

ENTREPRENEURIAL COMPETENCIES OF MANAGERS IN THE FOOD INDUSTRY IN NORTHERN SAMAR, PHILIPPINES

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ABSTRACT

This study aimed to investigate the frequency manifestation of the entrepreneurial competencies among owners/managers and profitability of the food industry in Northern Samar and its impact on the firm's performance as ascertained by themselves and their employees with an end view of proposing an inputs for the design of a sustainable food business model towards the development of an entrepreneurial competency framework. Findings show that most of the entrepreneurs in Northern Samar have basic competence along leadership style that meets the needs of the employees. They are knowledgeable in formulating and carrying out an action in sequential order to achieve goals of their organization. These businessmen were courteous in dealing with others and can communicate and work well with people. They were competent enough to observe fairness and honesty in doing their business. They are encouraging ethical behavior by punishing negative actions and rewarding positive behaviors. This is something that makes their business thrive for the last decade.

Keywords

entrepreneurial competencies, food industry, Northern Samar

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I. Introduction

The business today is dominated by small and medium enterprises which consist more than ninety (90%) percent of the total number of establishments. These enterprises play a very important role and critical role in the economic and social development of the country. (SERDEF, 2007). It is imperative that attention must be given to the owners and managers of these enterprises for them to be better equipped in facing the challenges of this fast growing competitive business arena.

Entrepreneurship is considered to be the central determinants of SME performance by many people. Such claim is anchored on the precepts that entrepreneur plays a founding and dominant role in the development of business today. It is important that entrepreneurs understand the principles and processes involved in managing a venture successfully. A successful entrepreneur needs to be endowed with sets of skills, attributes and competencies that go beyond the commercial component of owning and managing a business. It is these attributes, this

way of thinking and behaving, that needs to be developed among the owners and managers of entrepreneurial ventures if they aim to thrive in this type of endeavor.

Despite the economic stability of Northern Samar, it is noted that many companies do not survive for long. According to the Department of Trade and Industry (DTI), one of the major challenges today is the dearth of competent owners/managers. Though there is no clear and accurate data to trace the SMEs that closed, it is common knowledge that many of these firms fails between the first two years of existence. The root cause of these failures are entrepreneurial incompetence and lack of experience, since all of the other factors essentially result from the two. Some of the controversial causes of failures related to the two general factors are: lack of strategic management, poor financial control, lack of inventory control, mismanagement, inappropriate action, and others.

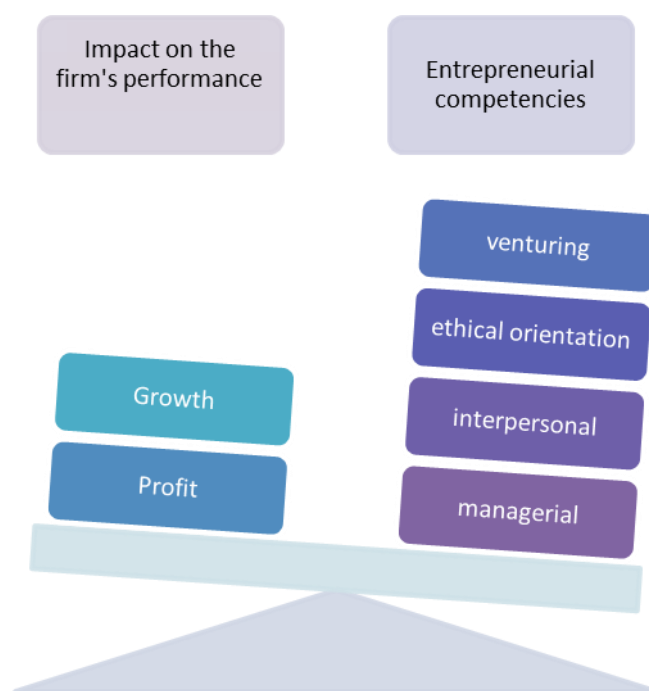


Figure 1. Owners/Managers in the Food Industry in Northern Samar

These are the common weaknesses that affects the survival rate of the SMEs in the food industry in Northern Samar. The place is plaque with serious problems attributed to the deficient entrepreneurial competencies among many of its owners/managers.

Hence, this study will assess the entrepreneurial competencies of selected owners/managers in the food industry in Northern Samar with the end view of proposing an intervention program.

