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Entrepreneurship for ALL?

In its attempt to reduce poverty and unemployment rates, the Philippine government has unceasingly employed the customary strategies of promoting entrepreneurship through education (i.e., technical vocational education and training programs, Adult Learning Education, K+12 Basic Education Program, etc.; Soliven & Reyes, 2008; Camacho, 2012), access to credit (i.e., MSME Magna Carta and Barangay Micro Business Enterprises, which specifically mandate financing for micro-, small-, and medium-scale enterprises; Center for International Private Enterprise, 2014), and information dissemination on market trends, business opportunities and technologies, and so forth through business information networks (Concepcion, n. d.). The findings of the 2014 Global Entrepreneurship Monitor (GEM), however, indicate that greater support for existing enterprises struggling with survival, stability, and growth concerns rather than the blanket promotion of entrepreneurship may better serve the long-term goals of creating jobs and raising the incomes of the poor (Velasco et al., 2015).

For instance, as entrepreneurship is often proposed as an alternative

to individuals who are unable to find jobs, particularly in the formal sector, the seeming public response to relatively high rates of unemployment and poverty is that “everyone can be an entrepreneur.” Consequently, per the results of the 2014 Global Entrepreneurship Monitor (GEM) survey, “the country has the highest rate of nascent entrepreneurship in ASEAN and has the second to the highest rate in early stage entrepreneurship [activity] (TEA)” (Velasco et al., 2015, p. 8). Velasco et al. (2015), however, also reported that the Philippines has: 1) the lowest proportion of businesses that survive the start-up stage and cross the threshold to established business status (at least three and a half years in operation); and 2) the highest business discontinuance rate among ASEAN countries, which were mainly attributed to non-profitability (26.8%), personal reasons/obligations (20.8%), and inadequate financing (20.2%).

In addition, the 2014 GEM survey also established that the new ventures were mostly home-based and involved in consumer services such as retail trade (i.e., sari-sari stores), eating and dining places (food stalls), repair services, among others,

Written by
PAULYNNE J. CASTILLO
School of Economics
De La Salle University

requiring minimal capital and selling essentially homogenous goods and services (Velasco et al., 2015; Castillo, Conchada, Edralin, & Tiongco, 2016). Simply put, government intervention evidently encouraged the entry of a disproportionate number of firms “in competitive industries with lower barriers to entry and high rates of failure” (Shane, 2008, p.7); implying that the average entrepreneur may not be adept in selecting industries and, thus, opt to invest in sectors “that are easiest to enter, not the ones that are best for start-ups” (p. 7).

In fact, similar to the results of the 2014 GEM survey, Shane (2008) concluded that government-sponsored entrepreneurship programs and incentives mostly attract individuals who have lost their jobs or could not find work and not necessarily those who have genuinely considered the prevailing business environment and determined the existence of opportunities for new and/or innovative products and services. Evidence supporting the claim is seemingly provided by the 2014 GEM database. Based on the responses of the survey participants, the highest educational attainment of half of the Filipino entrepreneurs in 2014 was high school. Majority of the new business owners had little or no experience in managing a firm (84.6%). Moreover, almost a quarter (24.6%) of new businesses in the Philippines was established because the owners had no other alternative to earning a living but to be self-employed; whereas some 65% of the new business owners cite earning potentials (i.e., to maintain or generate higher income) as the primary reasons for starting a business.

Clearly, as many Filipinos are already bravely embracing the risks of owning and operating their own businesses, it may be time for public policy to center on strategies that reduce business failures and boost these enterprises’ probability of success. Per Velasco et al. (2015), these tactics can take the form of developing “creativity, innovation, technology adaptation for commercialization of products and services” (p. 18), which are the skills and knowledge that are necessary for surviving, scaling up, and finding and cultivating market niches with the view of penetrating foreign markets.

A necessary first step in graduating start-ups to established business status is to shift the focus from offering basic entrepreneurship training to directing private and public efforts to identifying existing enterprises in high-growth sectors with the potential for introducing commercially viable products/services, or processes, or both.

Providing financial and technical support for the research and development activities and/or market expansion pursuits of the selected firms, as well as support for “training on business continuity, which should include the development of strategies for stabilizing and growing enterprises and determining vulnerability to, impact of, and recovery from disasters (i.e., disaster management)” (Castillo et al., 2016, p. 8), are essential subsequent steps. Per the 2014 GEM survey, for instance, 76% of Filipino entrepreneurs rely on personal savings and family and friends for business financing (i.e., start-up and expansion activities). Whereas family and friends may grant more lenient

repayment terms (i.e., interest and payment schedule), formal sources of funds (i.e., banks) and/or combining resources with allied or similarly-situated institutions have the benefits of securing rigorous evaluations of ideas, plans, and assessments of the market (i.e., target market) by experts and, thus, not only ensure the viability of growth and innovation strategies but also, possibly, mitigate risks (Velasco et al., 2015).

