

10th National Convention on Statistics (NCS)
EDSA Shangri-La Hotel
October 1-2, 2007

**The Characteristics of Selected Micro Entrepreneurial Ventures:
A Vital Tool Towards Success**

by

Lorraine B. Ngaosi and Gladys M. Navarro

For additional information, please contact:

Author's name : Lorraine B. Ngaosi
Designation : Faculty
Affiliation : Saint Louis University
Address : Bonifacio St., Baguio City, Philippines
Telefax. no. : (06374) 442-2842
E-mail :

Co-author's name : Gladys M. Navarro
Designation : Faculty
Affiliation : Saint Louis University
Address : Bonifacio St., Baguio City, Philippines
Telefax. no. : (06374) 442-2842
E-mail :

The Characteristics of Selected Micro Entrepreneurial Ventures: A Vital Tool Towards Success

by

Lorraine B. Ngaosi¹ and Gladys M. Navarro²

ABSTRACT

The study focused on the relationship between the characteristics of selected micro-entrepreneurs and the indicators of enterprise success. The characteristics of micro entrepreneurs were: personal factor (age when business started, gender, educational attainment, birth order); financial factor (initial capitalization); marketing factor (promotional tools); and the management factor (planning, organizing, leading, controlling). While enterprise success was measured in terms of sales, expenditures and personal and family expenses.

The descriptive method was utilized in the study. Triangulation by means of questionnaire, key informants' interview, focus individual discussion (FID), and the researcher's observation provided solid information for the data analysis. The Gamma (γ) and Lambda (λ) measures of association were applied to test the hypothesis. The study was conducted on 45 micro-entrepreneurs who were in the business for more than three (3) years from the City of Baguio and Benguet Province.

I. Introduction

Entrepreneurship has become the catchword of our time (Kao, 1995, p. x1). It has become so much familiar and popular that almost every person can readily relate to and identify with. Hence, it is significantly intertwined with our daily lives—our day- to-day existence.

The 21st century is truly the age of the entrepreneur (Scarborough and Zimmerer, 2000, p.1). People around the globe are slowly and substantially engaging themselves into business. Transcending gender, age, race, language and religion, men and women, young and old alike are all captivated by the prestige, benefits and gains in terms of profit and income that entrepreneurship would try to offer.

Undeniably, many people today envision themselves becoming successful entrepreneurs. Making an enterprise successful, however, requires a high degree of effort in an environment where consumers are becoming more and more difficult to satisfy (Edralin, 1998, p. 1). Nevertheless, entrepreneurial success is often highly correlated with entrepreneurial characteristics, managerial processes and effective support systems—the three dimensions deemed to collectively determine business success (Kanungo, 1998, p. 314)

¹ Faculty, Saint Louis University, Baguio City

² Faculty, Saint Louis University, Baguio City

With the dawning of the third millennium characterized mainly by globalized trading system and the predominance of the revolutionary information technologies- this scenario is where the real challenge is for entrepreneurial persons and organizations. On how well entrepreneurs and business organizations respond to the demands of the globalized markets and the fierce competition of business firms in the so called "borderless world"-is both a challenge and an opportunity. A challenge, for today the entrepreneur who used to develop and market his products locally, is now faced with local competition not anymore with his fellow Filipino businessmen themselves but more so with imported products and services now made available in the local market. An opportunity, mainly because there is a lot of room for innovation, ventures creation, strategic position, and business alliances and partnerships.

Truly, the 21st century is the "age of the entrepreneur" the opportune time for outward looking, and quality conscious entrepreneurs. There is really no such thing as a "true entrepreneurial profile". Entrepreneurs come from variety of educational backgrounds, family situations, and work experiences. A potential entrepreneur can be male or female, or any race or nationality (Hisrich and Peters, 1998, p. 67). It is through this premise that the researcher undertakes this study to establish a common denominator from the selected entrepreneurs of Baguio City and Benguet Province. The researcher is interested to know if there such a profile of entrepreneurs who are involved in varied types or kinds of businesses in Baguio City and Benguet Province.

