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WHAT IT TAKES TO BE A SUCCESSFUL ENTREPRENEUR IN THE PHILIPPINES

INTRODUCTION

For a developing country such as the Philippines, entrepreneurial activities play an important role in providing alternative sources of income. As of 2012, there were 940,886 registered micro, small, and medium enterprises (MSMEs) in the Philippines (99.6% of the total establishments), majority of which are in the retail and wholesale industry. The Global Entrepreneurship Monitor (GEM) 2014 survey also reflects that most of the types of businesses are in the retail industry, particularly retail sales of food and beverage items and other basic essentials. This is reflected in the vast number of sari-sari stores or retail stores and food stalls in the country. One of the reasons behind their popularity as a start-up business is the small capital required to start the business and the accessibility because it could be set-up at home.

Based on the GEM 2014 survey, there were 382 total entrepreneurial activities (TEA) and a total of 143 established businesses (EB). From these micro and small businesses, I tried to investigate the characteristics of those who succeeded in their business. One of the hypotheses presented by Banerjee and Duflo (2011) in Poor Economics stated that everyone has a real shot at becoming a successful entrepreneur. Using this hypothesis in the GEM 2014 data reveal the following results, at least based on the descriptive statistics and cross tabulations, which will be discussed in the succeeding sub-sections.

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Is Conviction in One's Ability Enough to Succeed?

One of the first steps to starting a business is having the courage to enter the market, compete against the other players, and earn a sizeable amount of profit. But is this what most hopeful entrepreneurs are thinking when they start a business? When asked the question whether they have confidence in their skills and knowledge, 92% of

TEA answered yes and 90% of EB based on Table 1. They may have the confidence and optimism about their abilities but little of them really know what competing in the market is all about. This is reflected in their main motivation for starting a business, which is opportunity.

Table 1
Confidence in Skills and Knowledge

	Male	Female
TEA	134	59
EB	216	70

Source: Computations from GEM 2014 database

Most of the TEA (68%) starts a business because they feel that there is an opportunity. Seeing an opportunity can make them confident in their ability especially when they see their neighbor has a similar business. The promise of a successful business, which can eventually lead to a steady income, is too tempting. But the illusion fades easily as soon as the business takes off and they start to experience low overall profit. Confidence in the business also stems from the idea that the business is relatively easy to manage since most of them are operated at home. About 76% of the TEA (79% for EB) responded that the business was operated from home. This can spell a lot of problems—for one, the business would have to compete with the owner’s many responsibilities at home. More of these will be discussed in the succeeding sections.

Innovation and Creativity Sets an Entrepreneur From the Rest

Most successful entrepreneurs have one thing in common: they thrive in a dynamic market because they are able to adapt to the changes. One of the reasons is their a

Chorda and Perales (1997) supported the claim that innovative entrepreneurs are more likely to succeed in their business. Along with their creativity and innovativeness,

being open to change and by doing so allows them to be sensitive to the market demand. Based on the 2014 GEM survey, most of the entrepreneurs (74% for TEA and 80% for EB) answered that the product/s they are selling in the market is not novel. More than one-third of the entrepreneurs in the survey are in the “sari-sari” store business (34%), while 27% of them operate a food stall/cart/shop. Some of them engage in services such as hairdressing, tailoring, vulcanizing, operating a water refilling station, and painting among others.

These are the common entrepreneurial activities that can be found in small communities or villages, both in the urban and rural areas. The popularity of these types of business is not a surprise since starting this kind of business requires a small amount of capital and most of the time the business is managed at home. Around 76% of the TEA respondents have their business at home while there were 79% of the EB respondents answered the same. This makes sense especially for entrepreneurs who do not have enough capital and the luxury of being away from home because of family responsibilities. The data also shows that 60% of who engage in selling homogeneous products are female and married.

Table 2
Entrepreneurs Offer New Products

	Male	Female
TEA	39	60
EB	13	15

Source: Computations from GEM 2014 database

Only a few engage in innovative business. The results of the survey reveal that the few innovative businesses sell beauty products (sometimes personalized and cater to different

needs of customers: whitening, smoothening, etc.), ornaments, and handicrafts, among others.

