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Status and Conditions of Community-Based Micro, Small, And Medium Enterprise (MSMEs) In Dumaguete City: Basis for MSMEs Management Model

Ma. Rosalina A. Besario, CPA, Ph.D.[1], Adelina V. Balatayo, DM-HRM[2], Christian A. Diaz, DM-HRM[3]

[1] Program Chair, Accountancy, College of Business Administration, Negros Oriental State University
[2] Faculty, College of Business Administration, Negros Oriental State University
[3] Program Chair, Office Administration, College of Business Administration, Negros Oriental State University

Abstract

This study examines the status and conditions of community-based Micro, Small, and Medium Enterprises (MSMEs) in Dumaguete City, focusing on organizational structure, operational challenges, and business performance. MSMEs, constituting 99.6% of registered businesses in the Philippines, play a crucial role in employment generation. However, persistent issues such as limited financing, inadequate strategic planning, and operational inefficiencies hinder their growth. This study employs McKinsey's 7S Model, evaluating Structure, Strategy, Systems, Skills, Staff, Style, and Shared Values within organizations.

A quantitative research design was adopted, incorporating surveys and interviews with MSME owners and managers. SERVQUAL was utilized to assess service quality, while Structural Empowerment Theory evaluated management effectiveness. Data analysis included statistical tests to determine relationships between MSME profiles and business outcomes.

Results indicate that business experience, asset size, workforce composition, and strategic planning significantly influence MSME sustainability and growth. However, gaps in management skills, technology adoption, and resource allocation hinder operational efficiency. Aligning business strategies with market demands remains a challenge, affecting competitive advantage.

The study concludes that addressing internal inefficiencies through a structured MSME Management Model can enhance business resilience. Recommendations include forming strategic alliances, strengthening supplier partnerships, and implementing targeted training programs. Additionally, policy support and financial accessibility are critical to fostering MSME development. These findings contribute to discussions on MSME sustainability and provide actionable insights for policymakers and industry stakeholders.

Keywords: MSMEs, MSME Management Model, McKinsey's Model,

1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in the economic development of the Philippines, contributing significantly to employment generation and economic growth. Through Republic Act 8289, known as the Magna Carta for Small Enterprises, the government has implemented various initiatives to support MSME development. However, despite these efforts, MSMEs face challenges such as limited access to financing, inadequate technical capacity, and difficulty in market expansion. Previous studies have examined these issues, but gaps remain in understanding the internal organizational dynamics affecting MSME performance. This study seeks to address these gaps by analyzing the status and conditions of MSMEs in Dumaguete City, providing a structured approach to identifying areas for improvement, and proposing a comprehensive MSME Management Model.

This study is anchored on McKinsey's 7S Model, which evaluates organizational effectiveness based on seven interdependent factors: Structure, Strategy, Systems, Skills, Staff, Style, and Shared Values. By applying this Model, the study aims to assess the internal conditions of MSMEs and their impact on business sustainability. A quantitative research approach will be employed, utilizing surveys and interviews with MSME owners and managers to gather data. The study will also incorporate insights from relevant literature, including theories on strategic management and business performance, to frame the analysis.

The findings of this study are expected to provide a clear understanding of the current conditions of MSMEs in Dumaguete City, highlighting key challenges and areas for improvement. The proposed MSME Management Model will serve as a strategic framework to enhance business operations, improve competitiveness, and foster sustainable growth. Additionally, the study's results will support policymakers in crafting targeted interventions to strengthen MSMEs, ensuring their continued contribution to economic development and job creation.

2. Methodology

This study utilized quantitative methods. They were primarily used to extract essential data from the survey, key informant interviews, and participant observation to assess the MSME proprietor's or owner's demographic profile and the MSMEs' business profile. It evaluated the extent of conditions in MSMEs using McKinsey's 7S Model regarding structure, strategy, skills, staff, style, systems, and shared values. The locale of the study was the selected community-based Micro, Small, and Medium Enterprises (MSMEs) engaged in retail business in the province of Negros Oriental registered in the Department of Trade and Industry (DTI).

3. Results and Discussions

1. Demographic Profile of the MSME Proprietor/Owner

Table 1.1 Gender Profile

Gender	Frequency	Percent
Female	11	55.00
Male	9	45.00
Total	20	100.00

Table 1.1 shows the gender profile of the respondents. The majority are females, with almost half of the respondents being males. The above results conform to the data published by Statista Research Department last June 21, 2021, about gender demographics within the leading industries in the Philippines' micro, small, and medium enterprise (MSME) sector as of 2018. The survey revealed that around 88 percent of entrepreneurs engaged in the retail or wholesale industry in the MSME sector were women.

Rai (2021) argues that women's entrepreneurship directly impacts income, employment, and capital formation while indirectly benefiting household resource allocation. He added that women entrepreneurs benefit not just from support but also from creating jobs. It is estimated that around 28,000 Women Small Medium Enterprise (WSMEs) in the Philippines tend to employ more women than businesses run by men. Therefore, increasing the number of women entrepreneurs in the Philippines will increase the rate of paid employment among women (Investing in Women- The University of Sydney, 2017). However, in the findings of Raj (2011), he said that women form a category of "forced" entrepreneurs seeking to supplement their family incomes. A larger share of the women workforce belongs to low-income families or lower-middle-income groups.

