

Entrepreneurial Management

Chapter 1

The Entrepreneurial Life

Lecturer: Dr. Michaella DeLeon Castillo
Philippines

*After studying this chapter,
you should be able to...*



1. Explain the importance of small business and entrepreneurship in our society.
2. Distinguish between the terms *small business* and *entrepreneurial opportunity*.
3. Explain the basic characteristics of entrepreneurs, and describe different kinds of entrepreneurship.
4. Discuss the importance of understanding your motivations and perceptions related to owning a small business.
5. Describe five potential competitive advantages of small entrepreneurial companies over large firms.
6. Explain the concept of an entrepreneurial legacy and its challenges.



MSME Development in the Philippines

Overview of Philippine MSMEs

Definition:

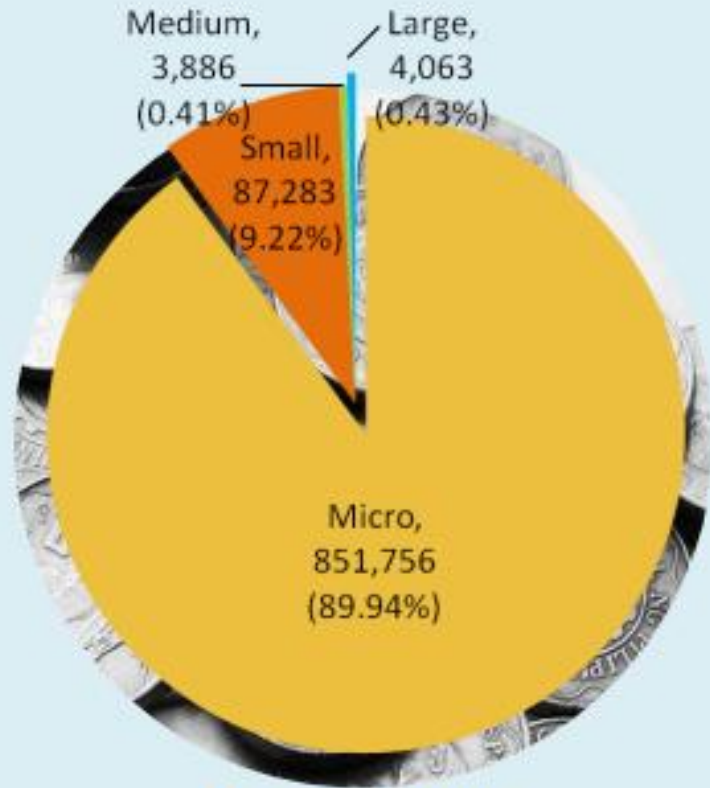
- The Magna Carta for MSMEs defines MSMEs (using asset size) as follows:

Micro: Up to Php 3,000,000

Small: Php 3,000,001 – 15,000,000

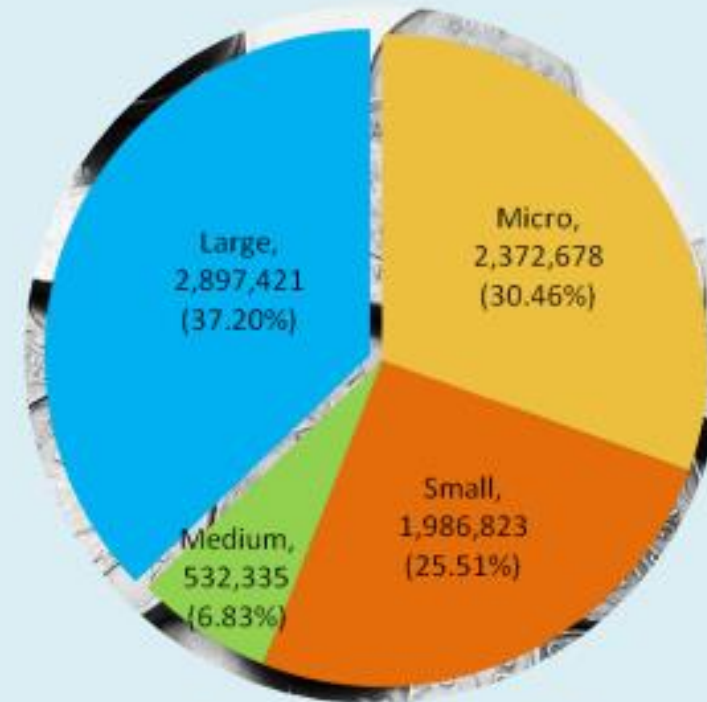
Medium: Php 15,000,0001 – 100,000,000

Overview of Philippine MSMEs



Total: 946,988

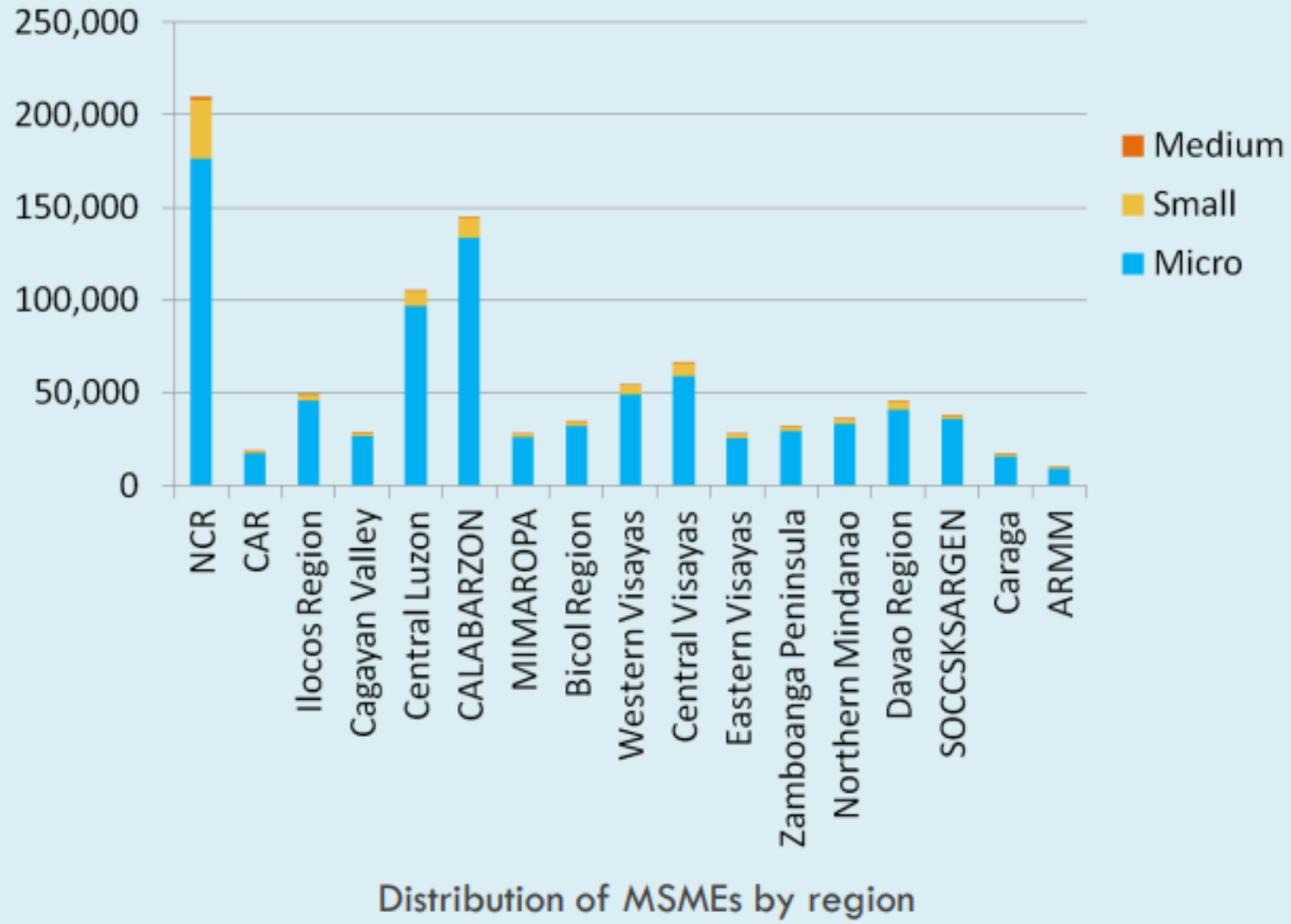
**Distribution of establishments
by enterprise size**



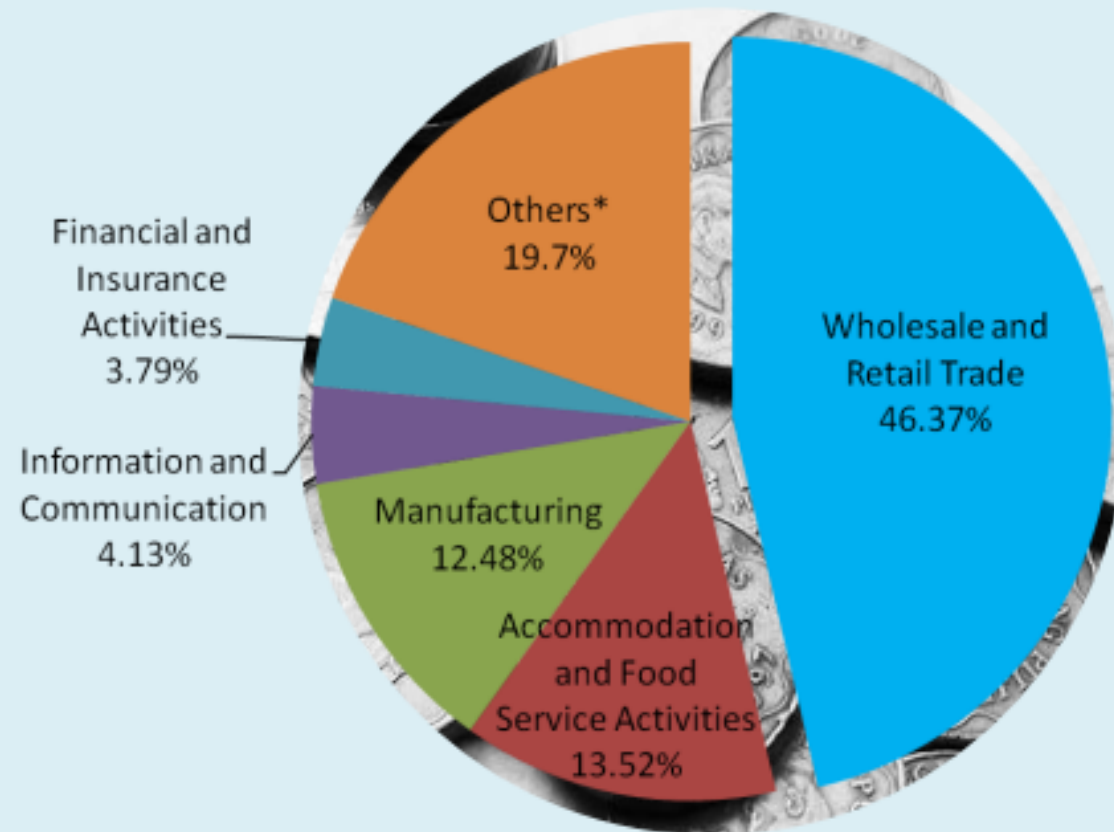
Total: 7,789,257

**Distribution of enterprises by
total employment**

Overview of Philippine MSMEs



Overview of Philippine MSMEs



Distribution of MSMEs by industry

*Others include:

- Agriculture, Forestry and Fishing
- Mining and Quarrying
- Electricity, Gas, Steam and Air Conditioning Supply
- Water Supply; Sewerage Waste Management and Remediation Activities
- Construction
- Transportation and Storage
- Real Estate Activities
- Professional, Scientific and Technical Activities
- Administrative and Support Service Activities
- Education
- Human Health and Social Work Activities
- Arts, Entertainment and Recreation



