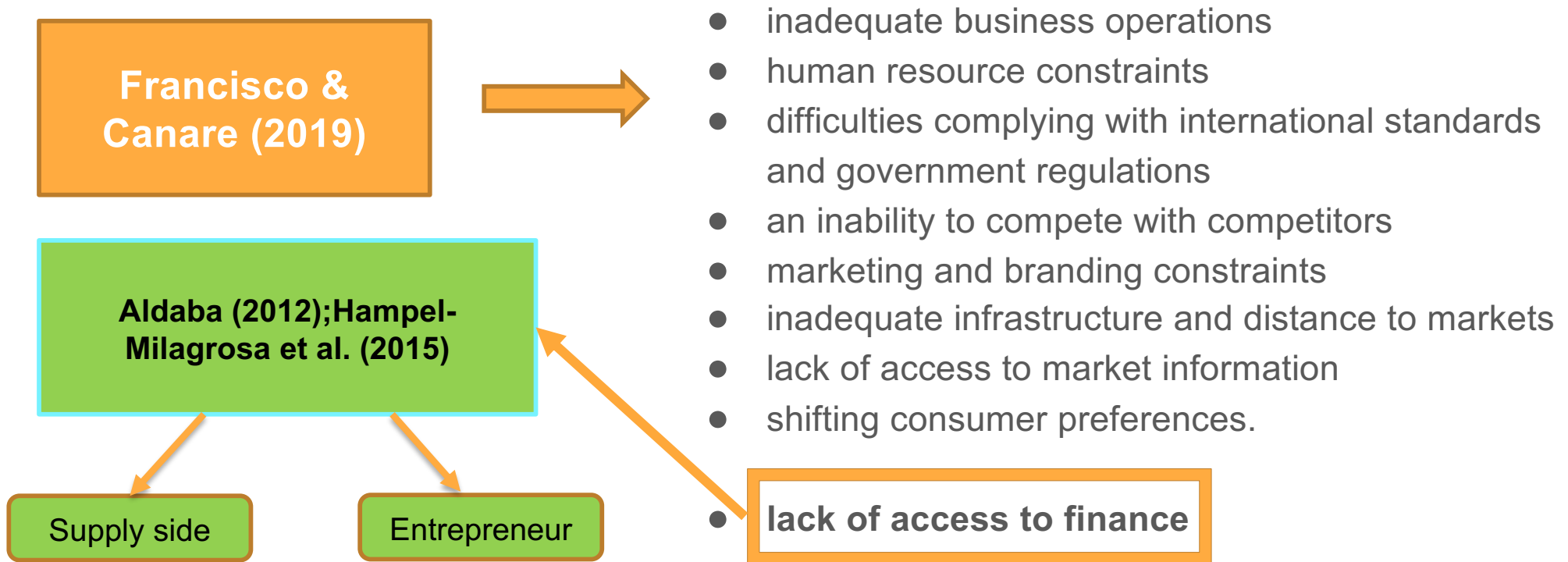


The Role of Entrepreneur's Financial Sophistication on the Nexus of Business Strategy and Sustainability Indicators of Philippine Microenterprises

SHEEVUN DI O. GULIMAN

FACULTY, MINDANAO STATE UNIVERSITY – ILIGAN INSTITUTE OF
TECHNOLOGY

Challenges of Philippine MSMEs



Other issues of SMEs in general

Revell et al. (2010);
Simpson et al. (2004)



Balas et al. (2014);
Moore (2005)

