to implement measures that allow adequate control and monitoring of regulatory compliance, as established by compliance.

Results

The analysis of the effects of the application of compliance in Small and Medium Enterprises (SMEs) in Colombia reveals a series of benefits and challenges that should be considered in the implementation and development of compliance programs in this business segment. Thus, the adoption of compliance programs in Colombian SMEs can have a positive

impact in several aspects. Firstly, regulatory compliance enhances the company's reputation and image, which can generate greater confidence in both customers and business partners. In addition, the implementation of ethical and legal practices can avoid sanctions and fines, reducing the legal and financial risks to which SMEs may be exposed. Preventing possible illicit or corrupt acts also contributes to building a more transparent and competitive business environment. On the other hand, strengthening the culture of ethics and compliance can increase employee motivation and engagement, which in turn can boost productivity and overall company performance.

However, the implementation of compliance in SMEs in Colombia is not without its challenges. One of the main obstacles is the lack of financial and human resources to establish and maintain an effective compliance program. Many SMEs may find it difficult to allocate funds and dedicated personnel to these initiatives, which may limit their ability to adequately implement the necessary policies and procedures. In addition, the complexity and constant evolution of regulations can overwhelm SMEs with limited resources, making external compliance advice necessary.

Another major challenge is the resistance to change within the corporate culture. SMEs may face difficulties in internalizing the importance of compliance and ethics in all business operations and decisions. Overcoming cultural resistance and promoting a proactive compliance mindset may require a continuous effort by senior management and the implementation of effective training programs.

Discussion and conclusions

The application of compliance in small and medium-sized enterprises (SMEs) in Colombia has significant benefits, but it can also have certain challenges which can be mitigated through management strategies.

Although it is true that in the specific case of SMEs, Law 2195 of 2022 establishes that support programs must be established for the implementation of transparency and business ethics programs, precisely because for this type of companies additional costs may be generated in the implementation of the measures established by compliance, it is relevant to take into account that in large part, complying or being responsible with the rules and regulations may be more related to conduct and ethical behavior.

In this regard, the contributions made to the business sector by Hui Chen, a recognized expert in regulatory compliance, are relevant. Chen has contributed significantly to raising compliance standards and promoting a strong ethical culture in organizations. Among his contributions, he highlights the main strategies to be implemented to correct and prevent in time all the problems that may arise due to the lack of adequate regulatory compliance in companies. Its integrative approach is based on prevention and has been valuable in driving effective risk management and strengthening both internal and external confidence in companies. These strategies are:

Emphasis on ethical culture: Chen has emphasized the importance of developing a strong ethical culture in organizations. He argues that regulatory compliance should not be limited to a purely legal approach, but should also address ethical values and integrity at all levels of the company.

Effective compliance program model: Chen has developed an effective compliance program model that is based on three fundamental pillars: top management commitment, effective implementation and continuous evaluation. This holistic approach helps organizations develop robust and sustainable compliance programs.

Focus on prevention and early detection: Chen has stressed the importance of focusing on prevention and early detection of regulatory violations. It advocates the implementation of robust systems and internal controls to identify and address compliance risks before they become major problems.

Data utilization and analysis: Chen has promoted the use of data and analytics in the compliance arena. Emphasizes the importance of collecting and analyzing relevant information to evaluate the effectiveness of compliance programs, identify areas for improvement and make informed decisions.

Collaboration and effective communication: Chen has highlighted the need for close collaboration between compliance, legal and human resources departments, as well as effective communication with employees. This collaboration and communication fosters a clear understanding of regulatory expectations and promotes shared responsibility for compliance. (Chen, 2019).

The above strategies proposed by Chen provide a clear focus on how companies can approach meaningful change to advance their compliance adoption and implementation processes to mitigate future risks to their legal and regulatory obligations.

It is also advisable for companies to establish clear and effective internal procedures and policies aimed at improving performance and compliance with legal and social regulations, which will enable them to generate trust among their internal and external stakeholders. Some of these strategies may include:

Establish a legal framework: it is essential for any company, regardless of its size, sector, activity or service, to know, apply and update the set of legal norms and regulations, both external and internal, applicable in each economic sector, in order to avoid sanctions and possible litigation.

Manage risks: identify, evaluate and manage legal, financial, reputational and operational risks and establish adequate internal controls and clear policies.

Improve reputation: strengthen the company's image and reputation through a commitment to transparency, corporate social responsibility and good corporate governance, in order to generate confidence in customers, suppliers, collaborators and, in general, in all relevant stakeholders.