Bureau of Small and Medium Enterprise Development
6/F, Department of Trade and Industry Building,
361 Senator Gil Puyat Avenue, Makati City



(02) 751-0384

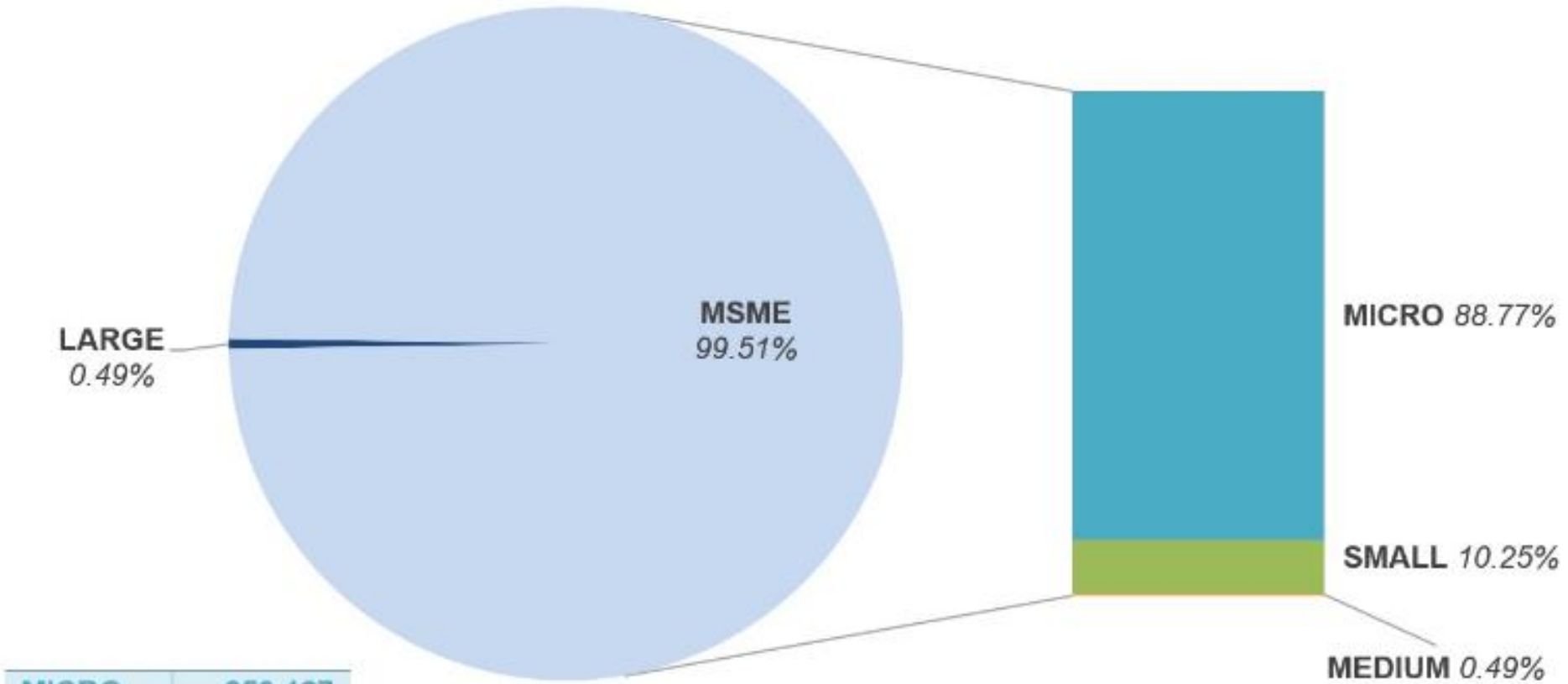


BSMED@dti.gov.ph

2020 MSME STATISTICS PHILIPPINES

- **Number of Establishments**
- The 2020 List of Establishments of the Philippine Statistics Authority (PSA) recorded a total of 957,620 business enterprises operating in the country. Of these, 952,969 (99.51%) are MSMEs and 4,651 (0.49%) are large enterprises. Micro enterprises constitute 88.77% (850,127) of total MSME establishments, followed by small enterprises at 10.25% (98,126) and medium enterprises at 0.49% (4,716).

99.51% of all businesses are MSMEs



MICRO	850,127
SMALL	98,126
MEDIUM	4,716
LARGE	4,651
TOTAL	957,620

Number of Establishments, 2020 List of Establishments, PSA

Source: <https://www.dti.gov.ph/resources/msme-statistics/>

Sectoral Distribution

The top five (5) industry sectors according to the number of MSMEs in 2020 were:

- (1) Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles (445,386);
- (2) Accommodation and Food Service Activities (134,046);
- (3) Manufacturing (110,916);
- (4) Other Service Activities (62,376); and
- (5) Financial and Insurance Activities (45,558). These industries accounted for about 83.77% of the total number of MSME establishments.

Geographical Spread of MSMEs

Majority of the MSMEs can be found in the

National Capital Region (NCR) with 201,123 (21.10%) business establishments,

Region 4-A (CALABARZON) with 139,363 (14.62%),

Region 3 (Central Luzon) with 111,262 (11.68%),

Region 7 (Central Visayas) with 65,682 (6.89%), and

Region 6 (Western Visayas) with 57,469 (6.03%). These top five (5) locations accounted for about 60.33% of the total number of MSME establishments in the country.

Regional concentration of MSMEs is largely associated with economic activity and population size.

Employment

Together, these MSMEs generated a total of 5,380,815 jobs or 62.66% of the country's total employment. The micro enterprises produced the biggest share (29.38%) closely followed by small enterprises (25.78%) while medium enterprises were far behind at 7.50%. Meanwhile, large enterprises generated a total of 3,206,011 jobs or 37.34% of the country's overall employment.