Small to medium sized enterprises (SMEs) have been recognized as engines of economic growth and have been put in the development agenda and strategy of many developing countries, the Philippines for one. Recognizing the great contributions of SMEs to economic diversification, employment creation, income generation and poverty alleviation, many governments have been putting much effort and resources to promote the development of entrepreneurship and managerial capabilities of individuals who start business with little or no basic business management skills.

A great amount of financial resources is being lost on business ventures because of essentially avoidable mistakes and problems. Viviers *et al.*, (2001) noted that “the ideas were good and the people behind them were technically competent, but they do not have any clue on how

to run a business and worst, have no underlying appreciation of business management fundamentals.” In a nutshell, the most commonly cited cause of business failures is the inability of the owners/managers of SMEs to manage the enterprise as well, resulting from poor inadequate entrepreneurial competencies.

Competencies are viewed from two perspectives. The first is that competencies are the behaviors that an individual demonstrates; and second, competencies are considered as the minimum standards of performance (Strebler *et.al.*, 2009). Competence is seen as a description of something which a person who works in a given occupational area should be able to achieve, it is a description of an action, behavior or outcome which a person should be able to demonstrate (Cheng and Dainty, 2008). Competencies are not seen as the tasks of the job, but rather that which enables people to do the task. These can be described in terms of essential personal traits, skills, knowledge and motive of the employee that leads to superior managerial performance.

Moore, *et.al* (2010) opined that planning is an important component of the managerial competence of the manager/owner of an SME as it facilitates the assessment of the future, deciding what is likely to happen or what should happen. Furthermore, it provides the means to make the future as to how the owner/manager wants the business to be. For many entrepreneurs, planning pays off in many ways.

Five basic steps in the planning process that the owners/managers of SMEs undertake (Schermerorn, Jr. 2011):

- Define one's objectives – entrepreneurs need to identify outcomes or results in very specific way. They need to know where they want to go, be specific enough that one will know s/he has arrived when they get there, or know how far off the mark an entrepreneur is at various points along the way.
- Determine where one stands vis-à-vis the objectives set – the entrepreneur needs to evaluate current accomplishments relative to the desired results. S/he must now where they stand in attaining the objectives, identify the strengths that work in one's favor and the weakness that may hold one back.
- Develop premises regarding future conditions – the entrepreneur must anticipate future events. S/he has to generate alternative “scenarios” as to what may happen; identify for each scenario things that may help or hinder progress towards one's objectives.
- Analyze alternatives and make a plan – list and evaluate possible actions. The entrepreneur must choose the alternative most likely to accomplish his/her objectives; describe what must be done to follow the best course of action.
- Implement the plan and evaluate results. The entrepreneur needs to take action and carefully measure his/her progress toward objectives.
- Revise plan/s whenever necessary.

In MSEs, the way in which the various parts of the business are arranged is usually done in an informal manner. This is the case as the organizational structure tends to evolve with little conscious planning. It is common among SMEs that certain employees begin performing particular functions when the company is new and retain those functions as it matures (Moore, et.al, 2010). This natural evolution is not bad at all. Generally, a strong element of practicality characterizes these

types of organizational arrangements. The structure is forged through the experience of working and growing, rather than being derived from another firm's organizational chart. Unplanned structure is seldom perfect, however, growth typically creates a need for organizational change. Periodically, therefore, the entrepreneur should examine structural relationships and make adjustments as needed for effective teamwork (Williams, 2008).

An entrepreneur must design an integral management structure that defines relationships among all members of the organization. Relationships among the various positions should be determined to avoid overlapping responsibilities that invite conflict (Gartner, et.al., 2010). The plan should organize activities that will lead to business growth. Any unfilled positions should be specified, and job descriptions should spell out the duties of and necessary qualifications for such positions. Methods for selecting key people should be well articulated. This is done to ensure that the organizations will be able to man all its units/departments with qualified personnel.

Another important component of the managerial behavior competencies is the leadership qualities of the owner/manager of the venture. Effective entrepreneurial leaders care about their organizations and their people. They do not impose their solutions on their teams, exclude or suppress potentials. Rather, they encourage their staff to be creative and to find their own solutions to problems (Timmons, 2009). The authority of entrepreneurial leaders comes from their expertise and values rather than from their position, and they lead by example, empowering their teams and nurturing leaders at all levels. By so doing, they ensure that the organization is successful even when they are not around.