We see the same story among the young entrepreneurs: most of them do not differentiate their product from the rest (TEA 27% and EB 64%). The data also reveal that only a few received training in starting a business after graduation. For ages 18 to 24 years, there were only 8% who received training while there were only 17% in the age cohort 25 to 34 years old. Lack of training and exposure to different ideas restricts their ability to innovate. A talented and motivated young individual may have the drive to start a business but without training and even guidance from the experts in the field, it would be difficult to succeed.

Table 3
Young Entrepreneurs Offer New Products

	Male	Female
For TEA		
Youth	14	22
Non-youth	25	38
For EB		
Youth	0	4
Non-youth	13	11

Source: Computations from GEM 2014 database

Another limitation that they face is the amount of capital they have to start a business. Introducing new products in the market could be costly for them especially when there is a need to compete and stay in the business. As a result, most of them engage in micro business such as sari-sari stores and food stalls which are less costly to start and maintain. Moreover, there is a notion that these types of business require less time in setting up since the retail items are readily available.

The Future Seems Bright, But Is It?

When asked the question on whether TEA and EB respondents have high expectations about the future, most of them answered no (96% and 98% respectively). Most entrepreneurs, at least among the poor, are not optimistic that their business will grow.

Table 4
High Expectations for the Future

	Male	Female
TEA	9	7
EB	1	2

Source: Computations from GEM 2014 database

Seeing that the business has low profitability or no profit at all can be very discouraging and eventually will lead to most its failure. Bankruptcy or the business not being profitable is the top reason (33%) why TEAs have reported to shut down their business. This is followed by lack of capital (17%) and family responsibilities (13%).

The young entrepreneurs also share the same sentiments: most of them do not have high expectations for the future. For TEA, only 1% of the poor and young entrepreneurs are hopeful for their business. They feel that their business will not succeed in the future due to their limited experience, but more importantly, they are keen in getting a stable job which they perceive can only be provided through a full-time job.

Table 5
Young Entrepreneurs' High Expectations of the Future

	Male	Female
For TEA		
Youth	4	3
Non-youth	5	4
For EB		
Youth	0	1
Non-youth	1	1

Source: Computations from GEM 2014 database

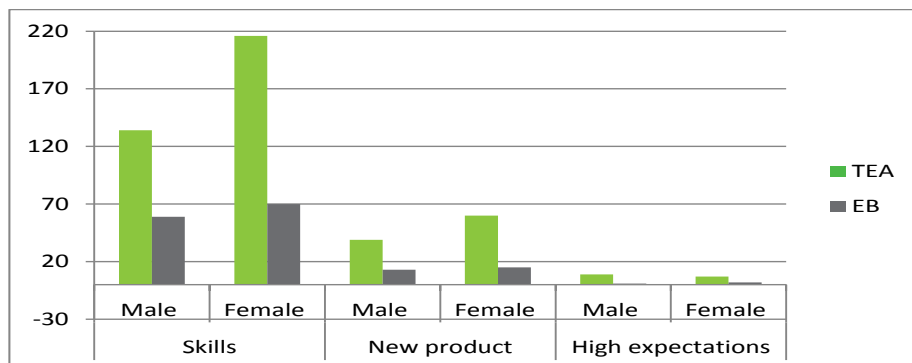


Figure 1. Please provide figure description here.

Source: Computations from GEM 2014 database

Barriers to Becoming a Successful Entrepreneur: Conclusion and Recommendations

This essay attempted to find out whether everyone has a real shot at becoming a successful entrepreneur based on the GEM 2014 database. There were three characteristics of entrepreneurs that were investigated through simple descriptive statistics: they have confidence in their skills and knowledge, they offer new and innovative products, and they have high expectations for the future. The analysis zeroed in on TEA and EB entrepreneurs, especially the poor and young.