Exports Contribution of MSMEs

MSMEs account for 25% of the country's total exports revenue. It is also estimated that 60% of all exporters in the country belong to the MSME category. MSMEs are able to contribute in exports through subcontracting arrangement with large firms, or as suppliers to exporting companies.

Small Business Growth Potential and Profits

- High-Potential Venture (Gazelle)
 - Has great prospects for growth
- Attractive Small Firm
 - Provides substantial profits to its owner
- Microbusiness
 - Provides minimal profits to its owner
- Lifestyle Business
 - Permits the owner to follow a desired pattern of living

What Is a Small Business?

- **Criteria for Defining Smallness in Business**
 1. Small in size relative to larger competitors (fewer than 100 employees)
 2. Localized business operations (except marketing)
 3. Financing supplied by one person or small group
 4. Has the potential to become more than a “one-person show”

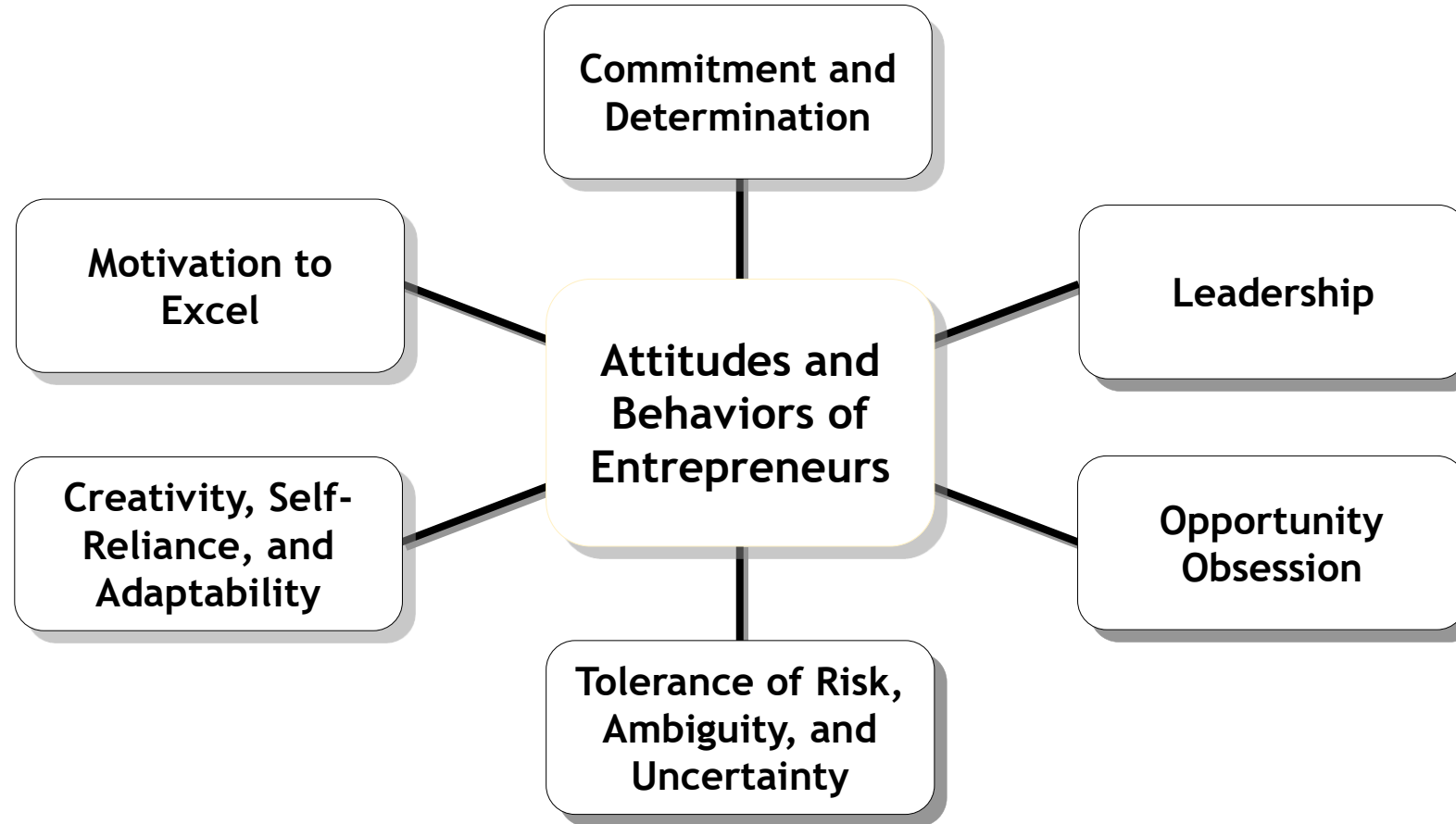
Entrepreneurial Opportunities

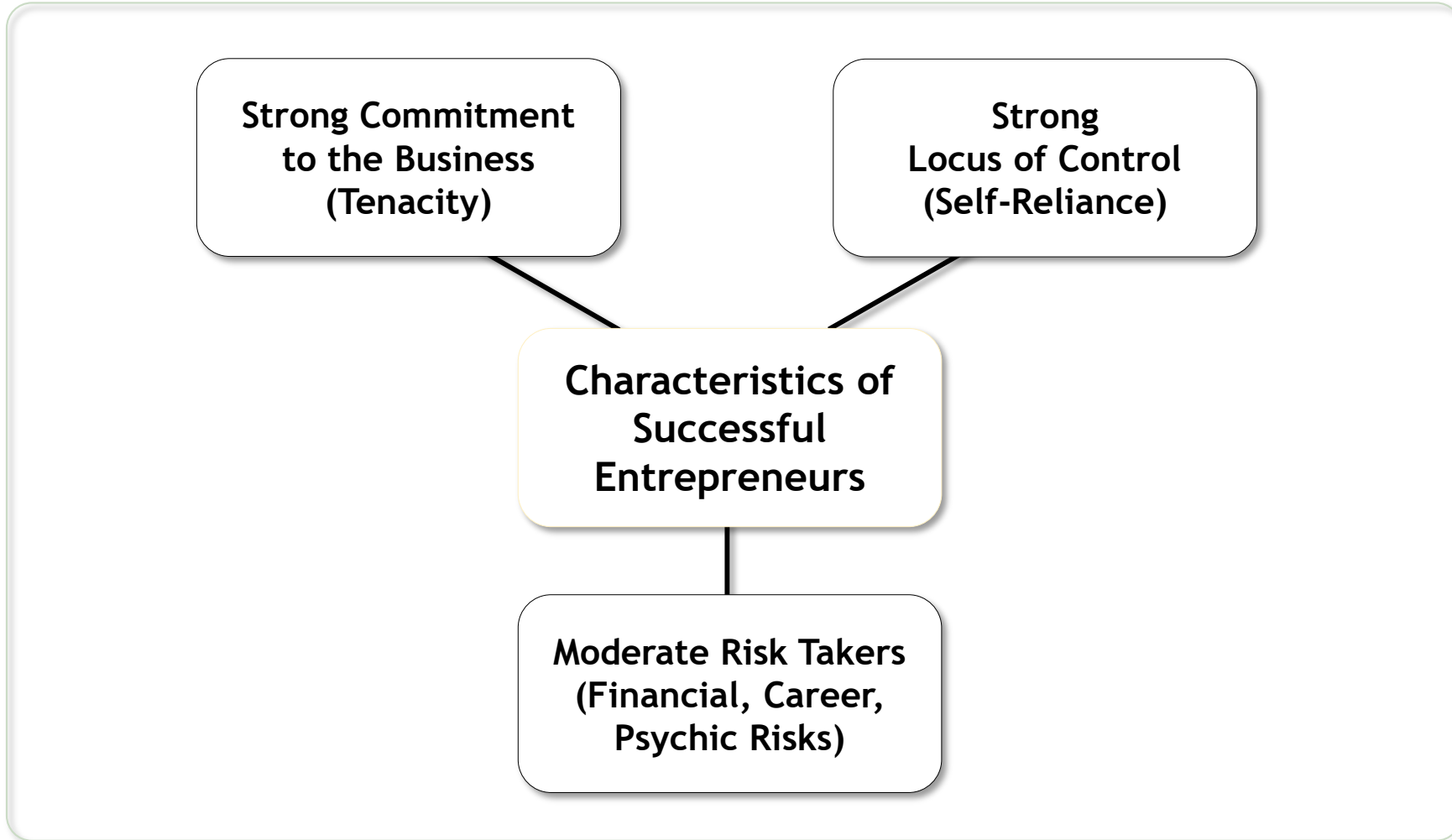
- **Entrepreneurial Opportunity**
 - *An economically attractive and timely opportunity that creates value for interested buyers or end users.*
- **Bootstrapping**
 - Doing more with less in terms of resources invested in a business, and, where possible, controlling the resources without owning them.
- **Success Stories**
 - National Bookstore
 - SM Mall
 - Jollibee

Who Are Entrepreneurs?

- **Entrepreneurs are:**
 - A person who starts and/or operates a business.
 - Individuals who discover market needs and launch new firms to meet those needs.
 - Risk takers who provide an impetus for change, innovation, and progress.
 - All active owner-managers (founders and/or managers of small businesses).

Entrepreneurial Characteristics (Timmons and Spinelli)





How to Fail as an Entrepreneur

1. Overestimate what you can do
2. Lack an understanding of the market
3. Hire mediocre people
4. Fail to be a team player, which is usually the result of taking oneself too seriously
5. Be a domineering manager
6. Fail to share ownership in the business in an equitable way

Varieties of Entrepreneurship

