

Factors of Competitiveness, Organizational Performance and Financial Performance in Asean Integration Among Micro, Small and Medium Enterprises in Davao Del Sur

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Abstract: 30 MSMEs assisted by DOST under SETUP in Davao del Sur is presented. Innovation advantage and customer value advantage were the essential factors of competitiveness. Entrepreneurial orientation, strategic marketing, and strategic finance were the essential factors of organizational performance. Satisfaction growth, return on investment, and improving living standards were the essential factors of financial performance. Innovation advantage and entrepreneurial orientation were significant factors that affect satisfaction growth. Innovation advantage and strategic finance were significant factors that affect the return on investment (ROI) and entrepreneurial orientation, strategic marketing, and customer value advantage were significant factors that affect the improved life standard of MSMEs in Davao del Sur.

Keywords: MSMEs, Competitiveness, Organizational and Financial Performance

I. INTRODUCTION

The Association of Southeast Asian Nations (ASEAN) is a regionally-based international organization with ten members. ASEAN was created on August 8, 1967, with five members, namely: Thailand, Singapore, Malaysia, Indonesia, and the Philippines. In addition to the five original members, Brunei joined in 1984, Vietnam in 1995, Laos and Myanmar in 1997, and Cambodia in 1999. The ten country members have a total population of half a billion people and a combined Gross Domestic Product of some 700 billion vs. the dollar. ASEAN has been successful in reducing the level of tariffs operating in the region and as part of the 2020 ASEAN vision, the countries of the organization committed themselves to create an ASEAN Economic Community, which will be the year 2020 be a single economic market in which free movement of goods and services will take place, easier movement of capital and promotion of investment (Bajao, 2015).

In the Philippines, as being part of ASEAN integration, minimal attention from the Philippine business has been focused on the markets of ASEAN. The mindset of Philippine businessmen and managers must change, by looking at ASEAN as a domestic market while keeping the United States, Europe, and China as export markets, strategies should correspondingly change for the Philippines to meet the

challenges of businesses from other ASEAN countries locating in the Philippines and to seize the opportunities provided by the huge market in other ASEAN countries.

The researcher believed that the factors associated with the competitiveness, organizational performance, and financial performance are essentials in ASEAN Integration and these were the subject matter of the study. The essence of the study was to provide a clearer mindset of MSMEs readiness about the ASEAN market. Thus, this study is being proposed.

II. METHODS

This study was conducted to the managers and owners of 30 MSMEs in the particular areas in the province of Davao del Sur namely: Sta. Cruz, Digos, Bansalan, Magsaysay, Matanao, Hagonoy, Kiblawan and Padada. A multiple regression analysis was used to determine the factors of competitiveness, organizational performance, and financial performance in ASEAN integration among Micro Small and Medium Enterprises in Davao del Sur. This study used the personal administration of the survey form supplemented with a one-on-one interview.

III. RESULTS AND DISCUSSION

Factors of Competitiveness

Table 1 shows the factors of competitiveness of MSMEs. Results disclosed that the factors of competitiveness of MSMEs in descending order include Customer value advantage, Innovation advantage, Cost leadership and Time management quality.

The result implies that advantages of customer value and innovation were the two (2) important factors of MSMEs Competitiveness in the industry. It shows that the ability to offer customer benefits or customer realization to a greater degree and the employment of advanced technologies and product innovation are essentials for the business to survive in the competition.

Table 1. Factors of Competitiveness Affecting MSMEs

Factors	Std. Deviation	Means
Customer value advantage	.49827	4.60
Innovation advantage	.77385	4.23
Cost leadership	.88668	4.20
Time management quality	.66176	4.10

Factors of Organizational Performance

Table 2 shows the factors affecting the organizational performance of MSMEs. Results disclosed the top five (5) essential factors which include Strategic finance, Strategic marketing, Strategic operations, Strategic flexibility and Entrepreneurial Orientation.

Strategic finance refers to the ability of the business to create profit for the business and focuses on long-term gain. Strategic marketing refers to the ability of the business to create a plan to better reach and satisfy customers while increasing profitability and productivity.

Strategic operations refer to the business has plans specifying how an organization will allocate resources to support infrastructure and production. Strategic flexibility refers to the business can effectively adapt in a fast-changing environment, and to the uncertainty or unpredictability in the new competitive and Entrepreneurial Orientation refers to the business' ability to engage in product market innovation, undertake somewhat risky ventures, and being the first to come up with proactive innovations, beating competitors to the punch.

The result implies that it is essential for the business to create profit focusing on long-term gain.

The strategy would include creating plans to better reach and satisfy customers while increasing profitability and productivity on specifying how an organization will allocate effectively the resources to support infrastructure and production to adapt in a fast-changing environment.

This could also be done through the product in terms of product-market innovation, undertake somewhat risky ventures, and being the first to come up with proactive innovations, beating competitors to the punch.

The other non-essential factors at present among microenterprises of DOST assisted projects to include, from the bottom: skills, knowledge, and resources, product standard, international experience and training, competitive capabilities in the domestic market and global mindset.

This could be attributed to the very start, DOST and other government agencies have been assisting them. Capability and capacity building training was provided.

Table 2. Factors of Organizational Performance of MSMEs

Factors	Std. Deviation	Means
Strategic finance	.50855	4.50
Strategic marketing	.50855	4.50
Strategic operations	.67466	4.40
Strategic flexibility	.78492	4.27
Entrepreneurial orientation	.88474	4.10
Imitative capability	.96431	3.97
Strategic human resource	.91287	3.83
Motivation for going international	.77385	3.43
Commitment of owners	.72397	3.40
Global mind set	.60648	3.33
Competitive capabilities in the domestic market	.74664	3.17
International experience and training	1.43579	2.07
Product standard	1.41624	1.83
Skills, knowledge and resources of the firm	1.39168	1.83

Factors of Financial Performance

Table 3 shows the factors affecting the financial performance of MSMEs. Results disclosed the top essential factors which include Satisfaction of business growth, Improved life standard and Improved Return on Investment.