Research Framework

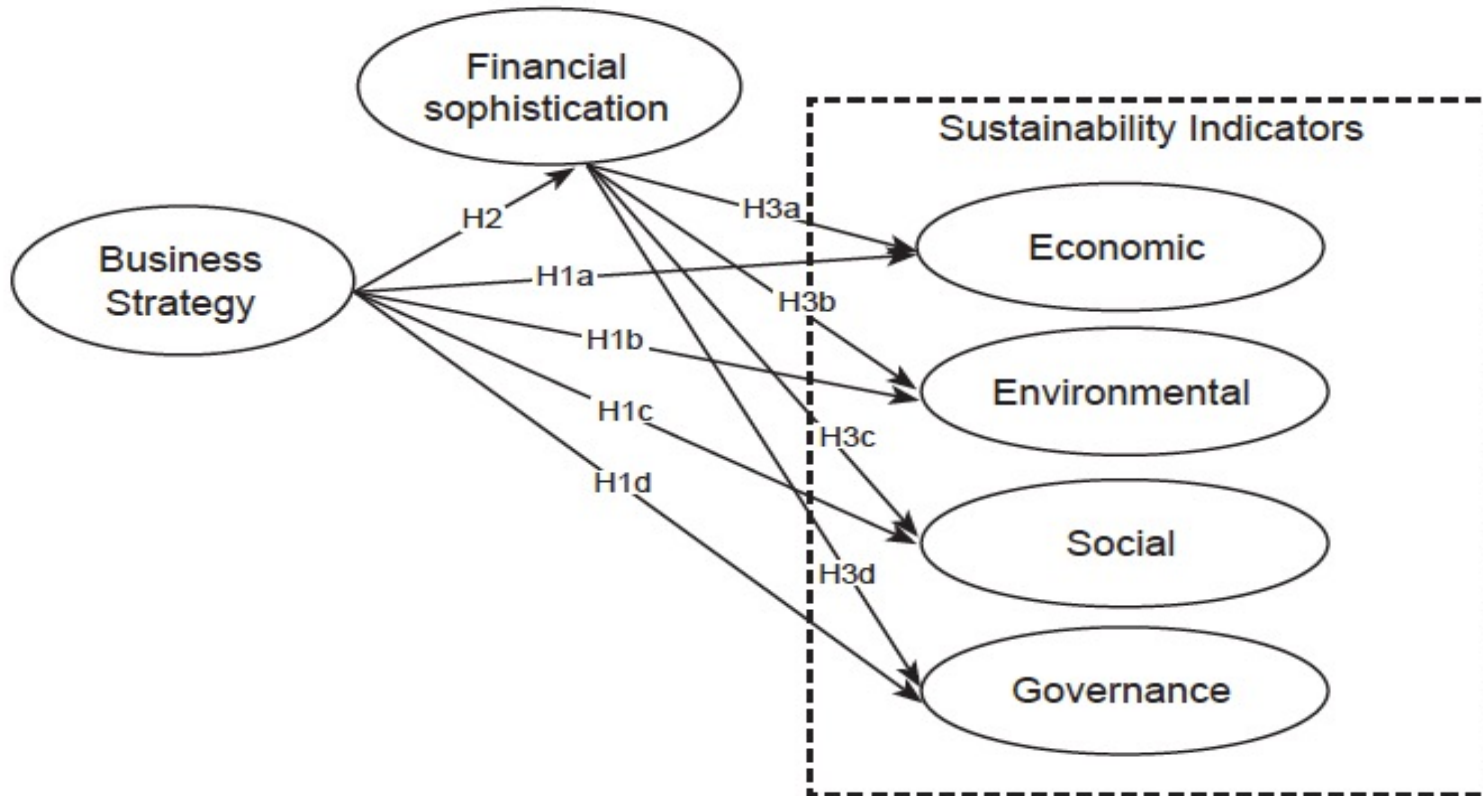


Figure 1. Research Framework

Results

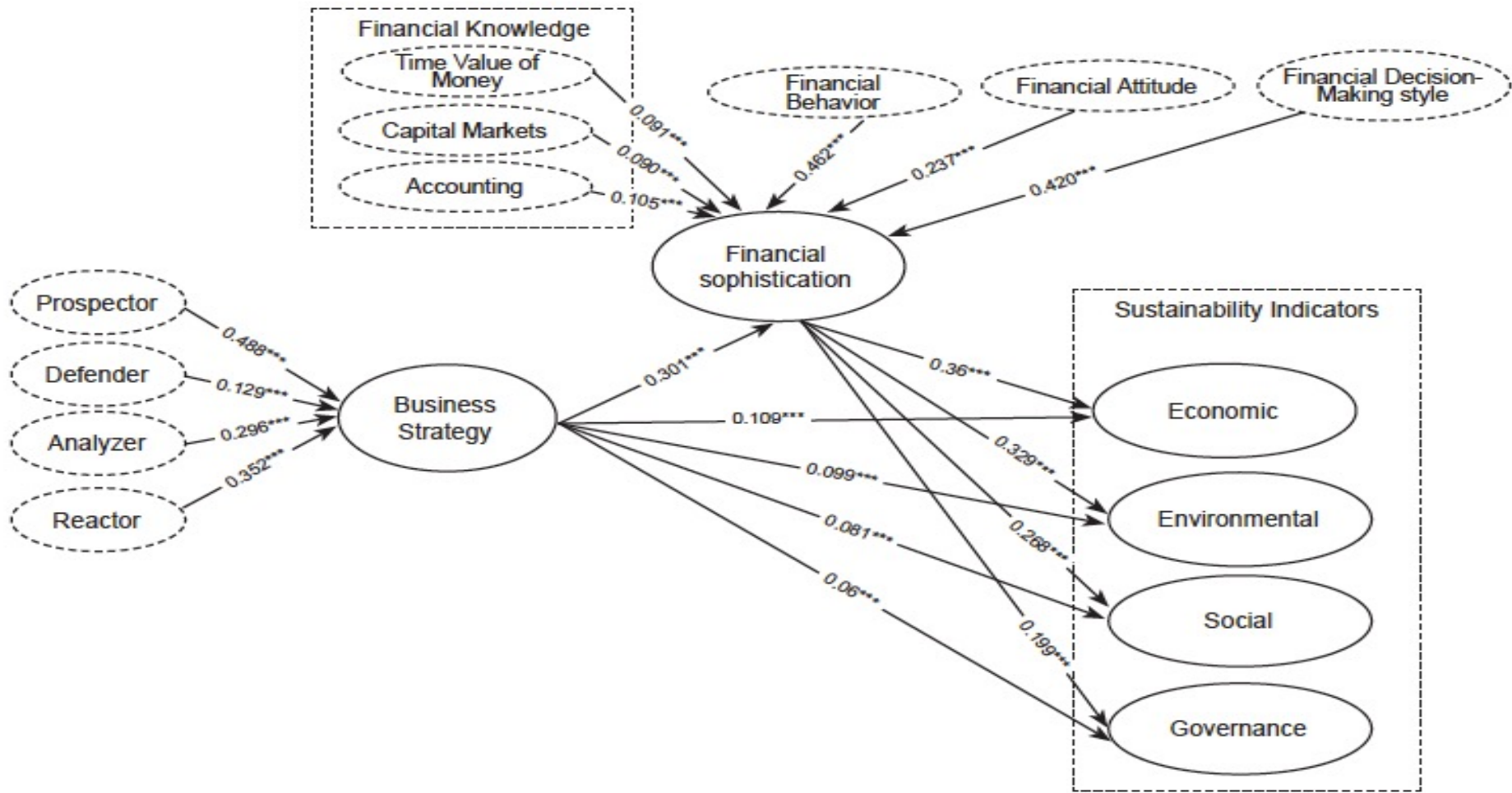


Figure 2. Path Model of the Link Between Strategy, Financial Sophistication, and Sustainability Indicators

About the Findings: Strategy – Sustainability Indicators Relationship

Prospector strategy has the highest path coefficient among the Miles and Snow typology of strategies

The adoption of a strategy is highly motivated by the possible outcome on the financial measure of enterprise sustainability as compared to non-financial measures.

MSME sector is gradually turning a new leaf on how they view an enterprise's sustainability

The findings of this study call for increased attention on good governance in MSMEs

About the Findings: Financial Sophistication

Combined effects of human capital, i.e., financial sophistication and business strategy provide an enhanced overall enterprise performance

Ranking the financial sophistication dimensions in terms of path coefficients

- 1: **Financial behavior (0.46***)**
- 2: Financial decision- making style (0.42***)
- 3: Financial attitude(0.237***)
- 4: Financial knowledge
 - a. **Accounting knowledge (0.105***)**
 - b. Time value of money (0.091***)
 - c. Capital markets (0.090***)

Recommendations to concerned agencies

Concerned agencies may design programs particularly focused on improving the entrepreneur's financial behavior

Concerned agencies may also give importance in providing knowledge, primarily on basic accounting concepts, among other financial-related topics.

Concerned agencies may encourage entrepreneurs to equally give consideration to the four areas of sustainability indicators.

Concerned agencies may provide better incentives to those who are environmentally and socially responsible entrepreneurs.

(caveat: the limitations of the study must be taken into consideration)

Recommendations to entrepreneurs

Adopt a prospector strategy while enhancing the positive financial behavior

