

# Professionalizing Small Medium Scale Creative Enterprises in The Philippines

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*Abstract- Philippines' small medium enterprise (SME) has a promising potential in the creative economy. It is presumed that in professionalizing the business would provide growth and sustainability. However, some industries have a tendency to grow faster than others and depend on the creativity of people and development of new technologies, whereas new products generate more profit. In response to this problem, this study proposes to investigate the state of Philippine Creative SME towards professionalization. It will frame the needs of these creative industries and how can it be developed further. A self-assessment survey is given out to business owners of creative small medium enterprises. The study magnifies on the disparity of creative SME in terms of professionalization in varying factors.*

*Indexed Terms- Creative Economy, Small Medium Enterprise, Professionalization*

## I. INTRODUCTION

The Small-Medium Enterprises (SMEs) plays an important role in one's economy across the globe. In the Philippines, the SMEs represent 99.6 percent of all businesses registered in the country and employ 69.9 percent of the total labour force. In addition, they account for 32 per cent of the country's gross domestic product. (Leano, 2004).

In January 1, 1991, the Magna Carta for Small Enterprises was signed into law in the Senate of the Philippines. It was amended by the "Magna Carta for Micro, Small and Medium Enterprises (MSMEs)". RA 6977, as amended by RA 8289, and further amended by RA 9501) According to the R.A.9501, Micro, Small and Medium Enterprises (SME) refers to any business activity within the major sectors of the economy, namely: industry, trade, services, including the practice of one's profession, the operation of tourism-related establishments, and agri-business,

which for this purpose refers to any business activity involving the manufacturing, processing, and/or production of agricultural produce, whether single proprietorship, cooperative, partnership or corporation. It also includes business with total assets, inclusive of those arising from loans but exclusive of the land on which the particular business entity's office, plant and equipment are situated, must have value falling under the following categories: (1) Micro: not more than P3,000,(2) small: P3,000,001 - P 15,000,000, and (3) medium: P15,000,001 - P100,000,000.

SME's faces many challenges as a business entity. According to Yusoff & Wahab (2018), the importance of small medium enterprises (SMEs) contribution to the nations' economies in the world is an undebatable fact. Supports from the Government are never fading with huge allocations of budget every year, but registering high failure rate. In the practical implications the economic contributions small businesses are the new creative industries is widely acknowledged while in the part of sector shows high business birth rates, the business failure rate is high, and it remains a concern for policy makers. (Champion, 2011) This forms one of the main challenges for SMEs to be, and to remain sustainable. To achieve that, one of the possible changes that can be implemented is to professionalize the business.

Professionalization describes (1) education, training, and other activities that transform a worker into a professional and (2) social processes by which an occupation becomes a profession. (National Research Council, 2013). Initially, the professionalization term was mainly related with occupational groups that master and apply specialized knowledge.

Professionalization has been viewed as a significant step toward the business continuity and renewal. It crucial in creating innovative solutions to new issues that can be encountered by the organization. The

understanding of professionalization requires a holistic and integrated view. (Sandu, 2019).

Historically, professionalization has had one or more of the following goals: (1) to establish standards that enhance the quality of the workforce; (2) to regulate workers whose jobs can affect the health, safety, or property of others; (3) to enhance public trust and confidence; (4) to enable compliance with regulatory or legal requirements; (5) to enhance the status of an occupation; (6) to establish a monopoly or otherwise regulate the supply of labor to advance the interests of its members; (7) to guide the behavior of practitioners in the field, especially when it comes to morally or ethically ambiguous activities; or (8) to establish and standardize roles (and the associated knowledge, skills, and abilities) and pathways so as to better align supply and demand, increase awareness of career paths, and facilitate recruitment and retention by employers. However, different disciplines may vary in achieving the goals mentioned above. It is important to fully understand the nature of the business.

The creative economy is one of the most dynamic sectors of the global economy with a powerful transformative force for socioeconomic development. The Philippine creative industries have consistently shown promise in the past few years with its consistent growth, as indicated by the modest increases in the gross domestic product (GDP) generated by creative and cultural industries. The contribution of the industry to GDP based on the World Intellectual Property Organization (WIPO) 1999 figures was 3.84%; this rose to 4.82% in 2003 and to 13.8% in 2006 (Forbes, 2010). The creative economy deals with the interface between economy, culture, technology, and social aspects. Having creativity as the main driver, the sector is concentrated around products and services bearing creative content, cultural value and market objectives. Creative goods and services are resilient products for they rely on ideas, knowledge, skills and the ability to seize new opportunities.