Results of the descriptive statistics point out that although most of them have confidence in their skills and knowledge, they are not well-equipped to make the business sustainable and eventually successful because of several limitations. These limitations could be summarized into two things: hidden costs and risks. Based on the 2014 GEM data, most of the poor entrepreneurs, especially in the TEA, are female and married. For one, being female means that one has to take care of the family, not to mention the fact that she tends to be less productive when she is pregnant. There is an opportunity cost attached to being a female: she has to give up some family duties in order to work or earn a living. This becomes more of a problem if the husband loses his job for some reason. The hidden costs can also be evident for the eldest in the family. When the family experiences a financial crisis, it is usually the eldest who sacrifices going to school in exchange for looking for a job. These hidden costs are usually high, prevalent, and counterproductive among poor families because they do not have extra income to say for instance hire a helper to lighten the load of the wife of five children or invest on educational plan for their children.

The second limitation is risk. Simply put, this refers to inevitable unfortunate events or hazards. These are environmental and/or social risks that families face. This includes illnesses, natural calamities, financial crisis, old age, among others.

Because of these limitations, one's creativity and ability to innovate may be compromised since he/she has to attend to immediate concerns. Time and resources are used up to cope up with the hidden costs and risks instead of investing it in other productive activities such as attending trainings, or investing in a new technology, or even expanding one's network to learn new ideas. This is where I list down some policy recommendations.

First, on hidden costs: while there are educational scholarship programs and the current poverty program, Pantawid Pamilyang Pilipino Program (4Ps), to address the basic needs of the poor, more attention should be given to

women empowerment programs such as livelihood programs. There should also be a mechanism through which the local government could identify the especially talented individuals who may have the potential in becoming a successful entrepreneur. The local government could complement the 4Ps by providing a certain amount of capital for certain individuals and assist in establishing the business. Trade fairs in the municipality could be organized to showcase the products of the entrepreneurs in certain occasions. Moreover, we cannot rule out the importance of providing more educational scholarships to the poor so that women would have a better chance in getting a good education and eventually become successful.

Second, on the issue on risks, several government programs have addressed the health costs of the poor. In mid-2013, PhilHealth was extended to cover all indigent members. This includes individuals with “no visible means of income, or whose income is insufficient for family subsistence...” (<http://www.philhealth.gov.ph/members/indigent/>). To date, the list of indigent individuals is updated. In addition, there is also a mandatory PhilHealth coverage for senior citizens that started in 2014, under RA 10645. Despite these health benefits, there are loopholes which need to be addressed such as information dissemination among the local government units,

public hospitals, rural health centers, and beneficiaries. Most of the time, the intended beneficiaries do know what they can avail of, and end up not using their insurance, once they get sick.

When it comes to insurance against calamities, there is no mandatory insurance for poor farmers and rural entrepreneurs yet in the country. It has not taken off yet because of the high premium cost given that the country is natural disaster-prone. This is where the government could step in. Aside from the health insurance, the government should contemplate on a mandatory insurance for poor farmers and rural entrepreneurs to safeguard them against potential losses. For the private sector, microfinance companies could also provide an agricultural insurance automatically for those who will avail of a loan.

While there are many entrepreneurial programs/seminars offered by the government, there seems to be a mismatch in what type of programs will address the issue on how to make a business sustainable and successful not only in the local market but more so in the international market. The fact that there are so many micro, small, and medium enterprises in the country (99% as of 2012) and only 1% are considered large in terms of size, assets, and profitability, implies a daunting truth: many businesses find it difficult to get out of the so called “poverty trap” or “cross over the hump”

(Banerjee & Duflo, 2011). For all we know, the government may be using funds inappropriately in the many entrepreneurial programs they offer for start-up and nascent businesses, when they should focus more on programs that will help business “cross over the hump” and be successful. This means that the programs will be more focused, specialized, and targeted towards those who have the potential in making it big in the future. Moreover, more support should be given to “sunrise” businesses in priority sectors such as tourism and health perhaps.

In closing, based on the data from the 2014 GEM survey, there is not enough evidence to support the hypothesis that everyone has a real shot at becoming a successful entrepreneur. Circumstances may lead an individual to resort to entrepreneurial activities as a last resort and more often than not, this diminishes their chances of getting out of the poverty trap. Half-heartedness, lack of commitment, and perseverance are usually characteristics of individuals who think of entrepreneurship as an escape or temporary solution to their financial problems. As a result, they end up resenting their decision of starting a business when the venture becomes unsuccessful. But with the right attitude and a positive outlook in life, coupled with safety nets such as social protection programs, success may be well on its way.

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