Although the above strategies can be applied in companies of any size and sector, SMEs in Colombia may find it more challenging to implement them. The reasons may be related to some of the following challenges:

Limited resources: SMEs often have limited financial and human resources, which makes it difficult to implement comprehensive compliance programs. For some companies in the SME sector, it can be costly to hire specialized personnel or outsource services to establish and maintain an effective compliance program.

Regulatory complexity: The regulatory environment in Colombia is complex and changing. SMEs may find it difficult to understand and adapt to the various regulations applicable to their industry or sector. This may require additional legal advice and ongoing training, which can be costly for smaller companies.

Internal resistance: Some SMEs may encounter internal resistance to the implementation of compliance. Employees may perceive it as an additional workload or may resist the controls and processes in place. This requires an additional effort on the part of the company to establish the necessary management strategies, through which the work teams can become aware, train themselves and work permanently, not only in the management of regulatory application but also with self-management of results

Conclusions

It is essential that SMEs recognize the importance of compliance and look for ways to implement it according to the needs and capabilities of the company. However, it is necessary that all members of the company are focused on following and striving to maintain ethical conduct and behavior at all levels and in all operations of the company. In this sense, those in charge of the management of a company must establish management strategies that help to create an ethical business environment, where employees and stakeholders are committed to ethical behavior and responsible conduct. To achieve this, it must be kept in mind that the promotion of ethics is an ongoing effort and requires the constant commitment of all members of the organization. These management strategies can help establish a strong corporate culture and build both internal and external trust in the organization. It is important to bear in mind that ethics and responsible conduct must be essential values that are integrated into all areas and levels of the company. Among the strategies that can be established by the company's management are the following:

Establish an ethical culture: It is essential to create an organizational culture that promotes and values ethics at all levels of the company. This involves constantly communicating and reinforcing ethical values, establishing clear standards of conduct and promoting transparency and honesty in all business activities.

Code of ethics and policies: develop and disseminate a code of ethics that establishes the ethical principles and values that should guide the behavior of employees and stakeholders. In addition, it is important to have specific policies related to ethics and conduct, such as anti-corruption policies, confidentiality and respect for human rights.

Open communication: foster an open communication environment and encourage employees to report any ethically questionable conduct without fear of retaliation. This can be achieved by implementing confidential and secure reporting channels, such as ethics hotlines and suggestion boxes.

Training and education: Provide training and education programs on ethics and business conduct to all employees. These programs should address issues such as ethical decision making, conflict of interest management and corporate social responsibility. In addition, it is important to regularly update this training to keep employees abreast of the latest ethical standards.

Transparent selection and hiring processes: integrate ethical and behavioral criteria in the selection and hiring processes. This involves assessing not only the technical skills, but also the values and integrity of the candidates.

Accountability: reporting clear and accurate information on the company's performance in relation to its objectives, policies and commitments. It also involves providing clear and accessible information about the company's activities, finances, practices and policies. This

includes disclosing relevant information to stakeholders such as employees, customers, investors and communities.

Corporate social responsibility: promote corporate social responsibility initiatives that reflect the company's commitment to the well-being of society and the environment. This includes adopting sustainable practices, participating in community projects and contributing to social causes.

Incentives and recognition: publicly recognize and reward employees who demonstrate exemplary ethical behavior. Incentives can be both tangible and intangible, such as bonuses, promotions, formal recognition or professional development opportunities.

Ethical leadership: Company leaders must lead by example and act ethically in all their actions. Your ethical behavior will serve as a model for other employees and stakeholders. It is important that leaders promote and reward ethical behavior, and take prompt and effective action when ethical violations occur.

Integration of ethics in decision making: encourage ethical reflection when making important decisions in the company. Consider the ethical impacts of decisions on employees, customers, suppliers and society in general.

Ethical performance evaluation: incorporate ethical and behavioral criteria in employee performance evaluations. Recognize and reward those who demonstrate exceptional ethical behavior and take appropriate disciplinary action in cases of inappropriate conduct.

Whistleblower channels: Establish confidential and accessible whistleblowing channels for employees and stakeholders to report ethically questionable behavior or violations of the code of ethics. These channels must guarantee the protection of whistleblowers and the confidentiality of the information provided.

Audits and internal controls: conduct periodic audits and internal controls to evaluate compliance with ethical policies and detect possible irregularities. This helps ensure that ethical standards are applied and provides an opportunity to correct any deviations or violations.