II. Conceptual Framework

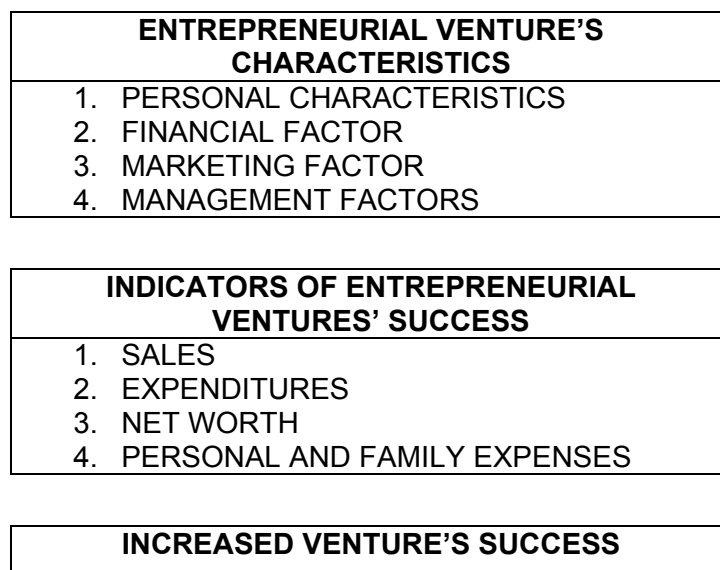
The concept of being an entrepreneur has changed and has evolved. The entrepreneurs were once born, not made, as classicist would argue. What is emerging today is a class of professional entrepreneurs who rely upon their brains than their guts-and who have been trained to use both methods and technology to analyze, soon interpret the features of the present business environment (Dolinger, 1999, p. 9).

Indeed, the performance of rural enterprise is often highly correlated with several entrepreneurial characteristics, managerial processes, and effective support systems. These three dimensions are deemed necessary to collectively determine enterprise success (Kanungo, 1998, p. 314).

Successful entrepreneurs and their firms seem to come in different shapes and sizes, but they appear to share some common characteristics, which are related to their personal qualities and integrated management of the firm in the context of a dynamic and competitive business environment (Edralin, 1998, p.4). Similarly, many management researchers believe that it requires a certain special type of personality to be successful entrepreneur (Dollinger, 1998, p. 209).

The two most common approaches used in researching the characteristics of entrepreneurs are the trait and demographic approach. In the former method, the trait approach, the entrepreneur is assumed to be a particular personality type whose characteristics are key explaining entrepreneurship as a phenomenon. While on the other hand, the demographic approach, some demographic information are used to arrive at a profile of a typical entrepreneur assuming that people with similar background possess similar underlying stable characteristics (Kanungo, 1998, p. 25). In this study, the researcher wants to know how demographic factors such as age, gender, educational attainment, and birth order affect the business success.

Figure 1: Conceptual diagram



III. Sample Population

The study was conducted on 45 selected micro-entrepreneurs, who were business for more than three (3) years, from the city of Baguio and Benguet Province.

The purposive sampling was used to choose the entrepreneurs included in the sample. In this study, the criteria set to screen the respondents were: (1) if entrepreneur's initial capitalization was not above Php 150,000.00; and (2) if he/she started business not beyond year 2002 or if he/she was operating business for three (3) years and above.

IV. Methodology

The descriptive method was utilized in the study. Triangulation by means of questionnaire, key informants' interviews, and Focus Individual Discussion (FID) provided solid information for the data analysis.

The Gamma (γ) and Lambda (λ) measures of association were used to determine the association between the entrepreneurial venture's characteristics and indicators of enterprise success.

The hypothesis tested is: *There is no significant association between the entrepreneurial venture's success among the Baguio-Benguet micro-enterprise as to: personal characteristics, financial factor, marketing factor and management factors.*

V. Findings

Association between the Entrepreneurial Venture's Characteristics and the Indicators of Enterprise Success

The following were the findings on the association between the Entrepreneurial venture's characteristics and the indicators of enterprise success.