William (2008) opined that control been achieved when behavior and work procedures conform to standards and company goals are attained. Control is just an after-the-fact-process.

The control process begins with the establishment of standards, which are set through planning and goal setting. This is the evidence of the connection between planning and control. Planners translate goals into norms (standards) by making them measurable. A goal to increase market share for instance may be expressed as a projected monetary increase in sales volume for

the coming year. Such an annual target may, in turn, be broken down into quarterly target standards so that corrective measures can be taken early if performance begins to fall below the projected amount (Moore, et.al, 2010).

Traditionally, entrepreneurs have been viewed as individuals who work alone to achieve their objectives, managing in a somewhat autocratic manner. Increasingly, it is being realized that this is not the case, that the successful entrepreneur is not an autocratic leader but someone who can work with and through others to achieve his/her goals. In short, entrepreneur is a team worker (Belbin, 2009). As a team worker, an entrepreneur must have the ability to create a climate and spirit conducive to high performance, including rewarding work well done and encouraging creativity, innovation, initiative and calculated risk-taking.

In small organizations, the influence of a leader/owner/manager is more pronounced than it is in a large corporation, where leadership can become diffused. The owner/manager of a small company often faces moral challenges more directly, because he or she has more direct contact with customers, suppliers and employees than an executive in a large corporation who may have a management team to deliberate with. The personal integrity of the owner/manager is the key to a firm's ethical performance (Timmons, 2009). The dominant role of this one person gives him or her a powerful voice in shaping the ethical performance of the small company. Integrity is a business requires a supportive organizational culture. Ideally, every manager and employee should instructively resolve every ethical issue by simply doing what is right.

Another important component of ethical framework of a small business is its customers. They are obviously one of the most important stakeholder groups that a company regardless of size must please. The fact that customers are central to the purpose of existence of any business has implications for integrity. Entrepreneurs who take customers seriously and care about them as individuals are inclined to have more of them (Moore, et.al, 2010). In other words, an entrepreneur who is able to capitalize on integrity as a formula for business success will be able to treat its customers with care and eventually build strong relationships with them, ensuring the continued growth and existence of the firm.

Lastly, to most people, an ethical business is one that does not only treat customers and employees honestly, but also acts as a good citizen in its community. These broader obligations of citizenship are called social responsibilities. To varying degrees, companies have increasingly accepted responsibility to the communities where they do business. Their contribution starts with creating jobs and adding to local tax revenues, but many entrepreneurs feel a duty to give back even more to the community in return for the local support they enjoy – and they usually benefit from increased goodwill as a result.

Another factor involved in this study is the determination as to how the entrepreneurial competencies of the owners/managers of SMEs affect the performance of the business venture in terms of growth and profitability.

One of the main drivers relating to entrepreneurial behavior competencies is their supposed association with business performance in terms of growth, profitability, and sustainability. There are two underlying mechanisms through which competencies can affect performance (Chandler and Hanks, 2009); Baum, et.al., 2009). First, the more competence entrepreneurs choose to exploit better venture opportunities, the quality opportunity and the fit matter equally, the better is the chance of succeeding. Second, entrepreneurial competencies are related to venture strategy, the more competent entrepreneurs can formulate superior strategies that fit their business, the more likely the business will prosper.

One of the primary purposes of a business organization is to earn a profit. Many entrepreneurs consider the profitability of the firm as a measure of their success. Once started, the business often takes on a life of its own. This is not surprising because the bottom line of every owner/manager of an SME is to ensure that the operations of the business will result to a fair return on investment.

Entrepreneurs have the opportunity to define the level of profit that they seek. There are generally three levels (Katz and Green, 2007), to wit: supplemental profits which are intended as a secondary income for the owner/entrepreneur, who has another job which provides his or her main income; substitution profits which are intended to equal and replace the salary or wages the entrepreneur could draw working for someone else; success profits which represent income

levels higher than the person could make working for other. Because of the importance of doing well financially, financial results serve as a significant measure of organizational performance. The literature which has been reviewed has provided this researcher with the appropriate sense of direction.

