



## DEVELOPING FILIPINO ENTREPRENEURS: CASE-BY-CASE

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### ***Entrepreneurship in the Philippines***

The Philippines recently posted [7.1% economic growth, its fastest quarter in three years and the strongest in Asia](#). Despite its outperforming economy, however, the archipelago has not enjoyed a reputation for entrepreneurship. Is there reason for that to change?

According to recent studies, the answer is both ‘yes’ and ‘no.’ While it is true that this rising star of the Pacific has seen an uptick of entrepreneurialism, considerable challenges await Filipinos who try to launch their own enterprise.

In 2014, Global Entrepreneurship Monitor (GEM) delivered [a report on the state of entrepreneurship in the Philippines](#), a thick account of the entrepreneurial ecosystem. This report narrowed down the main determinants of entrepreneurial activity to two: 1) the country’s social values toward entrepreneurship; and 2) individuals’ psychology, demographic characteristics, and motivations. Among ASEAN (Association of Southeast Asian Nations) countries, Filipinos reported the strongest entrepreneurial intentions and perceived capabilities and opportunities.<sup>i</sup> They generally considered entrepreneurship a good career choice, one well supported within society. Moreover, Filipinos registered a lower fear of failure – often a significant barrier to entrepreneurial activity – than other nationalities in the region.<sup>ii</sup> These are positive indicators, especially paired with the country’s economic growth.

Ryan Evangelista of the Center for International Private Enterprise (CIPE) [put some numbers to these hopeful signs](#): “In 2011, there were approximately 830,000 business enterprises in the Philippines. Of these, 99.6 percent are classified as micro, small, and medium sized enterprises (MSME) which are responsible for 38 percent of total job growth.” Even though large firms create a lot more jobs, the high percentage of MSMEs indicates high entrepreneurial activity overall.

Where, then, do the challenges lie? The GEM report notes a main weakness of the entrepreneurial ecosystem: “poor provision of training aimed at expanding and sustaining businesses.” It goes on:

While many Filipinos have positive views about the prospect of becoming entrepreneurs because they believe they have the capabilities to match the opportunities and start businesses, their actual capabilities to continue and grow their businesses remain underdeveloped.<sup>iii</sup>

According to this, cultural support for entrepreneurship is not lacking – training is. Entrepreneurial spirit is only as useful as the skills to back it up.

Some key facts support this claim. Despite having a comparatively high rate of early stage entrepreneurship, the rate of businesses that survive at least 3.5 years in the Philippines is low, compared to its ASEAN peers.<sup>iv</sup> Moreover, among these same countries, it has the “highest business discontinuance rate.”<sup>v</sup> Finally, less than 1% of Filipino entrepreneurs “aspire to create 20 or more jobs within the next five years,” also one of the lowest rates among ASEAN countries.<sup>vi</sup> Taken together, this presents an underwhelming picture: few entrepreneurs actually sustain new enterprises, and even fewer create more jobs.

There are some explanations for this apparent contradiction in the ecosystem. One is the barrier to entry – the steps required to incorporate and legally register a new enterprise. The [2016 Doing Business Report](#) ranks the Philippines a poor 165 out of 189 countries for ease of starting a business. The barrier to entry disproportionately affects those looking to begin an MSME. But it is not the only challenge to entrepreneurship in the Philippines. Evangelista also cites “rule of law, physical and social infrastructure, domestic macro environment, and global macro environment; a level playing field, access to financing, and access to skill development and knowledge.”

### ***Entrepreneurial Education***

Of these challenges, however, “the biggest challenge the country faces in promoting entrepreneurship is to develop the capability and skills of Filipinos in starting and growing businesses”<sup>vii</sup> through formal and informal training – in other words, education. Education develops entrepreneurs’ abilities to succeed in business. But the education sector has serious work to do:

Although respondents rated the population as highly literate, and most entrepreneurs finished secondary or college education, training and entrepreneurial capacity building have not been given much attention in formal education. Education for the most part remains focused on training students to be employees.<sup>viii</sup>

Young Filipinos may be enthused to give entrepreneurship a try; they may even have tertiary education. But while these are important qualities, they do not indicate preparation to face the challenges associated with entrepreneurship in their local context. Quite often, they are not. Lacking practice at entrepreneurial know-how, problem-solving, or imagination, too many fledgling entrepreneurs watch their enterprises either fail or truncate.