Personal Characteristics and the Indicators of Enterprise Success

The Gamma (γ) measure of association reveals that the sales, expenditures, net worth and personal and family expenses being indicators of enterprise success do not vary in terms of the age when business started, educational attainment, and birth order. Further, the Lambda (λ) measure of association shows that there is no distinctive pattern exists between gender and the indicators of enterprise success. Thus, there is no significant association between the personal characteristics and the indicators of enterprise success.

Table 1: Summary Table of Statistical Result of the Association Between Entrepreneurial Venture's Characteristics and Indicators of Enterprise Success

Entrepreneurial Venture's Characteristics and Indicators of Enterprise Success	STATISTICAL MEASURE				
	γ/λ Value	Interpretation	p -value	Findings	Decision
Age when business started and sales	0.23	Low Positive Association	0.24	Not Significant	Accept Ho
Gender and Sales	0	No association			
Educational Attainment and Sales	0.43	Moderate positive association	0.21	Not Significant	Accept Ho
Birth Order and Sales	0.14	Low Positive Association	0.61	Not Significant	Accept Ho
Age When business started and Expenditures	0.25	Moderate positive association	0.45	Not Significant	Accept Ho
Gender and Expenditures	0	No association			
Educational Attainment and Expenditures	0.41	Moderate positive association	0.13	Not Significant	Accept Ho
Birth order and Expenditures	0.18	Low Positive Association	0.52	Not Significant	Accept Ho
Age when business started and net worth	-0.14	Low Negative Association	0.68	Not Significant	Accept Ho
Gender and net worth	0	No association			
Educational Attainment and Net worth	0.04	Low Positive Association	0.89	Not Significant	Accept Ho
Birth order and net worth	0.17	Low Positive Association	0.53	Not Significant	Accept Ho
Age when business started and personal and family expenses	-0.08	Low Negative Association	0.8	Not Significant	Accept Ho
Gender and personal and family expenses	0	No association			
Educational attainment and personal and family expenses	-0.1	Low Negative Association	0.76	Not Significant	Accept Ho
Birth order and personal and family expenses	0.18	Low Positive Association	0.86	Not Significant	Accept Ho
Initial Capitalization and sales	0.33	Moderate positive association	0.26	Not Significant	Accept Ho
Initial Capitalization and expenditures	0.44	Moderate positive association	0.11	Not Significant	Accept Ho
Initial capitalization and Net worth	0.17	Low Positive Association	0.58	Not Significant	Accept Ho
Initial capitalization and personal and family expenses	0.12	Low Positive Association	0.69	Not Significant	Accept Ho
Promotion and sales	0.5	High Association **			

Promotional and Expenditures	0.51	High Association **			
Promotion and Net worth	0.23	Low Positive Association			
Promotional and Personal and family expenses	0.3	Moderate positive association			

Initial Capitalization and Indicators of Enterprise Success

The data on the initial capitalization and the indicators of enterprise success reflect a not significant association. The null hypothesis that there is no significant association of the indicators of success among Baguio-Benguet entrepreneurs as to the initial capitalization is accepted.

Marketing Factor and the Indicators of Enterprise Success

It is known that sales are increased or enhanced through strategies of promotion. The product is better known if sellers adopt promotional tools. The assumption that with promotional tools, sales tend to increase is necessarily true in this case. Discounts, words of mouth, joining trade fairs among others are promotional tools used to improve sales received by the firm. The statistical result supports the assumption. The computed Lambda coefficient of $\lambda = 0.50$ shows a high association between sales and the promotion. This result reveals that promotional tools are high boosters of sales and this is further confirmed by cases of entrepreneurs attaining success because they take pains to promote their products. No matter how small the operation of the business is, promotion is an important tool to be competitive in the market.