- **Founder (“Pure” Entrepreneur)**
 - A person who brings a new firm into existence
- **“Second Stage” Entrepreneur**
 - An administrative entrepreneur who oversees the operations of a ongoing business
- **Franchisee**
 - An entrepreneur whose power is limited by the contractual relationship with a franchising organization
- **Entrepreneurial Team**
 - Two or more people working together as entrepreneurs
 - Is becoming more common

New Forms of Entrepreneurship

- **Social Entrepreneurship**

- Is entrepreneurial activity whose goal is to find innovative solutions to society's most pressing needs, problems, and opportunities.

- **Social Entrepreneur**

- Seeks ways to solve societal and environmental problems that incorporate the triple bottom line of people, profits, and the planet.

Women Entrepreneurs

- **More Women Entrepreneurs**
 - More women than men are starting new businesses
 - Many businesses are now majority female-owned
 - Movement of women into nontraditional industries
- **Problems Facing Female Entrepreneurs**
 - Discrimination and difficulties related to gender
 - Lack of access to credit
 - Lack of networking connections
 - Balancing work and family life

The Importance of Mentors

- **Mentors**

- Are knowledgeable persons who can offer guidance from their experience in a given field.
- Teach entrepreneurs what and how to do.
- Show them how to avoid mistakes.
- Provide entrepreneurs encouragement when needed.

Your Motivations for Owning a Business

- Being an entrepreneur:
 - Is extremely challenging.
 - Takes undying love and passion to keep going.
 - Can run in a family.
 - Can help make the world a better place.
 - Can *make meaning* in your life.

Is Owning a Small Business a Good Fit for You?

1. Am I passionate about my product or service?
2. What is my tolerance for risk?
3. Am I effective in making decisions?
4. Am I willing to take on numerous responsibilities?
5. Will I be able to avoid burnout?

Why People Become Entrepreneurs

- Reluctant Entrepreneur
 - A person who becomes an entrepreneur as a result of some severe hardship.
- Refugee
 - A person who becomes an entrepreneur to escape an undesirable situation.