Table1.2 Educational Background Profile

Education	Frequency	Percent
High School Graduate	2	10.00
College Level	4	20.00
College Graduate	14	70.00
Total	**20**	**100.00**

Table 1.2 reveals the educational background profile of the respondents. The majority are college graduates, with close to one-fourth of those with a college-level background, with high school graduates as the lowest. It reflects that education is considered necessary for entrepreneurship and business success. Although higher education cannot be essential for all types of business, it is related to success in the more promising ventures: the medium and large-scale enterprises or those planned to grow to such heights (Daodu, 2007). Intellectual experience facilitates the implementation of the work performed and adequately creates the capacity and expertise for better use than owners' businesses with a lower formal educational background (Rustiana, 2019).

Likewise, Amesi (2014) concluded that educational attainment makes successful entrepreneurs learn in the real world by being action-oriented, encompassing activities like trial and error and problem-solving and discovering (Rae & Carswel, 2000).

Table 1.3. Marital Status Profile

Marital Status	Frequency	Percent
Single	7	35.00
Married	13	65.00
Total	**20**	**100.00**

Table 1.3 shows that three or sixty-five percent of the population were married. Businesses run by couples are an essential social and economic phenomenon. These businesses are widespread and represent a distinct form of business; they can be large corporations or home-based businesses, make large or small revenues, and the couples running them can have high or low levels of education (El Shoubaki et al., 2022). However, the study conducted by Day (2017) revealed that the professional performance of top executives or CEOs and money managers was influenced by distractions originating in their life events. Because human attention is naturally limited, major life events, such as marriage or divorce, can have detrimental effects on the professional performance of a business executive and, therefore, on the firm performance. Hilary et al. (2017) confirmed that firms headed by a single CEO display higher earnings management than those headed by a married CEO when they examined the effect of CEO marital status on the riskiness of financial reporting. The result is economically significant.

Table 1.4 Business Experience in Years

Business Experience in Years	Frequency	Percent
5 Years Below	3	15.00
6-10 Years	2	10.00
11-15Years	6	30.00
16-20 Years	3	15.00
21 Years and Above	6	30.00
Total	**20**	**100.00**

The results in Table 1.4 show that MSME respondents have varied business experiences ranging from five to twenty-one years. Business experience is the skills and experiences gathered in past dealings before starting MSMEs. Specific skills and previous work experience can give an upper edge in entrepreneurship. Although there is a need to put in time and effort, prior skills and experiences can help MSMEs advance. Staniewski's (2016) findings show that entrepreneurs with managerial experience, influential entrepreneurs in the family, unique knowledge, and whose employees have the remarkable ability to obtain higher mean scores in the general indicator of entrepreneurial success. Given the table, entrepreneurs whose employees have special knowledge over the years achieve tremendous entrepreneurial success. The results may help both people intending to start a business and organizations granting funds to companies as they facilitate the estimation of one's chances for success.

2. Business Profile of the MSMEs

Table 2.1 Asset Profile

Assets in Pesos	Frequency	Percent
Less than 1,000,000.00	4	20.00
1,00,000.00-10,000,000	14	70.00
Greater than 10,000,000	2	10.00
Total	**20**	**100.00**

The results in the preceding table reveal that fourteen or seventy percent of the total MSMEs have a real asset of one million to one hundred million pesos. With this, it can be argued that assets are essential for any MSMEs as they allow them to gain profit, improve their business value, and keep them up and running. So, if MSMEs can accurately describe their asset records, they can quickly determine their business's financial status. Financial assets, such as savings, deposits, investments in equity, shares, and bonds, form an essential part of the overall wealth of MSMEs and are an indispensable source of revenue, either through the sales of these assets or as a source of property income. Pension entitlements are only included if they relate to funded employment-related schemes, which may affect cross-country comparability to a considerable extent (OECD, 2022).

Table 2.2 Type of MSME Profile

Type of MSMEs	Frequency	Percent
Single Proprietorship	15	75.00
Corporation	5	25.00
Total	**20**	**100.00**

Sole Proprietorship MSMEs are one of our country's most seen business types. With a registration process that defines the meaning of the word simply, it is no big wonder that entrepreneurs choose to pick proprietorship as their business type when starting solo. Table 2.2 depicts that most MSMEs are owned and run by individuals. It indicates no legal distinction between the owner and the business. SMEs are often single proprietors; sometimes, the owner may be the sole employee. It may also apply to producing one product or providing only one kind of service. "Small" in the context of MSMEs in the Philippine setting refers to businesses whose workforce number is between 10 and 199, and their assets range from P3 million to P10 million (Ronquillo, 2021). The characteristics of a sole proprietorship are that owners are inseparable from the business. That proprietor provides the initiative, controls the business, and retains all the profit. The challenge of a sole proprietorship is "decision-making" and management control. Hence, a lack of requisite skills and knowledge poses daunting impediments to the growth of the business (Oden, n.d.).

Table 2.3 Number of Employees Profile

Number of Employees	Frequency	Percent
1-20 Employees	14	70.00
21-40 Employees	2	10.00
61-80 Employees	1	5.00

100 Above Employees	3	15.00
Total	20	100.00

Small and Medium Enterprises (SMEs) play a significant role in most economies, particularly developing countries. SMEs account for most businesses worldwide and contribute to job creation and global economic development. They represent about 90% of companies and more than 50% of employment worldwide. Based on this, results in Table 2.3 display that seventy percent of the surveyed MSMEs have employed one to twenty personnel. Supporting this finding, the Department of Trade and Industry (DTI) 2020 MSME Statistics results enumerated that MSMEs generated 5,380,815 jobs or 62.66% of the country's total employment. It produced the most significant share (29.38%), followed by small enterprises (25.78%), while medium enterprises were far behind at 7.50%. Meanwhile, large enterprises generated 3,206,011 jobs, or 37.34% of the country's overall employment (Oden, n.d.) SMEs are also more likely to hire from groups with lower chances of finding work, such as young people, older workers, and less-skilled workers (ILO, 2019).