Pansiri, et al., (2008) made a study to assess perceived critical managerial factors affecting performance of SMEs, show the direction and extent of relationship between these factors and firm characteristics among the entrepreneurs in African developing countries. The results revealed four managerial factors having significant impact on the performance of the SMEs. These were human resource development, organizational development, managerial background and managerial competency. These four constructs served as the bases for providing recommendations to the policy makers, business support providers and practitioners to identify, prioritize and customize training assistance programs.

The dimensions of entrepreneurial competencies and the respondents involved in this study differed from those of the investigations of other researches.

II. METHODOLOGY

This study was conducted in the Catarman Northern Samar which composed of 24 municipalities with Catarman as its capital. The province has a domestic airport which provides flights to Manila through Philippine Airlines. Northern Samar is becoming economically developed province in the years to come. The province is also experiencing an upsurge of tourist because of the availability of beach resorts and tourist spots in the nearby towns.

The town comprises university town because it is first state university in the Visayas where students enroll for tertiary education. The province is best known for UEP where students come from the different parts of Visayas. Because of this situation, business enterprises engaged in providing food and other forms of services are increasing in number. Most of these enterprises fall in the category of Micro-Enterprises and medium Enterprises (SMEs).

The respondents of the study will be the owners/managers of the food industry in Northern Samar and two of their employees who have been connected with the firm for three years. The companies will be selected from the list provided by the Department of Trade and Industry in Northern Samar Office. The bases of selecting the respondents will be based on the assets excluding land, and the number of employed personnel through random sampling of the different owners/managers in Northern Samar. They are clustered as small and medium scale enterprise based on their capitalization and assets owned.

Research Instrument

Entrepreneurial Competency Inventory. The questionnaire checklist which was patterned after the instrument of Alcano was used to measure the entrepreneurial competency inventory. This was in turn modified by the researcher, it contains 20 items.

The choice and the corresponding points are as follow:

Always	-	5
Usually	-	4
Sometimes	-	3
Rarely	-	2
Never	-	1

Impact Assessment Survey. This form was outlined to determine the impact of the exercise of the various entrepreneurial competencies in terms of the growth and profit goals of the firms. Each questions asked is followed by the number of possible responses.

Strongly Agree	-	5
Agree	-	4
Moderately agree	-	3
Disagree	-	2
Strongly disagree	-	1

Scoring and Interpretation

To determine the entrepreneurial competencies, the weighted mean was used. The means were classified as follows:

Entrepreneurial Competency Survey

	Score
Descriptive Rating	
4.96	- 5.00
Always (A)	
3.96	- 4.95
Usually (U)	

2.96 - 3.95	
Sometimes (S)	
1.96 - 2.95	
Rarely (R)	
1.00 - 1.95	
Never (N)	
Impact Assessment Survey	
Score	Descriptive Rating
4.96 - 5.00	
Strongly Agree (SA)	
3.96 - 4.95	
Agree (A)	
2.96 - 3.95	
Moderately Agree (MA)	
1.96 - 2.95	
Disagree (DA)	
1.00 - 1.95	
Strongly Disagree (SDa)	

Data Gathering Procedure

Permission to conduct the study was sought from the SME owners/managers of the food sector who are operating in Northern Samar. The nature and reason of the said study were elucidated so that full cooperation from the owners/managers will be attained.

The researcher personally administered the set of questionnaires following strictly the instructions therein. A research assistance, however, helped the researcher in retrieving the questionnaire.

Statistical Treatment of Data

The weighted mean of each item will be determined with the following formula applied:

Σfx

$\bar{X} = \frac{\Sigma fx}{n}$

Where:

- \bar{X} = weighted mean
- Σ = summation
- f = number of respondents under each case
- x = the weight assigned to the scales
- n = number of sample respondents

To determine the differences between the means of unequal sizes at 0.05 level of significant Fisher's t-test of difference was applied.

Where :

- X_1 = mean of first group
- X_2 = Mean of second group
- S_1 = Standard Deviation of the first group
- S_2 = standard Deviation of the second group
- n_1 = number of samples in the first group
- n_2 = number of samples in the second group

III. RESULTS AND DISCUSSION

Profile of the Business Owners

Table 1 shows the educational attainment of the business ownership. It shows that majority of the respondents were in college level. Only 21 or 28 percent were able to graduate from college.