### ***The Case Method***

It need not be so. Here, the right training can make all the difference. The case method, long a business school staple, can be deployed to develop entrepreneurial knowledge, skills, and attitudes – even from the formal classroom. According to Professor **John Branch**, one of the instructors who leads WDI workshops on case study pedagogy, “the case method is really the next best thing to learning on the job.” When skillfully taught, [cases “place students in the driver’s seat,”](#) building an entrepreneurial mindset and developing the kinds of problem-solving skills MSME owners need every day.

[Another report](#) confirms Branch’s insight: effective entrepreneurship education will immerse youth in the character and demands of entrepreneurship. In light of this, to put Philippines-based cases in the hands of educators across an array of disciplines is a key

way to support enterprise growth and smoothly transition graduates into the country's growing economy.

This is one of the foremost goals of the USAID-funded Science, Technology, Research and Innovation for Development (STRIDE) project. As part of the STRIDE project, the William Davidson Institute at the University of Michigan (WDI) has supported four Case Writing Workshops, with a fifth training to be held spring 2017. At these workshops, educators from a variety of fields learn from international experts on how to write locally-based cases and teach these cases effectively in their classrooms.

Following the workshop, authors work with WDI Case Publishing to publish their cases as part of the [Philippine Case Collection](#), available free of charge on [wdi-publishing.com](#). To date, WDI Case Publishing has published 64 Philippines-based cases (an additional 20 are expected to be published spring 2017). This collection offers a repository of connections between academy and industry and is multidisciplinary, with entrepreneurship factoring into many of the cases.

### ***WDI's Philippine Case Samples***

To explore local cases' potential for entrepreneurial education, let us spotlight four cases from the collection. These cases represent a cross-section of industries and scenarios a young entrepreneur might encounter in the Philippine ecosystem.

1) [ZipMatch.com](#). Philippines-grown ZipMatch.com is an "online real estate marketplace that connects buyers and sellers, offering trend information to buyers and generating leads for brokerage firms and property developers." It has done well, and has potential to grow – but where? When the student enters the case, ZipMatch.com's founder, John Dang, is considering either expanding to suburban and developing regions in the Philippines, or scaling his business into other Southeast Asia countries. To complete this case, students must identify roadblocks that could prevent Dang from achieving his goal before carefully recommending the best way forward.

This case sits at the intersection of two rising sectors in the Philippines: tech and real estate. Zipmatch.com is the kind of enterprise in view of the Small Enterprise Technology Upgrading Program (SETUP), which seeks to develop technology-based entrepreneurship through business incubator and technology park programs. Moreover, this case is one of the few focused on an established medium enterprise, rather than a new startup or micro or small enterprise. Students who undertake this case explore business expansion.

2) [Green Fields Coco Products](#). In this case, Ernesto Custodio began Green Fields Coco Products to create a new market for virgin coconut oil (VCO) products. Over the past two years, his sales have decreased rapidly. To stay in business, he has relied on sales of his product line of starter packages that help clients to process their own VCO. Instead of attending trade shows, he has been promoting his products through free online advertisements and e-mail. Custodio dreams about making it big on the international scene, but in order for Green Fields Coco Products to get there, Custodio needs a new promotions plan to create a sustainable future for the business and reach international markets. Students assigned this case are required to analyze the company's current marketing plan and its drawbacks before proposing ways Custodio can move his struggling company in the right direction.