Table 2.4. Type of Machinery

Type of Machinery	Frequency	Percent
Cellphone/Computers/Laptop	8	40.0
Production Machineries/Equipment/POS	12	60.0
Total	**20**	**100.0**

It has been observed that with the increasing competition due to the liberalization of the economy, the survival and growth of the MSEs are critically dependent on their modernization and timely machinery up-gradation. Due to a lack of awareness of the quality standards and access to modern technologies, many MSEs continue with outdated plants and machinery, losing the race with peer companies of the same segment in the market. Table 8 results disclose that sixty percent of MSMEs used modern technologies and equipment as part of their investments. As expected, investing in new technology can reduce costs and improve profitability. It drives innovation, which means better products for the customers, leading to increased sales and revenue. Having access to the latest technology can empower staff and improve employee satisfaction. Employees can use technology to work efficiently and productively and for a forward-thinking organization at the cutting edge of technology. Radu (2015) emphasized that technological innovation is instrumental in creating new forms of value in a competitive environment such as the current economic, social, and political world. It favors creating new products that are accepted and sold worldwide, with a competitive price and quality. The public and the business enterprise expenditure should support technological innovation.

Table 2.5. Years of Existence as MSME

Years of Experience	**Frequency**	**Percent**
5 Below Years	4	20.00
6-10 Years	1	5.00
11-15 Years	5	25.00
16-20 Years	3	15.00
21 Years and Above	7	35.00

Total	20	100.00

Every business goes through four phases of a life cycle: startup, growth, maturity, renewal or rebirth, and decline. They understand to what degree it can make a massive difference in the strategic planning and operations of the business. Results in Table 2.5 show that fifteen MSMEs exist for eleven and above. These MSMEs have evolved to exploit new trade opportunities, technologies, and consumer demands. Most small businesses take at least 2 to 3 years to become profitable and genuinely successful once they have hit the seven- to ten-year mark. Most small businesses take years to become successful, despite some overnight success. Statistics show successful small businesses are built over years, not months. Building the fundamentals of a small business can take about a year, but most small businesses take at least two to three years to reach profitability. According to the U.S. Small Business Administration (SBA), around 66% of all new businesses make it to the two-year mark, and only half of all companies have survived in the past five years. The early years of any newly started business are unpredictable; even one that makes all the right moves can fail (Morgan, 2022).

Maverick (2021) said that profitability and growth are essential for a company to survive and remain attractive to investors and analysts. Profitability is critical to a company's existence, but growth is crucial to long-term survival.

3. Extent of Conditions of MSME using McKinsey's Model

Table 3.1 Extent of Conditions of MSME using McKinsey's Model -Strategy

Aspects	Mean	Confidence Interval	Standard Deviation	Verbal Description
Vision and Mission				
1. Existence of Documented Vision and Mission of the MSME	2.25	2.25 ± 0.04	1.37	Low & Homogeneous Responses
2. The degree to which the vision and mission of the MSME are well understood across the organization.	2.20	2.20± 0.02	1.28	Low & Homogeneous Responses
3. Existence of business plan including a justification for the investment	2.35	2.35 ± 0.05	1.42	Low & Homogeneous Responses
Overall	**2.27**	**2.27± 0.04**	**1.36**	**Low & Homogeneous Responses**
Goals/Objectives				
4. Existence of carefully defined goals of the MSME	2.30	2.30± 0.02	1.38	Low & Homogeneous Responses
5. Existence of measurable goals of the MSME	2.35	2.35± 0.03	1.42	Low & Homogeneous Responses

6. The degree to which goals of the MSME are well understood across the organization.	2.30	2.350± 0.02	1.38	Low & Homogeneous Responses
7. Existence of carefully defined scope	2.35	2.35± 0.03	1.42	Low & Homogeneous Responses
8. Established realistic and achievable milestones of the MSME	2.30	2.30± 0.05	1.38	Low & Homogeneous Responses
Overall	**2.32**	**2.32± 0.03**	**1.40**	**Low & Homogeneous Responses**
Strategic Plans				
9. The degrees to which information technology systems of the firm support the strategic goals of the firm	2.30	2.27± 0.03	1.38	Low & Homogeneous Responses
10. Existence of continuous and up to date strategic plans	2.30	2.35 ± 0.02	1.38	Low & Homogeneous Responses
11. Existence of written guidelines to structure strategic plans in the organization	2.25	2.35 ± 0.03	1.37	Low & Homogeneous Responses
12. The degree to which top management is involved in strategic plans	2.35	2.35 ± 0.04	1.35	Low & Homogeneous Responses
13. Existence of inputs from all functional areas in the strategic plans.	2.20	2.35 ± 0.02	1.24	Low & Homogeneous Responses
Overall	**2.28**	**2.28± 0.03**	**1.34**	**Low & Homogeneous Responses**
Composite Mean	**2.29**	**2.29± 0.03**	**1.37**	**Low**

Legend:

Weighted Means Range of Values	***Verbal Descriptions***
1.00-1.79	***Very Low***
1.80-2.59	***Low***
2.60-3.39	***Moderate***
3.40-4.19	***High***
4.20-5.00	***Very High***

Strategic planning is a vital function of an organization's management that helps set priorities, allocate resources, and ensure everyone works towards common goals and objectives. However, two essential tools are needed for strategic planning to be effective – a vision and a mission statement. These serve as a guide for creating objectives and goals in the organization, thus providing a roadmap to everyone. Unfortunately, despite the importance of vision and mission statements, many MSMEs do not have them. In other cases, the two ideas are lumped together or used interchangeably despite their distinctive differences, creating confusion in the organization. Thus, the results in Table 3.1 confirm that most respondents perceived that their MSMEs have a "low" strategy regarding Vision and Mission, Goals and Objectives, and Strategic Plans.

Moreover, to interpret the standard deviations (SD), the following criteria set by Cohen & Berry (2001) were adopted. A standard deviation less than 3.00 denotes close clustering of the observations about the mean. It implies greater homogeneity of the values in each data set. A standard deviation greater than or equal to 3.00 means a wide scattering or spreading out of the observations about the mean, indicating more significant heterogeneity of the values in each data set. The study further states that data collection with greater homogeneity could also be classified as a relatively homogeneous data set. It means that values within the set are close to each other. Additionally, a set of data with a greater degree of heterogeneity could also be classified as a relatively heterogeneous set of data, which means that values within the set are far from each other. Thus, the standard deviations in Table 3.1 indicate the MSMEs' responses (responses are close to each other).

Moreover, a confidence interval gives an estimated range of values likely to include the population parameters or the population means, the estimated range being calculated from a given set of sample data. For example, as shown in Table 3.1, the composite confidence interval is 2.29± 0.03 @ 95% confidence level, which means that the actual population means ranges from 2.26 to 2.32. Finally, the composite means of 2.29 is taken only from the sample of this study, which does not reflect the mean of the entire population of MSMEs.

Table 3.2 Extent of Conditions of MSME using McKinsey's Model -Structure

Aspects	Mean	Confidence Interval	Standard Deviation	Verbal Description
Formalization				
1. The degree to which rules and procedures are documented.	2.45	2.45±0.03	1.54	Low & Homogeneous Responses
2. The degree to which rules and procedures are made known to all employees	2.50	2.50±0.02	1.61	Low & Homogeneous Responses
3. The degree to which rules and procedures are considered in the decision making	2.35	2.35±0.01	1.42	Low & Homogeneous Responses
Overall	**2.43**	**2.43±0.03**	**1.52**	**Low & Homogeneous Responses**
Size				
4. Adequate number of employees	2.50	2.50±0.04	1.43	Low & Homogeneous Responses
5. Adequate annual revenues	2.35	2.35±0.03	1.31	Low & Homogeneous Responses
6. Availability of human and financial resources	2.40	2.40±0.04	1.27	Low & Homogeneous Responses

Overall	**2.42**	**2.42±0.05**	**1.34**	**Low & Homogeneous Responses**
Mid-manager Position				
7. Existence of empowered mid-manager in the organization	2.40	2.40±0.04	1.43	Low & Homogeneous Responses
8. Existence of mid-manager reporting directly to the owner	2.50	2.50±0.05	1.54	Low & Homogeneous Responses
9. Existence of strategic rather than the supportive role of the mid-manager in the organization	2.15	2.15±0.03	1.27	Low & Homogeneous Responses
Overall	**2.35**	**2.35±0.04**	**1.41**	**Low & Homogeneous Responses**
Composite Mean	**2.40**	**2.40±0.04**	**1.42**	**Low**

Legend:

Weighted Means Range of Values	***Verbal Descriptions***
1.00-1.79	***Very Low***
1.80-2.59	***Low***
2.60-3.39	***Moderate***
3.40-4.19	***High***
4.20-5.00	***Very High***

Businesses require structure to grow and be profitable; otherwise, employees will pull in different directions. Planning the design ensures enough financial and human resources with the right skills to accomplish the enterprise goals and ensures that responsibilities are clearly defined. Each person has a job description that outlines duties, and each job occupies its position on the company organization chart (Hill, 2019). Table 3.2 results disclose that MSME structure is perceived as "low." The result implies that they are considered a poorly structured organization because there were no sufficient financial and human resources to accomplish all parts of a given task and no clear direction for responsibility. If individuals are unsure to whom they report, they may find two or more managers above them, giving them conflicting assignments.

Also shown in Table 3.2, the composite confidence interval is 2.40± 0.04 @ 95% confidence level. Finally, the composite means of 2.40 is taken only from the sample of this study, which does not reflect the mean of the entire population of MSMEs.