In the local genre, the Peshoppe story points out that promotion is important. "We throw cool parties with celebrities and known models. We organize concerts, high fashion shows and launch high profile marketing activities" (Liu, 2004, p.11). Entrepreneurs painstakingly promote their products to increase sales. Promotion is not limited to high-end businessmen but an interview with the respondents reveal that they believe in promoting their products at least once a year. Ebes (1994) made a study on the impact of trade fairs sponsored by DTI as promotional tools for small entrepreneurs who cannot afford to advertise in more expensive medium like print and televisions. She recommended that small-scale enterprise should join trade fairs to help promote their products and, therefore, boost their sales.

It is also known that using promotional tools adds up to the firm's total expenditures. Thus, the more promotional tools used the higher the firm's expenditures. The data proved this notion. The data shows a distinct pattern of dissimilarity of expenditures among entrepreneurs given promotional tools. The Lambda coefficient of $\lambda = 0.51$ indicates a high association. The association means that entrepreneurs are likely to incur any of the expenditures levels as they try to utilize more promotional tools.

Ebes (1994) pointed out in her study that most of the entrepreneurs have limited geographical coverage due to lack of promotional mechanisms. She noted that half of her respondents do not attend trade fairs held outside of Metro Manila where although it allows them the venue to meet foreign institutional buyers. To the entrepreneurs, they see trade fairs as expensive particularly when they cannot negotiate good prices for their products.

Management Factors and Indicators of Enterprise Success

Table 2 below presents the association between the management factors and the indicators of enterprise success.

The Gamma (γ) test shows a coefficient of 0.38 indicating a moderate positive association between planning and sales. Though the Gamma test predicts only 38% of the association, the p -value of 0.01, which is lesser than the 0.05 level of significance, permits the null hypothesis to be rejected. This means that the sales of the enterprise vary in terms of the planning function of management. This suggests that sales of the entrepreneurs are dependent on the planning function. The more the entrepreneurs exercise planning function is an indicative of higher sales. Resurreccion and Vinuya (1997) offer that systematic planning and monitoring measure the competency of the entrepreneur to run a business. As a careful planner, the entrepreneur sets what are to be accomplished and meticulously assesses how the accomplishment of today can contribute to the long-term goals of the enterprise. The test result runs parallel to Siropolis' (1997) claim that one of the reasons why businesses succeed or fail is planning. In an interview with the respondents, they agree that every decision that the entrepreneurs make is guided by calculated and careful planning.

Likewise, the data reveals that there exists a significant association of expenditures by the micro-enterprises as to planning function of management. The gamma coefficient of 0.35 expresses a moderate positive association. Though the gamma tests predicts a modest 35% of the association, the p -value of 0.01, which is lesser than 0.05 level of

significance, permits the rejection of the Ho. There exists a significant association of expenditures by the micro-enterprises as to the planning function of management. The study confirmed that majority of the entrepreneurs carefully plan to keep their expenses within calculated risk.

Table 2: Summary Table of Statistical Result of the Association Between Management factors and Indicators of Enterprise Success

Entrepreneurial Venture's Characteristics and Indicators of Enterprise Success	STATISTICAL MEASURE				
	Y Value	Interpretation	p-value	Findings	Decision
Planning and sales	0.38	Moderate positive association	0.01	Significant	Reject Ho**
Organizing and Sales	0.02	Low Positive Association	0.89	Not Significant	Accept Ho
Leading and Sales	-0.02	Low Negative Association	0.93	Not Significant	Accept Ho
Controlling and Sales	0.04	Low Positive Association	0.88	Not Significant	Accept Ho
Planning and Expenditures	0.35	Moderate positive association	0.01	Significant	Reject Ho **
Organizing and Expenditures	-0.03	Low Negative Association	0.86	Not Significant	Accept Ho
Leading and Expenditures	-0.03	Low Negative Association	0.86	Not Significant	Accept Ho
Controlling and Expenditures	0.13	Low Positive Association	0.59	Not Significant	Accept Ho
Planning and Net worth	0.2	Low Positive Association	0.17	Not Significant	Accept Ho
Organizing and Net worth	0.17	Low Positive Association	0.28	Not Significant	Accept Ho
Leading and Net worth	-0.19	Low Negative Association	0.23	Not Significant	Accept Ho
Controlling and Net worth	-0.05	Low Negative Association	0.84	Not Significant	Accept Ho
Planning and Personal and Family expenses	0.07	Low Positive Association	0.63	Not Significant	Accept Ho
Organizing and Personal and Family Expenses	0.31	Moderate positive association	0.03	Significant	Reject Ho **
Leading and Personal and Family Expenses	-0.22	Low Negative Association	0.16	Not Significant	Accept Ho
Controlling and Personal and Family expenses	-0.13	Low Negative Association	0.59	Not Significant	Accept Ho

