
Supporting Micro, Small, Medium-Sized Enterprises in Southern Philippines

On a Monday in 2015 Rolando Acuna, Provincial Director of the Department of Trade and Industry (DTI), rolled up his sleeves and began his workday. His task was to develop a strategy for the development of micro, small and medium-sized enterprises (MSME) in Zamboanga City, Southern Philippines.

He stood by the window on the second floor of the four-story LandBank Building, his base office overlooking small and medium-size businesses along the Veterans Avenue business district of the city. As he glanced at these roadside enterprises, he asked himself: Why do most MSME's fail? Most MSMEs did not survive longer than five years. Acuna wondered how MSME owners could build sustainable businesses.

He went back to his desk and reflected on DTI's earlier interventions. As he saw it, DTI tried its best to assist MSMEs. A public assistance institution, DTI already provided technical assistance such as business expansion planning, market promotion/development, packaging, and funding. DTI also spent millions of pesos on trade expos over the past five years. While a few MSMEs benefitted from these interventions and succeeded, most did not avail themselves of these services and their businesses failed.¹

The length of the trainings and activities was up to four days. DTI invited speakers from its bureaus such as SME Roving Academy, the Philippine International Trading Center, and the Intellectual Property Office of the Philippines. In some cases, DTI also had its own in-house trainers providing business skills

seminars. The seminars used a lecture-type approach and action planning in which MSME owners designed their own business plans.²

He reviewed his reports from 2010-2014 and noted the seminars DTI had conducted and the technical assistance it had provided MSMEs such as:³

- Organized trade fairs
- Product brand development
- Market matching
- Established market links
- Organized selling mission
- Assisted in project proposals
- Set up display centers
- Credit facilitation
- Initiated financing
- Technology training
- Trained MSME workers
- Product development

Acuna noted more than 5,374 MSMEs were in Zamboanga from 2010 to 2014 and they were divided into three sectors namely wholesale/retail/trading, servicing, and manufacturing/processing.⁴

For the wholesale/retail/trading sector, Acuna noted that 3,276 applications were filed from 2010-2014. The servicing sector registered 1,613 applications in the same five-year period, while the manufacturing/processing sector contributed 485. (See **Table 1**).

Acuna held a series of meetings with his staff and MSME stakeholders on separate occasions. He cited the following factors that led to the low survival rates of MSMEs.

1. Lack of Market Access

Most MSMEs did not have the capacity to conduct studies to prepare their businesses for new market opportunities. When they opened their enterprises, they had a limited target market.

2. Lack of Market Information

Most MSMEs did not have the capacity to document the data necessary to choose a target market for their products, goods, and services.

3. Research and Development

Most MSMEs did not have the capacity to conduct research about market supply and demand, market share, and competition to improve their businesses.

4. Lack of Product Development Capacity

Most MSMEs did not have the capacity to develop new products to entice new and secondary markets. The lack of innovation in new product development and marketing had caused many MSMEs to fail.

Table 1.1

Zamboanga MSME by Sector

Sector	Applications filed	Percentage
Wholesale/Retail/Trading	3,276	61%
Servicing	1,613	30%
Manufacturing/Process	485	9%

Source: Department of Trade and Industry Zamboanga City Office

Background of the Department of Trade and Industry

The Department of Trade and Industry was a government agency that aimed to promote, support, strengthen, and encourage the growth of MSMEs in all productive sectors of the local economy. The DTI central office in Manila created a framework for the development of MSMEs. DTI also had a mandate to solicit public/private partnerships to enhance the capabilities of MSME owners.⁵

Acuna believed that the development of MSMEs could not be done by DTI alone; it needed to put forward collaborative effort with expertise from the various sectors in the city to develop and enhance the entrepreneurial and business skills of MSME owners.

MSME Development Five-Year Plan

DTI's MSME Development Plan 2011-2016 served as the framework for new initiatives for the development and growth of the MSMEs.

The MSME Plan focused on the four major outcomes: 1. business environment, 2. access to finance, 3. access to markets, and 4. productivity and efficiency. The plan's strategy was to provide MSMEs access to comprehensive and focused support for enhancing managerial and technological capabilities, tapping business opportunities, and becoming competitive in local and international markets.⁶

The City

With a population of close to 1 million, Zamboanga was one of the few highly urbanized cities in the Philippines. It was the sixth most populated city in the Philippines. The city had more than 40 commercial banks and financial lending institutions. Zamboanga was also home to the state-run Western Mindanao State University, which could be tapped as a partner for assisting MSMEs along a path to sustainability. Zamboanga was the regional trading and financial center of the Zamboanga Peninsula region and the Autonomous Region in Muslim Mindanao Island in the Southern Philippines.⁷