Table 3.3 Extent of Conditions of MSME using McKinsey's Model -System

Aspects	**Mean**	**Confidence Interval**	**Standard Deviation**	**Verbal Description**
IT Infrastructure				
1. Existence of adequate hardware infrastructure	2.30	2.30±0.03	1.17	Low & Homogeneous Responses

2. Existence of adequate software and application	2.40	2.40±0.04	1.31	Low & Homogeneous Responses
3. Existence of adequate network infrastructure	2.40	2.40±0.04	1.31	Low & Homogeneous Responses
Overall	**2.37**	**2.37±0.04**	**1.27**	**Low & Homogeneous Responses**
Business Processes				
4. Existence of a documented process	2.45	2.45±0.05	1.36	Low & Homogeneous Responses
5. Existence of business process improvements	2.40	2.40±0.04	1.39	Low & Homogeneous Responses
6. Existence of business process understanding and perception among people	2.60	2.60±0.06	1.54	Moderate & Homogeneous Responses
Overall	**2.48**	**2.48±0.05**	**1.43**	**Low & Homogeneous Responses**
Data				
7. Existence of high quality and accurate data	2.50	2.50±0.03	1.40	Low & Homogeneous Responses
8. Existence of data structure converted into a single one	2.40	2.40±0.04	1.35	Low & Homogeneous Responses
9. Existence of data quality control methods	2.45	2.45±0.04	1.39	Low & Homogeneous Responses
Overall	**2.45**	**2.45±0.04**	**1.38**	**Low & Homogeneous Responses**
Composite Mean	**2.43**	**2.43±0.04**	**-**	**Low**

Legend:

Weighted Means Range of Values	*Verbal Descriptions*
1.00-1.79	*Very Low*
1.80-2.59	*Low*
2.60-3.39	*Moderate*
3.40-4.19	*High*
4.20-5.00	*Very High*

Table 3.3, found on the previous page, reveals that the different aspects have "low" systems regarding MSMEs systems. It means there are no systems within a company; running an efficient, profitable business is impossible. Systems and processes are significant in running an enterprise and are essential building blocks supporting business growth and employee happiness. According to Michael E. Gerber, author of "The E-Myth," the core components of business systems are crucial to business growth. He explains that every frustration in managing business results from a lack of a system. The efficiency and consistency of high-quality results, methods, and processes are essential. It will help improve employees' performance and productivity. Table 3.3 likewise has a composite confidence interval is 2.43± 0.04 @ 95% confidence level. Finally, the composite means of 2.43 is taken only from the sample of this study, which does not reflect the mean of the entire population of MSMEs.

Table 3.4 Extent of Conditions of MSME using McKinsey's Model -Style

Aspects	Mean	Confidence Interval	Standard Deviation	Verbal Description
Top Management Support				
1. The degree to which functional managers willingly assign courses as they are needed	2.60	2.60±0.05	1.35	Moderate & Homogeneous Responses
2. The degree to which they need long-term support resources is recognized by management	2.65	2.65±0.04	1.42	Moderate & Homogeneous Responses
3. The degree to which executive management is enthusiastic about the possibilities of the MSME	2.70	2.70±0.04	1.45	Moderate & Homogeneous Responses
4. The degree to which all levels of management support the overall goals of the MSME	2.60	2.60±0.03	1.39	Moderate & Homogeneous Responses
Overall	**2.64**	**2.64±0.04**	**1.41**	**Moderate & Homogeneous Responses**
Communication				
5. The degree to which open and honest information policy is communicated to the users	2.75	2.75±0.06	1.55	Moderate & Homogeneous Responses
6. Existence of free flow of information in the organization	2.65	2.65±0.05	1.46	Moderate & Homogeneous Responses
7. Existence of the scope, objectives, and change management strategies in the communication	2.60	2.60±0.04	1.43	Moderate & Homogeneous Responses
Overall	**2.67**	**2.67±0.05**	**1.48**	**Moderate & Homogeneous Responses**
Organizational Culture				
8. Existence of al learning and development culture	2.70	2.70±0.05	1.59	Moderate & Homogeneous Responses
9. Existence of a participative decision-making culture	2.75	2.75±0.06	1.59	Moderate & Homogeneous Responses
10. Existence of a support and collaboration culture	2.85	2.85±0.05	1.63	Moderate & Homogeneous Responses
11. Existence of a power-sharing culture	2.70	2.70±0.04	1.53	Moderate & Homogeneous Responses
12. Existence of tolerance for conflicts and risk culture	2.60	2.60±0.05	1.43	Moderate & Homogeneous Responses

13. Overall	**2.72**	**2.72±0.05**	**1.55**	**Moderate & Homogeneous Responses**
Human Resource				
14. Existence of proper mechanisms to recruit and preserve qualified employees, nurture, and maintain a high level of employee morale and motivation among them	2.75	2.75±0.04	1.52	Moderate & Homogeneous Responses
15. Existence of a high rate of younger employees in the organization	2.70	2.70±0.05	1.49	Moderate & Homogeneous Responses
16. Existence of the high rate of more educated employees in the organization	2.25	2.25±0.03	1.16	Low & Homogeneous Responses
Overall	**2.57**	**2.57±0.04**	**1.39**	**Low & Homogeneous Responses**
Composite Mean	2.65	2.65±0.04	1.46	**Low**

Legend:

Weighted Means Range of Values	***Verbal Descriptions***
1.00-1.79	***Very Low***
1.80-2.59	***Low***
2.60-3.39	***Moderate***
3.40-4.19	***High***
4.20-5.00	***Very High***

Results in Table 3.4 uncover the MSME organizational style, rated as "low" for human resources. It also shows the composite confidence interval is 2.65± 0.04 @ 95% confidence level taken only from the sample, which does not reflect the mean of the entire population of MSMEs. The result further means that the MSMEs surveyed fail to keep pace with the growth juggernaut. According to Sattigeri (2015), typical micro-firms are the predominantly horizontal structures one wants to preserve. The employees surrounding the entrepreneur are mostly the tight group communicating informally. When the organization grows, involving all employees equally in operational decisions becomes more difficult.