Compared to other cases, this one focuses on a niche market: only four percent (4%) of Philippines entrepreneurs operate within agriculture, forestry, and fishing.<sup>ix</sup> Case pedagogy can

not only familiarize students with the main industries and their particular challenges; it can also expand students' minds about what kind of industry is possible to enter, and the challenges they can expect upon entering a new market.

3) [\*Lomi King\*](#). In this case, Fatima Lo runs Lomi King, a family-owned restaurant in Lipa City. She is considering expanding within Metro Manila, but like many MSME owners, she wonders how to operate multiple locations without sacrificing the eatery's high quality. It is already a daily challenge to manage her inventory of ingredients and her crew of ten – how could she possibly expand? Still, Lo wonders if business as usual will mean lost opportunities. Students assigned this case will analyze Lomi King's business plan, identify Lo's options, and propose one based on efficiency, economy, and profitability.

In the Philippines, eighty-three (83%) of entrepreneurs fall within the retail trade, hotel, and restaurant industries.<sup>x</sup> Lomi King thus illustrates the kinds of skills many future entrepreneurs will need in this ecosystem: how to analyze one's overall business plan; how to determine whether to expand operations; and how to maintain quality and smooth operations.

4) [\*Crossroads for a Young Entrepreneur\*](#). This case features a student, Jaap Bala, with a major life decision before him: upon his upcoming graduation, will he focus on the surprisingly successful food stall (Wings of Fame) he and his friends began on the side, or will he aim for a marketing manager job? If he stays with the food stall, what should he do to ensure its success? To make this decision, Bala needs to scrutinize Wings of Fame's state using SWOT analysis and other tools in light of market conditions. This case teaches students to assess a typical small business, and pushes them to understand the entrepreneurial ecosystem they themselves will soon enter – as if their futures depend on it.

Like Lomi King, this case focuses on the broader services industry, where most Philippine entrepreneurs work. Yet it also offers the rare chance for would-be entrepreneurs to conduct for themselves detached analysis on the risks and opportunities associated with running a venture versus working in more established sectors. This is invaluable experience for students about to enter the Philippine job market.

### **Conclusion**

These four diverse cases represent the case method at its most promising. When taught well, such cases harness the Philippines' entrepreneurial spirit, and bolster it with the skills that serve young people in new ventures. The Philippine Case Collection is a needed resource in the Philippines' upstart, high-growth economy.

Admittedly, it is difficult to quantify the impact that local cases have on entrepreneurial activities and their successes. But clearly local cases fill a clear need for training young entrepreneurs within the Philippines' entrepreneurial ecosystem. Home-grown cases, which feature MSMEs represented in the local market, are both practical and aspirational to young would-be entrepreneurs in a way that cases centered on multinationals are not. By demystifying what it takes to run a successful venture, and giving clear-sighted perspective on the kinds of challenges they can expect, local cases develop in students an entrepreneurial mindset (or "attitude"). [\*Mindset is increasingly recognized\*](#) as critical to successful entry into entrepreneurship. In the Philippines, developing entrepreneurial mindset can minimize businesses' discontinuation and truncation. Educators have an important role to play in instilling this kind of mindset. The case method provides one of the best ways to get there.

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<sup>i</sup> Velasco, Alda Licaros, Paulyne J. Castillo, Mitzie Irene P. Conchada, Brian C. Gozun, Gerardo L. Largoza, Junette A. Perez, and Emilina D. Sarreal. "Entrepreneurship in the Philippines: 2014 Report." Entrepreneurship: an emerging career path for Filipinos. Global Entrepreneurship Monitor, n.d. Web. 3 Jan. 2017. p. 11

<sup>ii</sup> *Ibid.*

<sup>iii</sup> *Ibid.*, p. 13.

<sup>iv</sup> *Ibid.*, p.12

<sup>v</sup> *Ibid.*, p.13

<sup>vi</sup> *Ibid.*

<sup>vii</sup> *Ibid.*, p. 18

<sup>viii</sup> *Ibid.*

<sup>ix</sup> *Ibid.*

<sup>x</sup> *Ibid.*