Furthermore, the study reveals that only organizing, among the four management functions, proved to be significantly varying with personal and family expenses. With the

adoption of organizing function, personal and family expenses tend to rise. This is substantiated by the Gamma test. The Gamma coefficient of $\gamma = 0.31$ reflects a moderate association. The p -value of 0.03 is less than $\alpha = 0.05$, hence, the H_0 is rejected. This indicates that there is a significant association of personal and family expenses among entrepreneurs as to organizing.

In an interview with the respondents, the researcher found out that majority of the entrepreneurs failed to hire workers but their personal and family expenses still differ. This is quite surprising. This may be partly explained by the observation that entrepreneurs use for their family the supposed salary of a hired help.

VI. Insights

The following were the learning of the researcher from this study:

1. This study confirmed that there is no such thing as “true entrepreneurial profile” as Hisrich and Peters contend. Thus, a potential entrepreneur could be young or old, male or female, first born or not. A person may venture into business at whatever age he or she feels ready in terms of ideas and financial.
2. Most researches stated that entrepreneurs are often first born. Baguio-Benguet entrepreneurs are inclusion of previous researches and studies. Through the interviews conducted, the researcher learned that first born are given the responsibility to look after the needs of the family. Owning a business is an alternative in providing means for the family.
3. The planning function of management proved to be important in the operation of the business. **Entrepreneurs need to be life long learners.** A potential entrepreneur needs to make researches about the business he/she intends to operate. In addition, he/she should regularly seek information.
4. It is important to cement linkage with government and private agencies, to be informed of possible activities or projects regarding promotions, planning and organizing.
5. The results of the study bring interesting possible topics for future research.

References

- Dollinger, Marc J., (199). *Entrepreneurship Strategies and Resources*, (2nd edition). New Jersey: Prentice Hall, Inc.
- Edralin, Divina M., (1998). *Entrepinoy Paths to Successful Entrepreneurship*, Philippines: De La Salle University Press, Inc.
- Hisrich, Robert D., and Peters, Michael P., (1998). *Entrepreneurship*, 4th Edition, USA: Irwin McGraw-Hill
- Kanungo, Rabinda N., (1998). *Entrepreneurship and Innovation*, New Delhi: Sage Publications India Ptv Ltd
- Kao, Raymond W.K., (1995). *Entrepreneurship: A Wealth-Creation and Value-Adding Process*, Singapore: prentice Hall, Simon & Schuter (Asia) Pte Ltd
- Liu, Bernie Hing. (2001). Pioneering Business Leadership: The Peshoppe Story. In Aurelio Periquet Foundation (ed.). *Leaders Unlimited*. Pp. 9-15.
- Resurreccion, Angelita B., and Viduya, Dotsie. (1997). Entrepreneurial Qualities. *Introduction to Entrepreneurship* (pp. 83-96). Philippines: Small Enterprises Research and Development Foundation.
- Scarborough, Norman and Zimmerer, Thomas, (2000). *Effective Small Business Management: An Entrepreneurial Approach* (6th edition). New Jersey: Prentice Hall, Inc.
- Unpublished Materials
- Ebes, Emmeline B. (1994). *"The Market Encounter Program of DTI: Some Effects on Selected Industries in Baguio City"*, (Unpublished Master's Thesis, Saint Louis University)