Zamboanga was also named a focus city of the United States Agency for International Development-Science and Technology Research and Innovation for Development (USAID-STRIDE) program. The STRIDE program was designed to develop the science, technology, innovation, and policy management capacity to promote inclusive economic growth in the Philippines. The STRIDE program also tapped the services of

University of Michigan Ross School of Business to teach graduate school professors to write and teach business case studies through workshops that were held in Manila. One of those trained was a graduate school professor of Western Mindanao State University.⁸

Data showed that MSMEs employed 67% of the city's workforce and contributed 35.7% to the local GDP. Thus, if MSMEs failed, it would have an adverse effect on the local economy. Acuna also made the following observations that contributed to the short life span of MSMEs.⁹

1. Most MSMEs were dependent on government

MSMEs wanted the government to shoulder all the expenses for trade and business exposition to showcase their products and services.

2. Most MSMEs were complacent

Many MSMEs had not improved their customer service, developed new marketing strategies, or attended to the changing needs of customers.

3. Most MSMEs had no capital to expand

A number of MSMEs could not meet the collateral requirements of banks when they applied for business loans to expand their businesses. Banks would normally require a three-year formal financial statement prepared by a certified public accountant, business permits, and names of possible guarantors.

Since a lack of market access and product development were identified as key factors in MSME failures, Acuna toyed the with idea of seeking the assistance of USAID-STRIDE to capacitate WMSU master of public administration professors in the city to train MSMEs in market access, business and product development, and effective marketing strategies for Association of Southeast Asian Nations economic integration.¹⁰

Acuna identified some graduate school professors of the local state university who could be instrumental in building the business development capacities of MSMEs with the technical assistance of USAID-STRIDE and the University of Michigan Ross School of Business.

Dr. Frede Moreno, Dean of the College of Public Administration and Development Studies of WMSU suggested that the University could set up a business incubation center (BIC) in the city.¹¹ The BIC would gather a pool of experts to build the entrepreneurial values and enterprise management skills of MSME owners from the registration and startup of their business until they reached their full potential as a successful MSME owner. On other hand, Acuna also looked at the possibility of Ross School of Business sharing some of its modules on agribusiness, market entry, and marketing.¹²

Moreover, WMSU Vice President for Academic Affairs Carla Ochotorena said that she wanted the Doctor of Public Administration students of the university to be involved in the socio economic development of Zamboanga City.¹³

Best Practices for University-Industry Collaboration

The MIT Sloan Management Review suggested seven best practices for university-industry collaboration. It emphasized that universities could be major resources for creating business innovation strategies. But to extract the most business value, businesses needed to follow seven rules:¹⁴

1. Define the project's strategic context as part of the selection process.
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2. Select boundary-spanning project managers.
3. Share with the university team the vision of how the collaboration can help the business.
4. Invest in long-term relationships.
5. Establish strong communication links with the university team.
6. Build broad awareness of the project within the business.
7. Support the work internally both during the contract and after, until the case can be exploited.

Rolando looked at his watch and told himself he could no longer afford to see MSMEs in the city shut down. He scribbled down all his options available including forging partnerships with other government agencies, private training service providers, and academia. He instructed his staff to draft a letter inviting possible partners for the enhancement of MSMEs. He asked who else DTI could partner with for MSME development.

Endnotes

- ¹ Acuna, Rolando. Provincial Director, Department of Trade and Industry, Zamboanga City Office. Personal interview. 3 May 2015.
- ² Acuna. 3 May 2015.
- ³ Acuna, Rolando Provincial Director. DTI Accomplishment Report. Department of Trade and Industry, Zamboanga Office 2015. May 20, 2015.
- ⁴ Acuna. 20 May 2015.
- ⁵ Acuna. 20 May 2015.
- ⁶ Acuna. 20 May 2015.
- ⁷ Acuna, Rolando. Provincial Director. Inter-Agency Meeting Presentation. Department of Trade and Industry, Zamboanga City Office. 30 June 2015.
- ⁸ USAID. "Bridging examples of industry-academe collaboration to more classrooms." STRIDE Newsletter. Issue 1, Vol. 1. 2015.
- ⁹ Acuna. 3 May 2015.
- ¹⁰ Acuna. 3 May 2015.
- ¹¹ Moreno, Frede. Dean, Doctor of Public Administration, College of Public Administration and Development Studies, Western Mindanao State University, Zamboanga City. 11 May 2015.
- ¹² Acuna. 5 May 2015.
- ¹³ Ochotorena, Carla. Vice President for Academic Affairs, Western Mindanao State University, Zamboanga City. 19 June 2015.
- ¹⁴ Fortuze, Julio et al. "Best Practices for University-Industry Collaboration." *MIT Sloan Management Review*. 2010. Accessed 3 May 2015.