Meanwhile, MSMEs were rated "moderate" for organizational culture, communication, and top management support. Cahayani & Gunawan (2018) highlighted why MSMEs are challenging to sustain, for example, through good people management by communicating effectively. They believe that a critical ability that owners, as a leader, must have to communicate effectively is cultural intelligence. Even in MSMEs, cultural intelligence plays an integral part because employees in MSMEs are diverse. Their study result shows that leaders in MSMEs already have cultural intelligence to communicate with their employees.

On the one hand, culturally intelligent leaders can choose a suitable method to communicate effectively with their employees. On the other hand, the role of top management is more than making decisions that affect all employees. Employees who feel their input is valued are more likely to do their jobs enthusiastically and improve the company's achievement (Frost (2019).

Table 3.5 Extent of Conditions of MSME using McKinsey's Model -Staff

Aspects	Mean	Confidence Interval	Standard Deviation	Verbal Description
Training and Education				
1. Existence of planning for training facilities	2.45	2.45±0.03	1.23	Low & Homogeneous Responses
2. Existence of a clear education and training strategy	2.50	2.50±0.04	1.28	Low & Homogeneous Responses
3. Existence of identified training needs.	2.60	2.60±0.04	1.39	Moderate & Homogeneous Responses
4. Existence of a formal training program to meet the requirements of the system users	2.50	2.50±0.03	1.43	Low & Homogeneous Responses
5. Existence of customized training materials for each specific job	2.45	2.45±0.04	1.32	Low & Homogeneous Responses
6. Targeting the entire business task, screens, and reports by training materials	2.35	2.35±0.04	1.35	Low & Homogeneous Responses
7. The degree to which users have been trained in basic skills (training hours per employee)	2.45	2.45±0.04	1.28	Low & Homogeneous Responses
Overall	**2.47**	**2.47±0.04**	**1.33**	**Low & Homogeneous Responses**
Project Team				
8. Existence of both business and technical knowledge in the team	2.40	2.40±0.04	1.31	Low & Homogeneous Responses

9. Existence of a balanced, cooperative, cross-functional, and full-time team	2.50	2.50±0.04	1.43	Low & Homogeneous Responses
10. The degree to which the project team	2.55	2.55±0.03	1.43	Low & Homogeneous Responses
11. Existence of the empowered team members	2.60	2.60±0.04	1.50	Moderate & Homogeneous Responses
12. The degree to which the team have prior experience in large projects	2.40	2.40±0.04	1.35	Low & Homogeneous Responses
Overall	**2.49**	**2.49±0.04**	**1.41**	**Low & Homogeneous Responses**
Composite Mean	**2.48**	**2.48±0.04**	**-**	**Low**

Legend:

Weighted Means Range of Values	***Verbal Descriptions***
1.00-1.79	***Very Low***
1.80-2.59	***Low***
2.60-3.39	***Moderate***
3.40-4.19	***High***
4.20-5.00	***Very High***

Regarding the conditions of MSMEs with their staff, Table 3.5 results show that their needs are "low" due to the few common issues with training and development. It has a composite confidence interval of 2.48± 0.04 @ 95% confidence level. The composite mean of 2.48 is taken only from the sample, which does not reflect the mean of the entire population of MSMEs. The training challenges range from a time-poor and sometimes dispersed workforce to limiting costs while improving engagement and catering to diverse learning preferences. Weakened performance is one of the most apparent adverse outcomes of neglecting the training of employees. Employees who have not been trained will run into severe problems efficiently producing high-quality work. It is pretty simple: less knowledge and training lead to a lower level of performance. Well-trained employees with the skills necessary to perform their jobs and meet all deadlines will produce high-quality work and positively impact the organization. Lack of training can lead to frustration, wasted time, and unhappy employees. Some companies consider in-depth training unnecessary and expect new employees to learn from supervisors and older employees. However, this type of training is often inadequate and creates problems for the business.

Employees who need to develop and become frustrated with their work often leave an organization, affecting employee retention rates (Gendron, 2018). Likewise, Landry (2013) said that poorly performing project team members could delay schedules, lower morale, blow budgets, overtax other team members, and waste a manager's time. Thus, training is essential for management and staff. These programs offer opportunities for staff to improve their skills and for employers to enhance employee productivity and company culture. A 2019 report published in The International Journal of Business and Management Research indicates that 90% of employees surveyed agreed or strongly agreed that training and development programs improved their job performance.

Table 3.6 Extent of Conditions of MSME using McKinsey's Model -Skills

Aspects	Mean	Confidence Interval	Standard Deviation	Verbal Description
Management's Skills				
1. Existence of communication skills	2.70	2.70±0.05	1.49	Moderate & Homogeneous Responses
2. Existence of controlling skills	2.80	2.80±0.04	1.51	Moderate & Homogeneous Responses
3. Existence of leadership skills	2.80	2.80±0.04	1.54	Moderate & Homogeneous Responses
4. Existence of planning skills	2.50	2.50±0.05	1.47	Low & Homogeneous Responses
5. Existence of IT Management Skills	2.70	2.70±0.05	1.59	Moderate & Homogeneous Responses
6. Existence of interpersonal skills	2.90	2.90±0.05	1.62	Moderate & Homogeneous Responses
Overall	**2.73**	**2.73**±0.05	**1.54**	**Moderate & Homogeneous Responses**
Staff's Skills				
7. Existence of communication skills	2.60	2.60±0.04	1.54	Moderate & Homogeneous Responses
8. Existence of IT management skills	2.50	2.50±0.03	1.40	Low & Homogeneous Responses
9. Existence of planning skills	2.55	2.55±0.05	1.47	Low & Homogeneous Responses
10. Existence of technical skills	2.60	2.60±0.04	1.50	Moderate & Homogeneous Responses