- strive to innovate
- design new products
- create new markets
- search for new opportunities
- devote themselves to entrepreneurial tasks.

It is suggested to have an analyst-synthesist decision making style and enhanced knowledge in accounting if possible.

Encourage to give same priority and attention to other aspects of sustainability, particularly, on the environment, society and good governance.

References

- Aldaba, R. (2012). *Small and medium enterprises' (SMEs) access to finance: Philippines* (Discussion Paper Series No. 2012-05). <https://dirp4.pids.gov.ph/ris/dps/pidsdps1205.pdf>
- Balas, A., Gokus, O., & Colakoglu, S. (2014). Exploring the role of external environment on determining strategic focus, market orientation, and firm performance of service firms. *Academy of Marketing Studies Journal*, 18(1), 19–40. <https://www.abacademies.org/articles/amsjvol18no12014.pdf>
- Francisco, JP & Canare, T. (2019). *The challenges to SME market access in the Philippines and the Role of Business Associations*. <https://apfcanada-msme.ca/sites/default/files/2020-07/The%20Challenges%20to%20SME%20Market%20Access%20in%20the%20Philippines%20and%20the%20Role%20of%20Business%20Associations.pdf>
- Hampel-Milagrosa, A., Loewe, M., & Reeg, C. (2015). The entrepreneur makes a difference: Evidence on MSE upgrading factors from Egypt, India, and the Philippines. *World Development*, 66, 118–130. <https://doi.org/10.1016/j.worlddev.2014.08.005>
- Hillary, R. (2000). Introduction. In R. Hillary (Eds.), *Small and medium-sized enterprises and the environment: Business imperatives* (pp. 11–22). Routledge.
- Moore, M. (2005). Towards a confirmatory model of retail strategy types: An empirical test of Miles and Snow. *Journal of Business Research*, 58(5), 696–704. <https://doi.org/10.1016/j.jbusres.2003.09.004>
- Simpson, M., Taylor, N., & Barker, K. (2004). Environmental responsibility in SMEs: Does it deliver competitive advantage? *Business Strategy and the Environment*, 13(3), 156–171. <https://doi.org/10.1002/bse.398>