Similarly, an emerging concern of all firms is business continuity management, especially given the increasing number of natural disasters (i.e., super typhoons, floods, earthquakes, etc.). Business continuity trainings must, therefore, develop skills in risk identification and assessment. Risks, among others, disrupt business activities and may hinder a firm’s growth by impeding the flow of resources, slowing down production, blocking the implementation of market expansion strategies, and so forth. Enterprises, at any stage of the business life cycle, would thus benefit from the guidance of owners/managers who can: 1) identify threats to the firm; 2) anticipate the likelihood and consequence of business disruptions; and 3) develop strategies that are consistent with business objectives and can mitigate risks (i.e., minimize disruptions, ensure normal business operations, etc.; Griffith University, 2013).

Success stories in business continuity plans demonstrate that preparations for disasters must include the creation of networks within the community and a complete inventory of local resources—

private and public. Strategies must be formulated on how these can best utilized to meet the basic needs of all members of the community, including recovery workers and their families, so that the former can focus on recovery efforts. Moreover, managers and implementers should understand the “interdependencies among partners in order to optimize the assignment of responsibilities and resources” (Ashley, 2009, p. 14 as cited in Community and Regional Resilience Institute [CARRI], 2013). In addition, findings show that improved practices borne out of business continuity trainings do not only benefit firms in terms of increased preparedness but they also result in cost savings and greater customer satisfaction (US Environmental Protection Agency – Office of Ground Water and Drinking Water, 2008 as cited in CARRI, 2013). Finally, business continuity training can facilitate the development of partnerships between firms, local organizations, and government units that possess unique but complementary skills and/or resources that may allow the entire community to respond quickly in times of crises and businesses to rebuild, if necessary, and resume operations after the calamities (Burdette, 2009 and Little, 2009 as cited in CARRI, 2013).

Continued business operations, especially if and when firms graduate to established business status, have greater potentials for creating more and better-paying jobs in the formal sector. Studies show that, while firms in general hire and fire workers every year, less than two percent of jobs are created by new firms in Sweden and the United States (Davidsson & Delmar, 1998; Shane, 2008). Shane

(2008) went further and asserted that, considering the number of jobs lost owing to closures of start-ups during the first few years of operation and the jobs generated by the growth of new firms that survive, start-ups in the United States have a “net job destruction after their first year” (p. 9). Indeed, business discontinuance in the Philippines was placed at more than 12% in 2014—the highest among ASEAN countries (Velasco et al., 2015). Furthermore, the 2014 GEM survey results indicated that the total early-stage entrepreneurial activity (TEA) is expected to create less jobs in the next five years as compared to established businesses (Velasco et al., 2015).

Lastly, numerous researches confirmed that jobs created by established businesses are more likely to offer job security, higher compensation, and more benefits relative to new firms. As established firms tend to be more stable than start-ups, occupations in the former are liable to be of a full-time and permanent nature. Shane (2008) stated that employment in new businesses is more likely to be part-time and vulnerable to business and economic downturns. In the United States, for example, Acs and Armington (2004) estimated that jobs in new firms have a higher probability of being scrapped—10 to 13%—vis-à-vis established enterprises. Additionally, start-ups pay less and give fewer benefits. In fact, especially when established in the informal sector, new businesses employ family members—who may or may not be remunerated and would work for little or no benefits. In the Philippines, 10.91% of the 38.5 million workers in 2013

were unpaid family workers who were mostly employed in family businesses operating in the agricultural and services sectors (Philippine Statistics Authority – Gender and Development Committee, 2014).

In a nutshell, the Philippines’ best bet for creating more permanent and higher paying jobs would be to support (i.e., technical, financial, etc.) existing selected, promising start-ups by assisting them in stabilizing their operations, crossing the threshold to established business status, developing innovative products and/or processes, penetrating lucrative markets, and ensuring the continuity of business operations during and after disasters/crises.

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CONTACT INFORMATION

DLSU - Angelo King Institute for Economic and Business Studies (DLSU-AKI)
Room 223, St. La Salle Hall
2401 Taft Avenue
0922 Manila

Angelo King International Center
Corner of Arellano Avenue and Estrada Street
1004 Manila

+63-2-524-4611 loc. 287,
+63-2-524-5333, +63-2-5245347 (Fax)
dlsu-aki.weebly.com