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11. Existence MSME experience	2.55	2.55±0.04	1.50	Low & Homogeneous Responses
12. Existence of controlling skills	2.65	2.65±0.04	1.57	Moderate & Homogeneous Responses
Overall	**2.58**	**2.58**±0.04	**1.49**	**Low & Homogeneous Responses**
User's Skills				
13. Existence of interpersonal skills	2.65	2.65±0.04	1.39	Moderate & Homogeneous Responses
14. Existence of communication skills	2.60	2.60±0.04	1.35	Moderate & Homogeneous Responses
15. Existence of planning skills	2.40	2.40±0.05	1.35	Low & Homogeneous Responses
16. Existence of technical skills	2.50	2.50±0.04	1.40	Low & Homogeneous Responses
17. Existence of MSME experience	2.55	2.55±0.05	1.32	Low & Homogeneous Responses
18. Existence of controlling skills	2.55	2.55±0.04	1.47	Low & Homogeneous Responses
Overall	**2.54**	**2.54**±0.04	**1.38**	**Low & Homogeneous Responses**
Composite Mean	**2.61**	**2.61**±0.04	**1.47**	**Low**

Legend:

Weighted Means Range of Values	***Verbal Descriptions***
1.00-1.79	***Very Low***
1.80-2.59	***Low***
2.60-3.39	***Moderate***
3.40-4.19	***High***
4.20-5.00	***Very High***

Success in the workplace is only sometimes tied to hard work or being smart. Essential business skills such as communication, negotiation, marketing, and management are the fundamental determinants of success. They are instrumental in career progressions and exceeding workplace expectations. Whether a business owner or an employee, essential business skills positively impact organizational performance and productivity.

The results in Table 3.6 indicate that the respondents' MSMEs have "low" management, staff, and user skills. It has a composite confidence interval is 2.61± 0.04 @ 95% confidence level. The composite means of 2.61 is taken only from the sample, which does not reflect the mean of the entire population of MSMEs.

Based on the preceding statements, it is observable that the failure or inability to grow beyond is due primarily to an entrepreneur's lack of business training. The technical skills acquired, which are considered an asset, soon become a liability in not having mastered the business skills necessary for success and profitability—also, the inability to anticipate and solve problems when they occur. Recent research by the University of Warwick (Hayton, 2015) suggested a deficiency within a substantial proportion of the UK's small and medium-sized enterprises (SMEs) in entrepreneurship skills. These skill deficiencies may be a constraint on the growth of many SMEs. Moreover, they continue to face barriers to accessing strategic resources like finance, skills, or technology. They also struggle to deal with inefficiencies in regulatory and framework conditions.

So, business owner education plays a crucial and essential function in giving the vital abilities of business owners to operate their daily service requirements and to understand how to encounter barriers and difficulties that they will face throughout their business life (Prabhu, 2020). Business skills help individuals understand internal and external factors influencing an organization's growth and profitability. They help in carrying out business objectives that contribute to performance. While they are significant for entrepreneurs, leaders, and managers, any professional can benefit from a strong understanding of business needs and expectations.

Table 3.7 Extent of Conditions of MSME using McKinsey's Model -Shared Values

Aspects	Mean	Confidence Interval	Standard Deviation	Verbal Description
Shared Beliefs				
1. The extent to which employees believe in the benefits of the MSME system.	2.50	2.50±0.03	1.43	Low & Homogeneous Responses
2. The extent to which the management team believe in the benefits of the system	2.40	2.40±0.02	1.31	Low & Homogeneous Responses
3. The extent to which employees and management believe in the system's benefits is alike.	2.50	2.50±0.03	1.43	Low & Homogeneous Responses
Overall	**2.47**	**2.47**±0.03	**1.39**	**Low & Homogeneous Responses**
Company - Wide Commitment				
4. The extent to which the project gets support for all functional segments of the organization.	2.55	2.55±0.04	1.32	Low & Homogeneous Responses

5. The extent to which overall organizational goals are preferred to individual segments' goals.	2.55	2.55±0.04	1.36	Low & Homogeneous Responses
6. The extent to which personnel involvement and participation in the project are assured.	2.55	2.55±0.04	1.36	Low & Homogeneous Responses
Overall	**2.55**	**2.55**±0.04	**1.34**	**Low & Homogeneous Responses**
Project Champion				
7. Existence of the proper project champion in the organization	2.55	2.55±0.02	1.32	Low & Homogeneous Responses
8. Existence of the project champion's business, technical, personal, and managerial competencies.	2.60	2.60±0.03	1.39	Moderate & Homogeneous Responses
9. Existence of a project champion with an official high level in the organization.	2.55	2.55±0.03	1.32	Low & Homogeneous Responses
Overall	**2.57**	**2.57**±0.03	**1.34**	**Low & Homogeneous Responses**
Composite Mean	**2.53**	**2.53**±0.03	**1.36**	**Low**

Legend:

Weighted Means Range of Values	***Verbal Descriptions***
1.00-1.79	***Very Low***
1.80-2.59	***Low***
2.60-3.39	***Moderate***
3.40-4.19	***High***
4.20-5.00	***Very High***