Artisan Entrepreneurs

- Artisan Entrepreneur
 - A person with primarily technical skills and little business knowledge who starts a business
- Characteristics:
 - Take a paternalistic approach
 - Are reluctant to delegate
 - Use few sources of capital
 - Have a traditional marketing strategy
 - Focus on personal sales effort
 - Have a short planning horizon

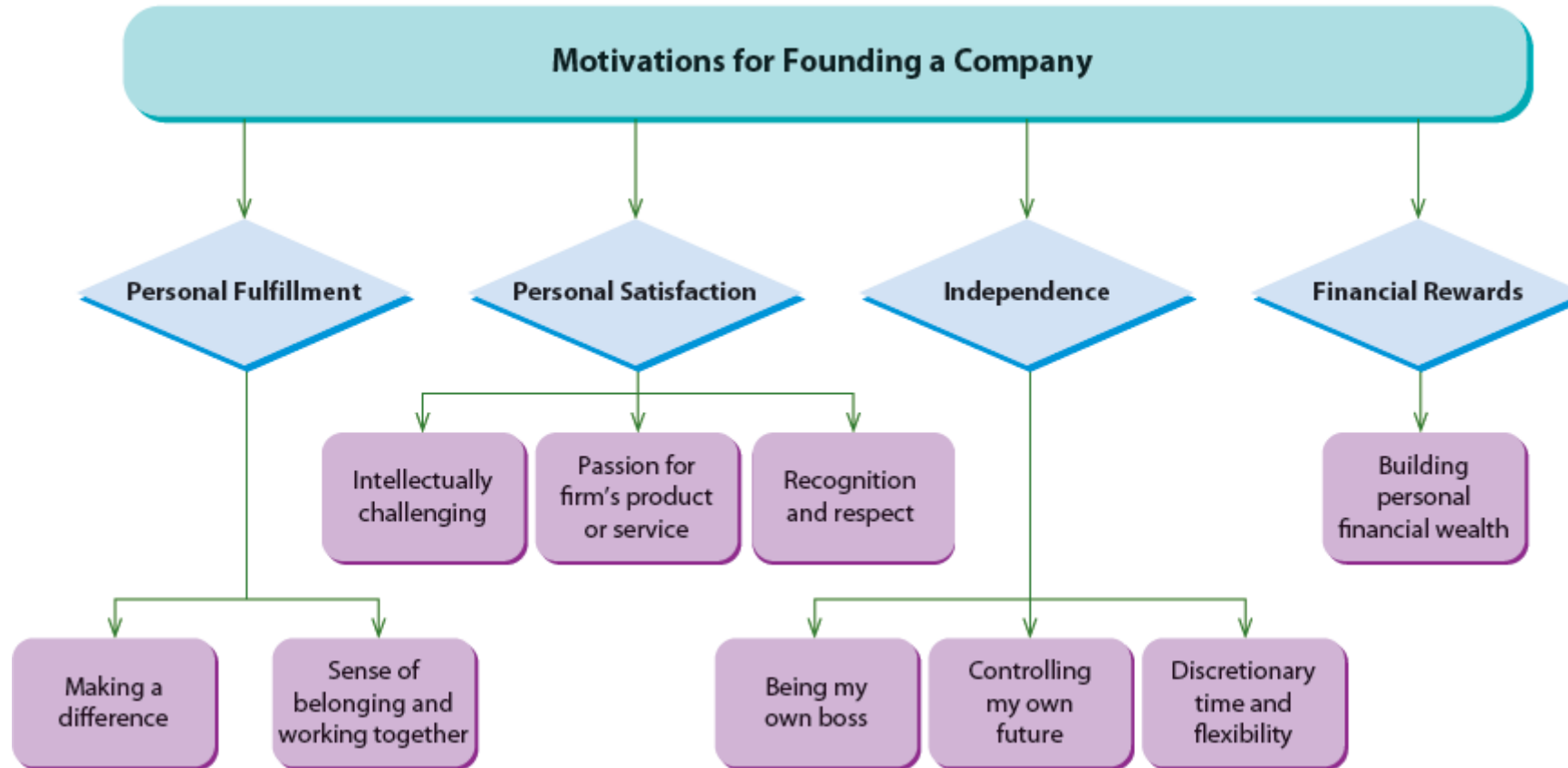
Opportunistic Entrepreneurs

- **Opportunistic Entrepreneur**
 - A person with both sophisticated managerial skills and technical knowledge who starts a business
- **Characteristics:**
 - Broad-based education
 - Scientific approach to problems
 - Willing to delegate
 - Broad view of strategy
 - Diversified marketing approach
 - Longer planning horizon
 - Sophisticated accounting and financial control

