

# Enhancing External Participation of Philippine MSMEs Towards Entrepreneurial Venture Growth

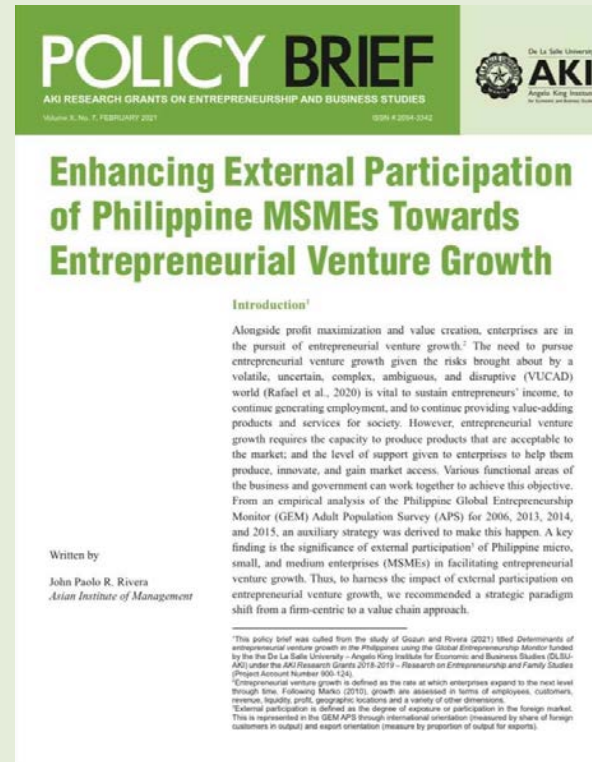
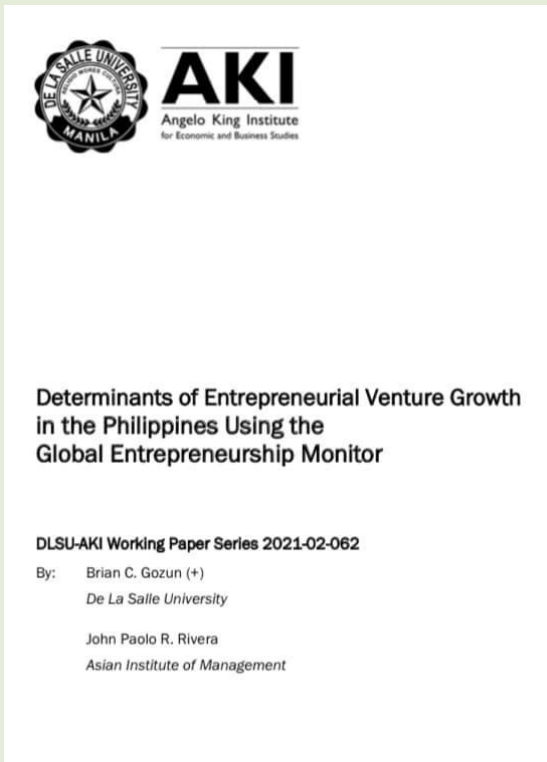
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Presentation at the Philippine Institute for Development Studies (PIDS) – Philippine APEC Study Center Network (PASCN) General Assembly and Symposium on *Navigating the New Normal: Restarting and Rebuilding Global MSMEs*

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# Acknowledgement

- This was culled from the study I conducted with Dr. Brian C. Gozun from De La Salle University (DLSU) titled *Determinants of Entrepreneurial Venture Growth in the Philippines using the Global Entrepreneurship Monitor*, supported by the DLSU-Angelo King Institute for Economic and Business Studies (AKI) under the AKI Research Grants 2018-2019: *Research on Entrepreneurship and Family Studies*.
- This was published by the DLSU-AKI as a Policy Brief (Volume X, No. 7) last February 2021.
- You may access the full study (Discussion Paper) and the Policy Brief through the DLSU-AKI and SERP websites.