Shared value connects a company's competitiveness and the community's health. Capitalizing on these connections is good for business and society. Workplace values are the guiding principles most integral to how a company works. These deeply held principles enable companies to choose between right and wrong ways of working, and they help employees make important decisions and career choices. These values are the foundation of a company's culture, which shapes the workday experience of each employee. It determines whether employees enjoy their jobs, are engaged with the company, and want to remain a part of it. Table 3.7 shows that MSMEs respondents have "low" shared beliefs, commitment, and project champion. It has a composite confidence interval of 2.53± 0.03 @ 95% confidence level. The composite means of 2.53 is taken only from the sample, which does not reflect the mean of the entire population of MSMEs. Most MSMEs lack corporate policies and practices that enhance their competitive advantage and profitability. The essential measurement for associating business with social results is creating shared value (CSV), addressing companies with precise solutions for a social issue.

According to Rachmawati (2019), companies implementing CSV indicate that they possess a sustainable business model, which is expected to benefit both societies nearby and the company and improve economic and social value overall. Economic values include increased profit, productivity, and broader market share. Moreover, social value encompasses area and infrastructure development, social innovation improvement, and durability in society generally (Porter et al., 2012). This study found that most MSMEs scored low in seven (7S) strategies. The use of the 7-S Model is to examine how the various parts of MSMEs work together and likely affect future changes in the MSMEs. All S's of the 7S framework is essential to the success of these models. However, style, staff, skills, and shared values are more critical in implementation. Moreover, infrastructural bottlenecks such as the internet and the need for a trained workforce are critical issues that must be addressed.

Lastly, shared values encapsulate the heart and soul of an organization, from how it operates to the people it employs. They can make it stand out from the competition, even if they sell the same products and services. For this reason, it is advisable to dedicate some time to establishing and outlining organizational Shared Values – and to update them to reflect internal and external changes that will affect how the company operates.

4. Conclusion

Based on the findings of this study, it is concluded that MSME managers or owners are generally married college graduates with extensive business experience. Most MSMEs operate with assets exceeding one hundred million pesos, owned by an individual who exercises complete control over the business, employing twenty or more workers and utilizing machinery for production. When assessed using the McKinsey 7S Model, the overall condition of MSMEs was low. Similarly, the extent of external, environmental, socio-cultural, production, marketing, financial, human resources development, and infrastructure challenges encountered by MSMEs was also low. Despite these conditions, their customers rated MSMEs highly in terms of service quality expectations and reality using the SERVQUAL Model. Furthermore, MSMEs demonstrated moderate levels of supply chain responsiveness, flexibility, IT adoption, customer relationships, supplier network responsiveness, and moderate business performance in sales and innovation.

Statistical analysis revealed a significant relationship between the profile of MSME managers or owners and various business factors, including the extent of MSME conditions under the McKinsey 7S Model, the extent of challenges encountered, the quality of service, and the level of business practices. Specifically, factors such as business experience, assets, type of MSME, number of employees, kind of machinery, and years of experience were significantly associated with these variables, leading to the rejection of the null hypothesis. However, no significant relationship was found concerning gender, educational background, and marital status. Additionally, significant relationships existed between the extent of MSME conditions and challenges, service quality, business practices, and overall performance, reinforcing the interconnected nature of these variables and further leading to the rejection of the null hypothesis.

Given these conclusions, it is recommended that MSMEs enhance their operational system responsiveness to improve their competitive edge in pricing, delivery dependability, product innovation, and market adaptability. Encouraging strategic alliances and supplier outsourcing can help strengthen core competencies, such as product quality and flexibility. MSMEs should also align their supply chain objectives with business strategies through targeted training programs to mitigate future challenges. Strengthening partnerships with the private sector and the Department of Trade and Industry (DTI) can provide valuable resources for digital transition, e-commerce training, and business expansion support. Additionally, government-backed financial support and regulatory improvements, including streamlined import-export rules and business registration processes, can help MSMEs navigate economic disruptions and foster sustainable growth. These measures aim to enhance MSME resilience and long-term success in an evolving business landscape.

5. Conflict of Interest

The researchers claim that they have no financial or non-financial conflicts of interest with this study. All authors declare that they contributed to the study honestly and without bias and that their personal, professional, or financial interests did not affect the research process or results. The authors' promise to follow ethical standards in their study and keep the credibility of the research they present is shown in this statement.

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7. Authors' Biography

Dr. Ma. Rosalina Ararao-Besario, CPA, is an accomplished and esteemed academician and professional in Accountancy and Business Management. The author's distinguished career has benefited the academe. During her six-year tenure as Dean, she shaped the University of Cebu Main Campus's academic landscape and nurtured the next generation of business and accounting professionals. She continues to teach aspiring accountants and businesspeople as Chairperson of the Accountancy Program at Negros Oriental State University. She has inspired and influenced many students throughout her 25-year teaching career.

Dr. Adelina V. Balatayo is a retired Department of Trade and Industry employee. With her employment with the DTI, she was able to get employment as parttime-fulltime instructor at the Negros Oriental State University at the College of Business Administration.

Dr. Christian A. Diaz is a distinguished individual with a Doctor of Management major in Human Resource Management. His expertise lies in the field of Office Administration Management, where he serves as an accomplished instructor. He holds the position of a Program Chair for the Office Administration Program at the College of Business Administration – Main Campus 1.

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