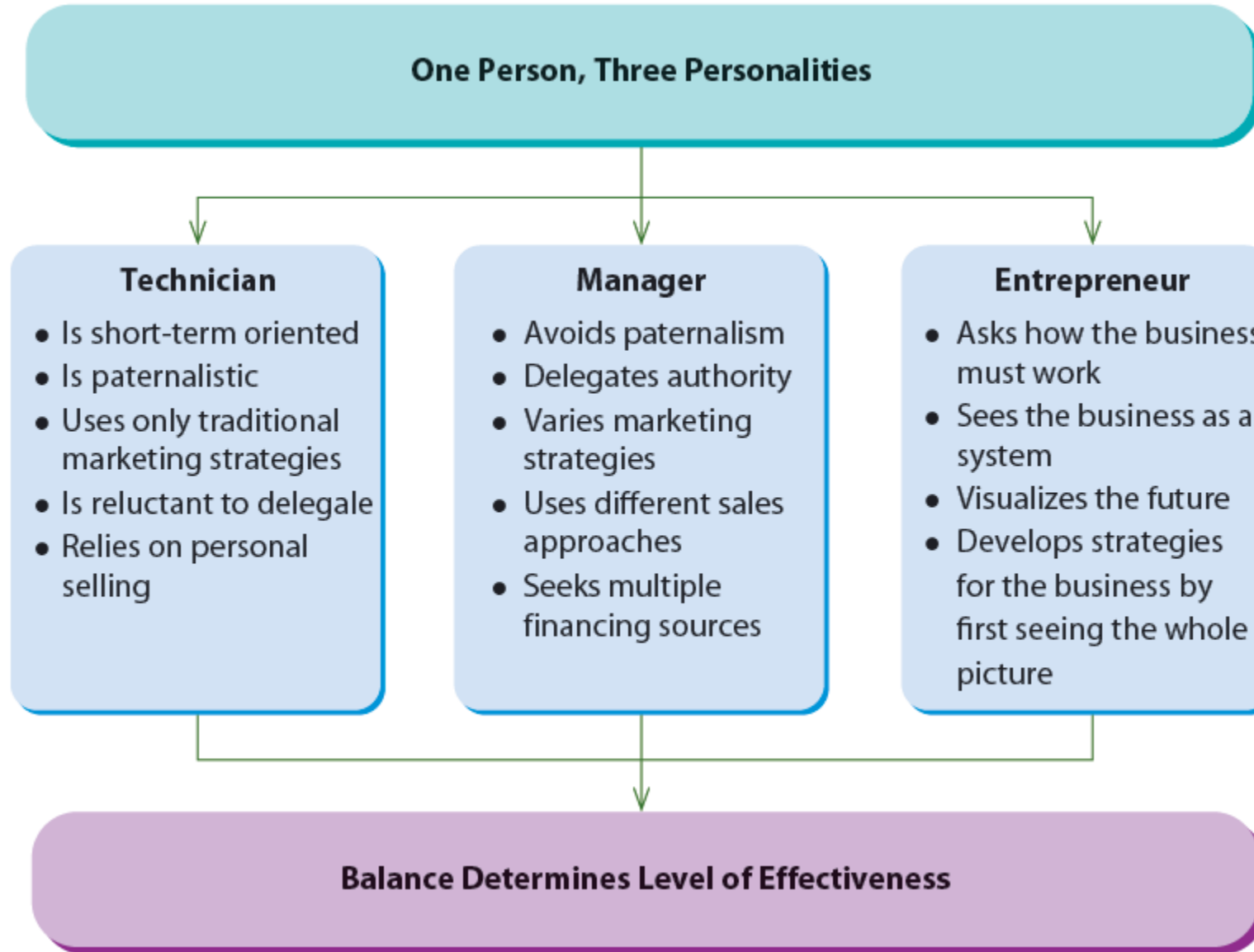
Millennial Entrepreneurs (Gen-Y)

- Have no fear of technology
- Are idealistic and optimistic
- Are more collaborative
- Build elements of community in the business
- Start companies while studying entrepreneurship
- Fail fast, learn a lot, and keep going