Specifically, the creative economy poses different challenges compared to other types of businesses. “Many of our creative entrepreneurs are driven out of business due to their inability to compete, to cope with production deadlines or manage issues relating to finance, personnel, operations and even government

compliances.” (Masigan, 2019) Many Creative SME’s are successfully in the initial steps however, they fold when they encounter the challenges of further growth. J. Howkins (2007), in his first edition of *The Creative Economy* released in 2001, has stated that creative industries are the core of the creative economy. According to Howkins, the world has been divided by digital technologies and at the same time creativity is dividing the world, though not in terms of people being creative but their talent to express creativity through marketable products. Howkins has systemized creative industries into fifteen sectors and the list became one of the most popular standards of evaluating and expressing economic values in the global, national or local environments both in developed and developing countries. Creative Industries according to United Nations Conference on Trade and Development (UNCTAD) are set into different categories, specifically on heritage, arts, media and functional creations. Heritage includes traditional cultural expressions like art, crafts festival and celebrations. It may also include cultural sites such as historical monuments, museums, libraries, archives etc. Meanwhile, in the arts, visual arts and performing arts are considered under it.

The third cluster is the media that grouped into 3 sub clusters which are publishing and printed media, audio-visuals and new media. The publishing sub-cluster includes books, newspapers, and other publications. The audio-visuals are films, television, and radio broadcasting. It also covers new media like digitized content software, video games, animation, and others.

Lastly, the functional creation that includes design that are functional in nature. It may be in design which includes interior, graphic, fashion, jewelry and toys. The second sub-cluster of the functional creations is the creative services wherein architecture, advertising, creative research and development, cultural services and digital services etc.

## II. METHODOLOGY

This paper is a qualitative type of research. Research Methodology for the study includes interviews and survey questionnaire that have an open question that will not limit the information that is given. Aside from

the data gathering methods mentions, literature review was also essential in the study.

### III. RESULT

#### *Leadership*

Majority of the respondents answered that they set their organization's vision and values. This to set a standard to promote a quality of service. Also, it provides communication and direction to the employees. There are also some that doesn't have their vision and values stated. The promotion of ethical behavior in all interactions are mostly set by example either by the owner or other managers. Moreover, a few numbers of respondents have a formal employee orientation.

#### *Strategy*

When it comes to the strategic planning, there those that involves the business partners in partnership and corporation proprietorship. There also some with family members involvement given that the business is family owned. However, some enterprise has opened the strategic planning with everyone. The key strategic objectives at identified was 1) financial stability, 2) high quality/ value of products, 3) meeting the deadline and 4) further expansion.

#### *Customers*

The Creative SME, given the subjective nature of the business, customer satisfaction, dissatisfaction, and engagement are determined through client feedback. These feedbacks can either be delivered personally or through their respective social media site. A positive indicator are the referrals form the clients with good reviews. Service/product offerings are determined through client's needs, and whatever is the latest trend. It may also be linked to the availability of equipment and resources.

#### *Measurement, Analysis and Knowledge Management*

The evaluation of a successful project of a Creative SME in the Philippines in highly reliant on the client in terms of feedback and repeat projects. In terms of using knowledge and resources to embed learning in the way the organization operates varies in methods. There are those that utilize mentorship or one-on-one teaching through immersion. Another is reliant on the hands-on experience to learn.

#### *Workforce*

The organizational culture that is characterized by open communication, high performance, and an engaged workforce are fostered and alleviated with an open-communication and proper level of authority. Further learning is usually gained through exposure to the actual job and some with workshops and seminars.

### IV. DISCUSSION

Creative SMEs can be generalized lacks basic standardization, guidelines and protocols with the business side of the organization. It leaves the leaders of the enterprise to prioritize delivering the product or rendering the service. To professionalize SMEs there should be an in depth understanding of the external and internal factors.

In the area of measurement, analysis and knowledge management, training and education has not been a priority among the Filipino creatives; and for those who have undergone additional training, it appears those related to artistic development and culture/art/heritage pedagogies are already being provided by academic institutions, arts organizations and government agencies (via formal and non-formal education); but training related to managing creative businesses or finances and other technological know-how seem to be uncommon in the country, leaving most creatives feeling unprepared for work in their chosen industry. These findings are similar to those in Bennett and Hennekam's (2016) study. Mostly rely on the exposure on the actual situation that can be a problem in terms of the quality of the output.

External factor in professionalizing these enterprises relies on the support by giving much value to the creative industries. Another is the awareness on the existing government programs and agencies. One agency that can be of big help is the Department of Trade and Industries' Center for International Trade Expositions and Missions (CITEM). The Center for International Trade Expositions and Missions (CITEM) is the export promotion arm of the Philippine Department of Trade and Industry (DTI). CITEM is committed to developing, nurturing, and promoting globally competitive small and medium enterprises (SMEs), exporters, designers, and manufacturers by implementing an Integrated

Approach to Export Marketing in partnership with other government and private entities. The agency has various programs that caters to the needs of the creative enterprise like events such as Manila Fame and Create Ph. Given the difference of the small medium enterprises to big companies, it cannot easily match the level of organization and professionalization. However, steps in professionalism can take one step at a time.

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