# Outline of Presentation

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Motivation of the study (1 minute)

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Some key definitions adapted (1 minute)

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Gaps in the literature (1 minute)

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Key findings from the Discussion Paper (4 minutes)

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Focus on External Participation as a construct (1 minutes)

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Key policy recommendations (4 minutes)

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Benefits from implementing the key policy recommendations (3 minutes)

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# Motivation of the study

## Knowledge component

- Contribute to localized studies on Philippine entrepreneurship
- Demonstrate the usefulness of the Philippine Global Entrepreneurship Monitor (GEM) Adult Population Survey (APS) in conducting empirical research

## Policy component

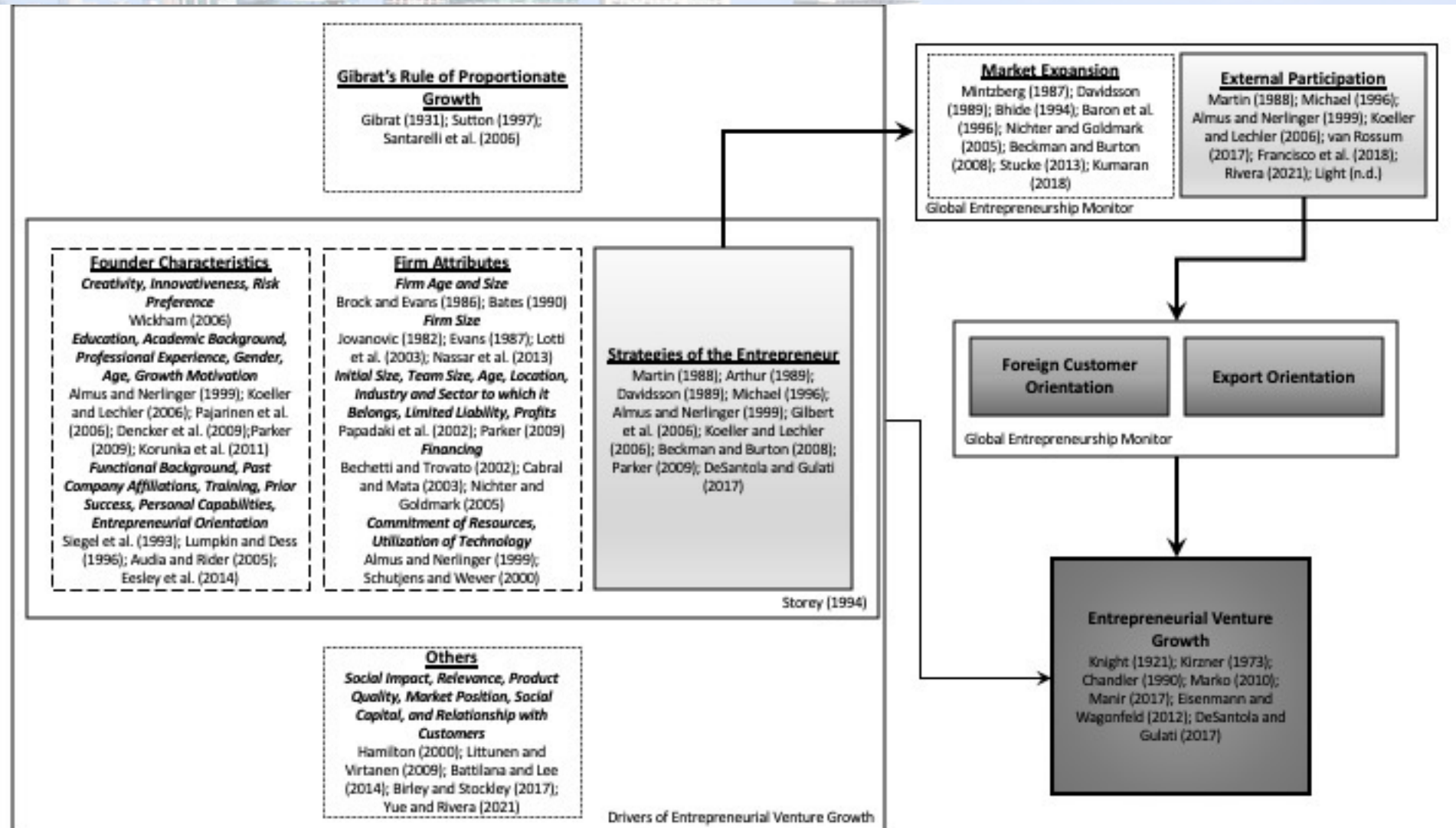
- In a post-pandemic world, explore the feasibility of harnessing external presence to grow an enterprise

# Some key definitions adapted

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- Entrepreneurship (by GEM)
  - "any attempt at new business or new venture creation, such as self-employment, a new business organization, or the expansion of an existing business, by an individual, a team of individuals, or an established business"
- Entrepreneurial Venture Growth
  - Rate at which enterprises expand to the next level (Manir, 2017)
  - In terms of workforce, customers, revenues, liquidity, profits, geographic locations, and a variety of other dimensions (Marko, 2010)
- External participation (by GEM)
  - Degree of exposure or participation in the foreign market
  - Represented in the GEM APS through:
    - international orientation (measured by share of foreign customers in output)
    - export orientation (measure by proportion of output for exports)