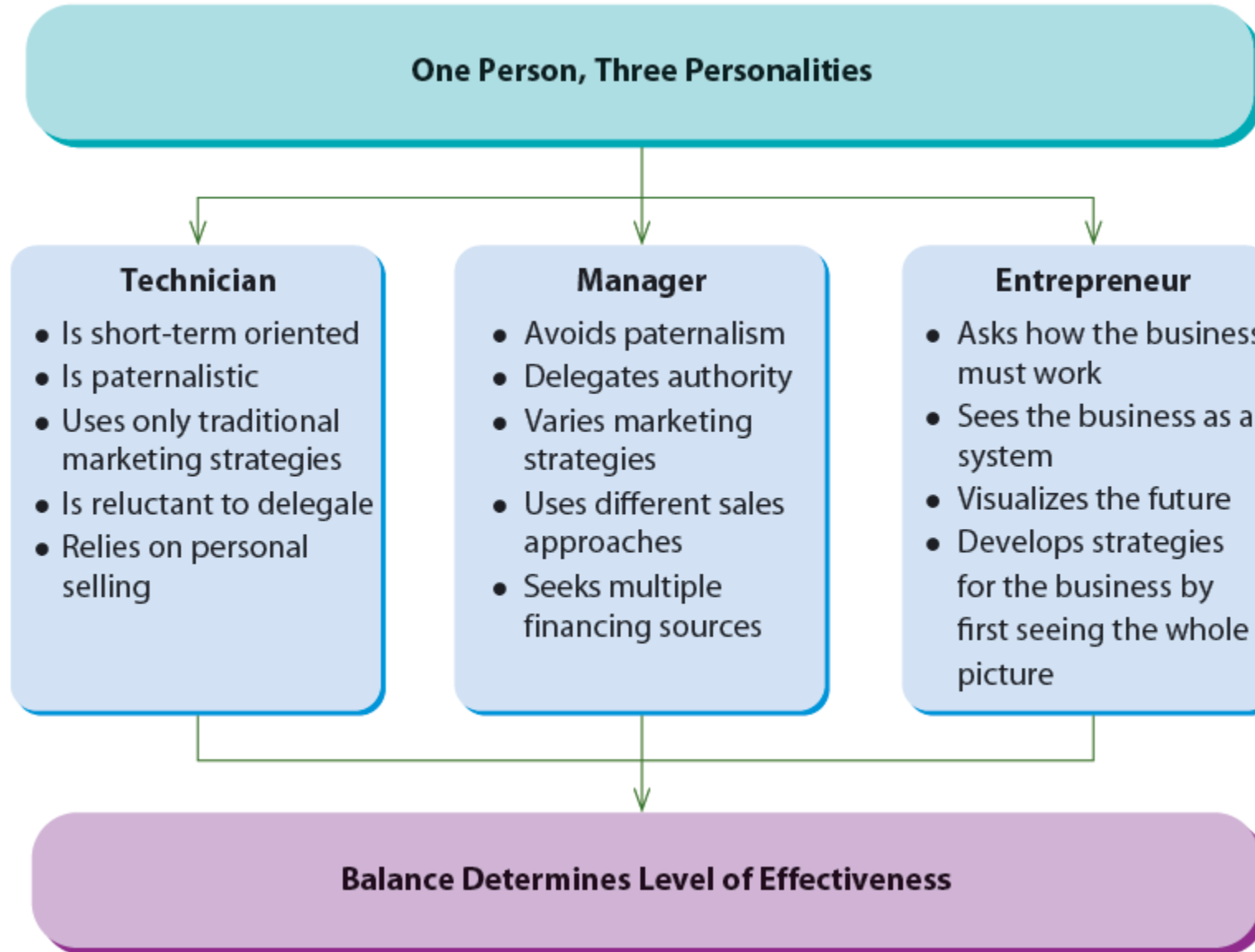
Entrepreneurial Motivations



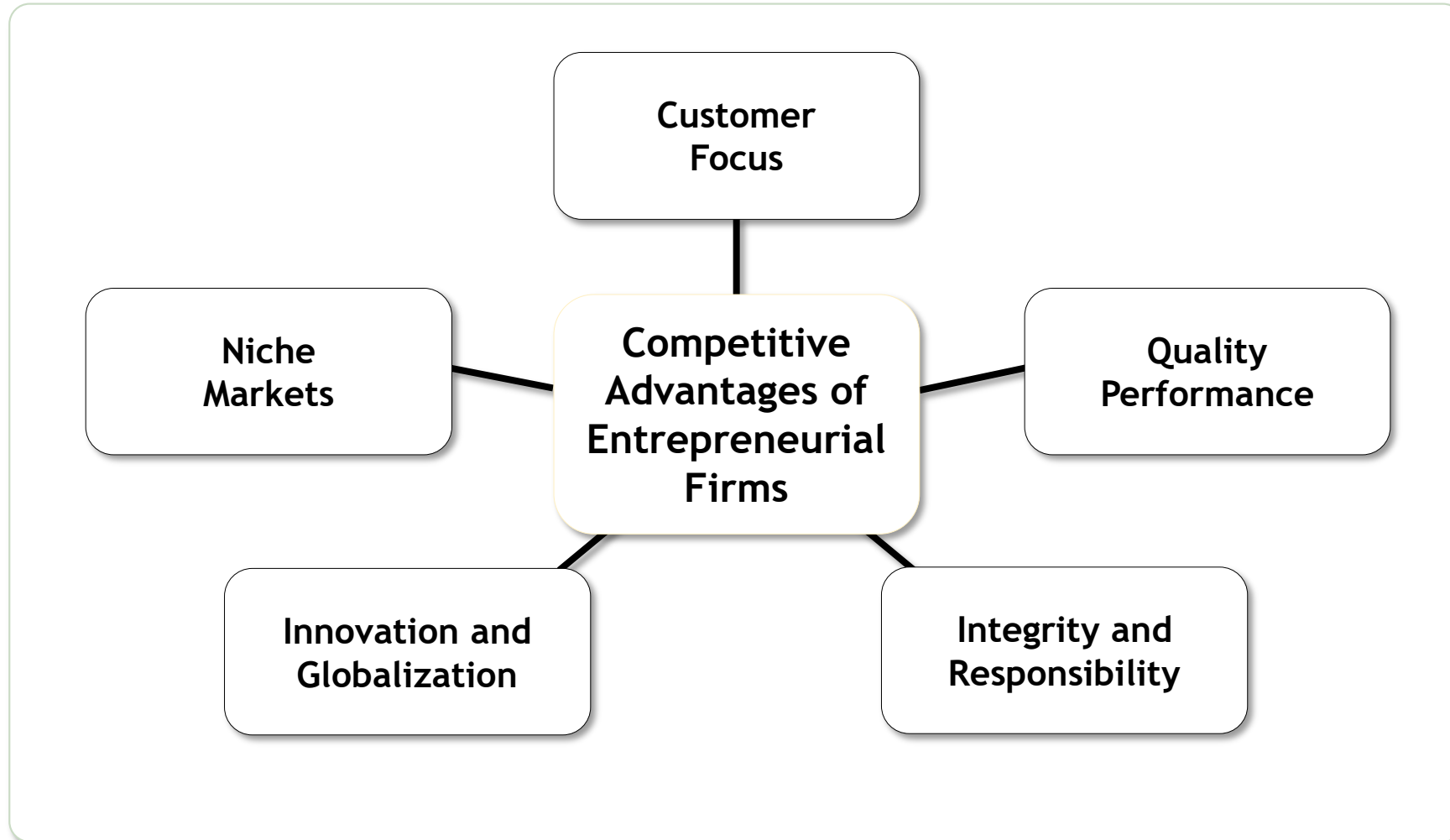
Understanding Your Business Paradigm



Understanding Your Business Paradigm



The Competitive Edge of Entrepreneurs



Building an Entrepreneurial Legacy

- **Looking Back At An Entrepreneurial Life**
 - Proper values and actions lead to a good exit.
 - Evaluating accomplishments
- **Winning the Wrong Game**
 - The nature of the entrepreneurial endeavor reflects personal goals and values.
- **Crafting a Worthy Entrepreneurial Legacy**
 - The tangible items and intangible qualities passed on to both heirs and society.
- **Satisfaction and Fulfillment**
 - Achieving balance with what do I want to do.

Key Terms

attractive small firm

bootstrapping

corporate refugee

entrepreneur

entrepreneur personality

entrepreneurial legacy

entrepreneurial opportunity

entrepreneurial team

founder

franchisee

high-potential venture (gazelle)

lifestyle business

manager personality

mentor

microbusiness

microloans

niche market

paradigm shift

reluctant entrepreneur

small business

social entrepreneurship

technician personality

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- <http://web.b.ebscohost.com/ehost/detail/detail?vid=2&sid=a8555503-b5a2-4381-93ea-cecdca97caf2%40sessionmgr103&bdata=JnNpdGU9ZWZWhvc3QtbGI2ZQ%3d%3d#AN=150269607&db=bsh>
- <http://web.b.ebscohost.com/ehost/detail/detail?vid=5&sid=a8555503-b5a2-4381-93ea-cecdca97caf2%40sessionmgr103&bdata=JnNpdGU9ZWZWhvc3QtbGI2ZQ%3d%3d#AN=126565663&db=bsh>
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