Table 1. Educational Attainment

Education	f	%
Post Graduate	2	2.67
College Graduate	21	28.00
College Level	38	50.67
High School Graduate	14	18.67
Total	75	100.00

The years in the business is presented in Table 2 and it shows that almost half (37 or 49%) of the entrepreneurs have been in the business

from 7 to 10 years only. Only 13 have been in the business for more than a decade.

Table 2. Years in the Business

Years in the business	f	%
11 years above	13	17.33
7 to 10 years	37	49.33
4 to 6 years	17	22.67
3 years below	8	10.67
Total	75	100.00

Table 3 shows the business categories of the businesses in terms of capitalization. It shows that

majority (58 or 77%) of the business have capitalization of less than 2 million.

Table 3. Business Category in terms of Capitalization

Business Category	f	%
Small (P1 million – P2 million)	58	77.33
Medium (P3 million – P15 million)	17	22.67
Total	75	100.00

Table 4 shows that more than half of the businesses considered in this study were restaurants (58 or 77%). This is followed by

restobar with 8 or 10.67 percent. Other businesses were café with 3 (4%) and resort with 6 or 8%.

Table 4. Nature of Business

Nature of Business	f	%
Café	3	4.00
Restaurant	58	77.33
Restobar	8	10.67
Resort	6	8.00
Total	75	100.00

As to the number of employees, it shows that 39 or 52% of the businesses employ 10 to 99

employees. Only four of them employ more than 100 workers who run their business.

Table 5. Number of Employees

Number of Employees	f	%
1 to 9 employees	32	42.67
10 – 99 employees	39	52.00
100 – 199 employees	4	5.33
Total	75	100.00

Almost half of the business owners (37 or 49.33%) ran another business before their current business. Only 18 or 24% were employees in

other private companies while 13 or 17 percent were government employees before deciding to put up their business.

Table 6. Profession before current business

Profession Before Current Business	f	%
I ran another business doing similar work	37	49.33
I was an employee in other private business	18	24.00
I was an employee in the government	13	17.33
I was an overseas worker	7	9.33
Total	75	100.00

Most of entrepreneurs wanted to be their own boss. This is the reason why they ventured into

their current business. Fifteen of them could not find any work so it prompted them to put up their own business.

Table 7. Reason for Engaging in the Current Business

Reason for being in the business	f	%
I want to be my own boss	33	44.00
I can work when and how I want	13	17.33
I can't find any work	15	20.00
I don't have skills for other kind of work	14	18.67
Total	75	100.00

More than half of the entrepreneurs (46 or 61.33%) owned the business address. Only 29 or 38.67 percent are renting the place.

Table 8. Ownership of business address

Ownership of business address	f	%
Owned	46	61.33
Rented	29	38.67
Total	75	100.00

Entrepreneurial competencies of business owners or managers

Table 9 shows the extent of manifestation of managerial competence of the respondents. It shows that most of the respondents are basically

competent in managing the business (2.68). This means that they have basic competence along leadership style that meets the needs of the employees (3.24) and in formulating and carrying out an action in sequential order to achieve goals.

Table 9. Extent of Manifestation of Managerial Competencies

Extent of Manifestation of Managerial Competencies	Weighted Mean	Interpretation
Adopt leadership style that meets the needs of the employees.	3.24	Competent
Formulate and carry out an action in sequential order to achieve goals.	3.20	Competent
Ensure that information is distributed to all relevant parties	3.11	Competent
Share responsibility with others.	2.55	Competent
Lead people from various levels.	2.53	Competent
Stimulate and inspire others.	2.13	Less competent
Manage innovation process.	1.99	Less competent
Mean	2.68	Competent

In terms of interpersonal competence, Table 10 shows that most of the respondents were competent with a grand mean of 3.07. This means that majority of the respondents were courteous in dealing with others and can communicate and work well with people.