# Gaps in the literature



# Key findings from the Discussion Paper

- Founder characteristics and firm attributes were found to be inadequate predictors of entrepreneurial venture growth
- On entrepreneurial strategies:
  - Market expansion strategies (continuous innovation, finding new markets, adapting new technologies, engaging in an appropriate degree of competition) are significant predictors of entrepreneurial venture growth
  - External participation strategies (foreign customer and export orientation) are also significant predictors of entrepreneurial venture growth
  - Between market expansion and external participation strategies, the latter demonstrated greater magnitude and significance
  - Entrepreneurial strategies were moderated by founder characteristics and firm attributes



# Focus on external participation

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- An avenue to highlight a value chain approach to entrepreneurial venture growth
  - A shift from a firm-centric to a value-chain approach
- Given the necessary and sufficient conditions, pros and cons, advantages and disadvantages, facilitating factors and constraints for MSMEs to engage in external participation:
  - Explore what can entrepreneurs and government do?



# Key policy recommendations

- For entrepreneurs
  - Rather than venturing into direct exportation (i.e., produce final goods for exports), which most of the time proves to be very challenging due to lack of economies of scale and scope, MSMEs possessing niche specializations and technologies can be a supplier of raw materials or work-in-progress to larger enterprises who have both economies of scale and scope, as well as access to global value chains.
  - Enterprises that produce finished products can develop their own global value chain by outsourcing from foreign suppliers and taking advantage of relatively lower costs with greater flexibility to market forces.
  - Go digital to normalize peer-to-peer connections
  - Take advantage of government-sponsored capacity-building and mentoring programs.
- We highlight that the productive capacity to participate in the international market is just a necessary condition of external participation. The sufficiency condition indicates that access to global value chains is critical

The background is a detailed black and white illustration of a Philippine landscape. At the top, a banner reads 'WELCOME TO THE PHILIPPINES'. Below it, a large volcano with a waterfall on its left side dominates the center. In the foreground, a traditional wooden boat with several people is on the water. The scene is surrounded by various economic and social icons: 'AGRIBUSINESS', 'BPO', 'INFRASTRUCTURE', 'TOURISM MEDICAL TRAVEL RETIREMENT', and 'FDI' are scattered throughout. A vertical line is drawn to the right of the title text.

## Key policy recommendations

- For government
  - Providing technical assistance towards establishing forward and backward linkages with larger enterprises that are already linked with the global value chain.
  - Providing capacity-building and mentoring programs, and financial support for enterprises to produce higher-value products that can participate in the international market.
  - Contribute to marketing efforts by assisting MSMEs' participation in trade fairs, particularly those held abroad, through reduction or subsidization of participation costs.
  - Accelerate digitization platforms and facilities
- We highlight the need to strengthen and link both local and global value chains.
- Growth conditions are available, but it is up to MSMEs to grab the prospects (Manuel, 2016)

# Key policy recommendations

- On capacity-building and mentoring programs:
  - Touch on both hard and soft skills, as well as micro (e.g., accessing resources, financing, crowd funding, asset-based financing, block chain technology, seed and early-stage finance, cluster financing; accessing and managing value chain; functional areas of management; total quality management, coping mechanisms; risk management) and macro (e.g., familiarity and proficiency in business, regulatory, economic policies) perspectives.
- These will allow MSMEs to proficiently and confidently participate in a globalized business environment not only because risks have been mitigated but also because they are well-equipped to strengthen their value chain
- The MSMEs are ready, but they still need assistance.

# Benefits from implementing the key policy recommendations

- Helping enterprises grow and globalize allows them to develop and exploit niche markets, expand their businesses abroad, and put local products into the world market.
  - Globalized MSMEs provide more employment, generate higher income for the economy, contribute more to the country's trade performance, and showcase not only the products of the Philippines but the entire country in the world market
  - A basic yet effective tool to invite tourists, businessmen, and investors, among others to put their money in the local economy.
- These will have an accelerator effect in driving entrepreneurial venture growth (OECD, 2004)
  - “Governments need to ensure that regulatory, administrative and policy environments do not inhibit access to global markets” so it would benefit MSME trade and FDI involvement.

# THANK YOU

**SALAMAT**

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شكرا

Arabic

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Korean

धन्यवाद

Hindi

ขอขอบคุณ

Thai

ありがとう

Japanese

**TERIMA KASIH**

Malay / Indonesian

ຂອບໃຈ

Lao

谢谢

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