The result also disclosed that some businesses in the Davao del Sur cannot increase the number of employees from the start of the business, the ability to keep the best and the most talented people and keeping turnover/sales from the business.

This could be attributed to the size of the business and capitalization.

Unattractive salaries and wages are also factors that they cannot keep the best and the most talented people.

Keeping turnover/sales high from the business is likely caused by stiff competition and increasing competitors.

Table3.Factors of Financial Performance Affecting MSMEs

Factors	Std. Deviation	Means
Satisfied business growth	.50742	4.47
Improved life standard	.66868	4.37
Improved Return on Investment (ROI)	.55605	4.37
Improved income level	.60648	4.33
Growth of personal income	.59596	4.30
Improved Return on Assets (ROA)	.65126	4.30
Improved savings capacity	.58329	4.27
Improved net profit earnings	.83045	4.00

Growth in turnover over competitors	.80872	3.97
Growth in turnover/sales from business	.76489	3.97
Able to keep talented people	.60648	3.33
Able to increase number of employees	.76489	3.03

Factors Affecting the Satisfaction Growth of Business

Table 4 shows the factors of competitiveness and organizational performance affecting the satisfaction growth of business among MSMEs in Davao del Sur. Entrepreneurial orientation and innovation advantage were significant predictors of competitiveness and organizational performance in satisfaction growth.

The result implies that for every unit shift on entrepreneurial orientation including a unit shift on innovative advantage would tend to increase the satisfaction growth of MSMEs.

Entrepreneurial Orientation (EO) is one (1) of the factors affecting organizational performance. It is a firm's behavioral tendency, managerial philosophy, or decision-making practice that is characterized by innovativeness, pro-activeness, and willingness to take risks (Wilkund, 2017).

The study showed that the dimensions of (EO) are related in different ways to the performance of functions in a firm. There is a positive relationship is observed between innovativeness and pro-activeness and marketing and sales performance. A negative relationship exists between risk-taking and production performance. The results also show a sequential positive relationship from R&D via production and marketing and sales to the overall performance of firms. Therefore, it is concluded that the R&D, production, and marketing and sales functions reinforce each other in a logical order and are complementary in their effect on overall firm performance (Rezaei and Ort, 2018).

Innovation advantage is one (1) of the factors of competitiveness. It refers to the cumulative competitive advantage that a company derives from its ability to continuously create, demonstrate, and deliver more strategically innovation value to more customers more often than its competition. To gain and sustain an innovation advantage, an organization must continuously out-innovate their competition in three innovation advantage imperatives.

Create Value- think products, services, and even business models; Demonstrate Value- think sales and marketing in the broadest sense); and Deliver Value-think operational excellence via all delivery methods (Newman, 2020).

Table 4.Factors Affecting the Satisfaction Growth of Business of MSMEs

Factors	df	R ²	Beta	F_value	p_value
Coefficient			2.221		
	2	.711		33.188	

Residual	27				
Entrepreneurial orientation			.550		.002
Innovation advantage			.343		.044

Factors Affecting Return on Investment of MSMEs

Table 5 shows the factors of competitiveness and organizational performance affecting the return on investments (ROI) of MSMEs in Davao del Sur. Innovation advantage and strategic finance were significant predictors of competitiveness and organizational performance on the return on investment (ROI).

Strategic Finance is one (1) of the factors affecting organizational performance.

It provides long-term planning for on-going growth and development (<https://www.teampay.co>) and it is about creating profit for the business and ensuring an acceptable return on investment (ROI).

Table 5.Factors Affecting the ROI of MSMEs

Factors	df	R ²	Beta	F_value	p_value
Coefficient					
	2	.578	.962	18.460	
Residual	27				
Innovation advantage			.435		.008
Strategic finance			.423		.010

Factors Affecting the Improved Life Standard

Table 6 shows that entrepreneurial orientation, strategic marketing, and customer value advantage were significant predictors of competitiveness and organizational performance in improving living standards.

The result implies that for every unit shift on entrepreneurial orientation including a unit shift on strategic marketing would tend to much more improve the life standard of MSMEs. But, the less focus of the customer value advantage would tend to less improve the life standard of MSMEs.

Table 6.Factors Affecting the Improved Life Standard of MSMEs.

Factors	Df	R ²	Beta	Fvalue	p_value
Coefficient			2.092		
	3	.632		14.884	
Residual	26				
Entrepreneurial orientation			.760		.001
Strategic Marketing			.497		.006
Customer value advantage			-.489		.028

IV. CONCLUSION

Based on the results and findings of the study, the researcher concludes that:

1. More of the products manufactured by Micro Small and Medium Enterprises (MSMEs) assisted by DOST under SETUP in Davao del Sur was sold locally; only a very small fraction was exported in the ASEAN market.
2. Innovation advantage and customer value advantage were the essential factors of competitiveness.
3. Entrepreneurial orientation, strategic marketing, and strategic finance were the essential factors of organizational performance.
4. Satisfaction growth, return on investment, and improving living standards were the essential factors of financial performance.
5. Innovation advantage and entrepreneurial orientation were significant factors that affect satisfaction growth.
6. Innovation advantage and strategic finance were significant factors which affect the return on investment (ROI) and
7. Entrepreneurial orientation, strategic marketing, and customer value advantage were significant factors that affect the improved life standard MSMEs in Davao del Sur.

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