Accordingly, both adequate planning and the allocation of the necessary resources are necessary. In this way, SMEs can learn about the challenges they may face and take advantage of the benefits of regulatory compliance.

Each SME is unique in terms of size, structure and business activities. Tailoring compliance programs to the specific needs of an SME can be a challenge, as it may require customizing policies and procedures to be effective and practical.

It is also recommended that SMEs seek external support, such as legal advice or specialized consultancy, to ensure effective implementation of compliance. This can help minimize risks and ensure that compliance programs are adequate and up-to-date.

The application of compliance in SMEs in Colombia can have positive effects in terms of legal compliance, reputation and risk management. Although there are associated challenges, it is important that SMEs address these challenges and look for ways to implement effective compliance programs tailored to their needs. In doing so, they will be strengthening their operations and establishing a solid foundation for long-term growth and sustainability.

Adopting and implementing the measures and strategies presented by compliance should not be limited to simple physical verifications of compliance with the laws, rules and regulations that companies must abide by. As a management tool, in addition to being useful to

prevent, detect and correct the various corporate risks that a company may have, through the effective implementation of compliance measures, it can be achieved:

- Increased efficiency and harmonization of key internal processes in stakeholder relations (suppliers, customers, employees, government) as well as an increase in the generation of trust with stakeholders
- Improvements in comprehensive risk management, some of which may result in an impact on reputational risk.
- Increased possibilities of receiving sources of financing from multilateral banks and, in general, increased access to financial products (credit and insurance).

On the other hand, one of the most important advantages in the implementation of compliance is that it serves as a facilitator in the positioning of the ethical culture and corporate values, which can only be achieved under a full understanding of the organization's business model. (Portfolio, 2023).

Likewise, it implies the implementation of innovative communication actions and mechanisms such as the use of certain technological tools such as *Legal Design*, which focuses on using visual elements to present information in a clear and easy to understand way, thus making it accessible to stakeholders, being an effective strategy to generate changes in collaborators and a true adherence to corporate policies and procedures created for the efficient management of corporate risks, Portfolio, (2023).

Table 2

Compliance program for an SME

COMPLIANCE PROGRAM FOR AN SME

DIRECTRIZ	CHARACTERISTICS
1. Analysis and preparation of risk matrices:	Identify the risks inherent to the business activity as a roadmap for the design, monitoring and control of compliance programs, taking into account: the company's industry and market, geographic location, regulatory framework, customer and stakeholder profiles, interactions with public entities, among others.
2. Creation of a Code of Conduct, policies, protocols and internal procedures:	Written in understandable and clear language. They are of a public nature, therefore, they must be accessible to third parties.
3. Appointment of an independent, autonomous and trained compliance officer:	It is one of the most relevant roles for the effective functioning of a compliance program. The purpose is to implement and ensure the effectiveness of the company's program. In addition, it will provide guidance to directors and stakeholders on the company's risks. The compliance officer must have sufficient independence of decision, autonomy and the necessary resources for the effective execution of his duties. He/she must be fully familiar with the operation of the company and be trained in the regulatory obligations to be followed.
4. Training and education:	The compliance program should be shared, discussed and explained to each employee and stakeholder with whom the company relates. It is important to create a plan aimed at training and sensitizing employees and stakeholders on the compliance culture and the tools

established by the company to prevent illegal or criminal conduct.

5. Complaint lines:	They should be an integral part of compliance programs as they are a tool for building trust with employees and third parties about the importance of reporting any behavior contrary to company policies. It is relevant, therefore, to guarantee confidentiality and non-retaliation.
6. Adequate incentive and penalty schemes	The sanctions established for non-compliance with the program must be clear to each of the company's managers and employees, as well as the procedure for sanctions. The company should promote ethical behaviors and recognition for those who promote the culture of ethical behavior, corporate values and business objectives.
7. Internal audits and monitoring	Periodic and constant review and evaluation of the program's progress will allow us to know in real time and in a preventive manner the opportunities for improvement and the challenges to strengthen and improve the program.
8. Improvement plans	In accordance with the periodic reviews, it is important that improvement plans are designed to identify program failures, assign new functions and establish compliance with the plans within specific deadlines.

Note. Taken from Guía Legal de Compliance Colombia. ICEX Publications. Law firm Phillipi Pietrocarrizosa Ferrero Du & Urria.

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