Table 10. Extent of Manifestation of Interpersonal Competencies

Extent of Manifestation of Interpersonal Competencies	Weighted Mean	Interpretation
Courteous in dealing with others.	3.51	Very competent
Communicate and work well with people.	3.42	Very competent
Develop close and trusting relationship with others.	3.23	Competent
Use humor to make others feels at ease.	3.14	Competent
Show genuine concern for the welfare of all the people.	3.08	Competent
Work toward reaching a resolution that is acceptable to all parties.	2.88	Competent
Respect dissenting opinions.	2.22	Less competent
Mean	3.07	Competent

Extent of Manifestation of Ethical Orientation Competencies	Weighted Mean	Interpretation
Observe fairness and honesty in doing business.	3.21	Competent
Encourage ethical behavior by punishing negative actions and rewarding positive doings.	2.84	Competent
Behave consistently in accordance with the ethical and moral mandate of the company.	2.43	Less competent
Very particular in building good reputation for the business.	2.43	Less competent
Keep sensitive information to myself.	2.33	Less competent
Comply with legal provisions in doing business.	2.24	Less competent
Promote goodwill inside and outside the firm.	2.15	Less competent
Mean	2.52	Competent

In terms of venturing competencies, most respondents are competent with a grand mean of 2.73. This means that the entrepreneurs behave consistently in accordance with the ethical and moral mandate of the company (3.52). They keep sensitive information to themselves (3.31) and they are very particular in building good reputation for the business (2.93).

Table 11. Extent of Manifestation of Venturing Competencies

Extent of Manifestation of Venturing Competencies	Weighted Mean	Interpretation
Behave consistently in accordance with the ethical and moral mandate of the company.	3.52	Very competent
Keep sensitive information to myself.	3.31	Very competent

Very particular in building good reputation for the business.	2.93	Competent
Encourage ethical behavior by punishing negative actions and rewarding positive doings.	2.82	Competent
Promote goodwill inside and outside the firm.	2.21	Less competent
Comply with legal provisions in doing business.	2.21	Less competent
Observe fairness and honesty in doing business.	2.14	Less competent
Mean	2.73	Competent

Impact of the above mentioned entrepreneurial competencies

The impact of respondents' competencies was measured in terms of growth and profit and is presented in Table 12 and 13. In terms of growth

assessment, Table 12 shows that most of the respondents were less competent when it comes to growth assessment. This means that most of the business did not expand in terms of outlet. They also have not increased their employees to accommodate customers.

Table 12. Growth Assessment

Growth Assessment	Weighted Mean	Interpretation
Increase in market share is attributed to the increasing number of clients.	3.12	Competent
The company has additional product lines.	2.88	Competent
Acquired additional tools, equipment's and machineries.	2.54	Competent
The number of supplies has tripled for the past 2-3 years.	2.23	Competent
The number of employees has increased for the past three years.	1.83	Less competent
The company has expanded terms of more outlets.	1.13	Not Competent
Mean	2.44	Less competent

In terms of profit assessment, Table 13 shows that most of the business owners are competent in determine the profit in their business (2.74). This means that most of them have

increased their sales due to a bigger number of clients. Their profit growth was achieved steadily for the last three years.

Table 13. Profit Assessment

Profit Assessment	Weighted Mean	Interpretation
Increase in sales due to a bigger number of clients.	3.23	Competent
Profit growth has been attained steadily for the past three years.	3.11	Competent
Production and other related expenses are within the budget.	2.43	Less competent
Reduction of cost due to operational efficiency.	2.18	Less competent
Mean	2.74	Competent

IV. conclusion

Findings show that most of the entrepreneurs in Northern Samar have basic competence along leadership style that meets the needs of the

employees. They are knowledgeable in formulating and carrying out an action in sequential order to achieve goals of their organization. These businessmen were courteous in dealing with others and can communicate and work well with people. They were competent enough to observe fairness and honesty in doing their business. They are encouraging ethical behavior by punishing negative actions and rewarding positive behaviors. This is something that makes their business thrive for the last decade.

It is good to note that the entrepreneurs behave consistently in accordance with the ethical and moral mandate of the company. They keep sensitive information to themselves and they are very particular in building good reputation for the business. This is one of the characteristics that would make their business grow and survive for a period of time.

The competency however of the entrepreneurs in doing business does not necessarily reflect when it comes to growth assessment. Most of the businesses did not expand in terms of outlet or product coverage. They also have not increased their employees to accommodate customers' demand. Does it mean that local entrepreneurs cannot grow to the level big companies or corporations in the cities? This is probably one of the issues that another study could investigate on.

In terms of profit assessment, most of the business owners are competent in determining the profit in their business. This means that most of them have experience increased in their sales due to a bigger number of clients. Their profit growth was achieved steadily for the last three years. This growth however is not enough to expand their business to be competitive with big companies in the region. Perhaps bigger capitalization is necessary to catapult the local businesses.

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