

## **BUSINESS OPPORTUNITIES RECOGNITION: GUIDE FOR UPCOMING BATANGUEÑO (PHILIPPINES) ENTREPRENEURS**

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### **ABSTRACT**

*This study evaluated the factors in recognizing business opportunities among SME entrepreneurs in the Province of Batangas, Philippines to serve as guide for upcoming entrepreneurs. One hundred seventy SME entrepreneurs from the cities of Batangas and Lipa served as participants to the study. The data were analyzed using frequency and percentage distribution, mean, ranking, chi-square based measure of association, and Kendall's tau-b correlation analysis. It was found out that among the factors used in recognizing business opportunities, availability of capital was considered the major factor while government policy/ support as the least important. When the assessed recognition factors were analyzed vis-à-vis the profile of the participants, it was found out that all the factors used in the study were found to have moderate correlations with the nature of company operations. This means that the factors used in recognizing business opportunities are generally associated, to a moderate extent, with whatever nature of company operation a SME indulges in. On the other hand, factors like the availability of markets considering the supply demand gap, quality of existing product, etc., supplier of inputs/ raw materials availability, and appropriate business location were found to have strong correlations with the form of business organization of SMEs. Thus, whether SMEs are singly owned, managed by partners, corporate or cooperative owned, the entrepreneurs find the importance of these recognition factors as essential for business promotion and development. Using Kendall's tau-b correlation analysis, it was found out that there exist very weak correlations between recognition factors and the number of years of operation and number of employees of the participating SMEs in the Province of Batangas. This implies that SMEs, whether in their infancy stage or in their mature stage, choice of recognition factors is not affected, and therefore varies. This holds true for SMEs reclassified as micro, small, or medium enterprises.*

**Keywords:** business opportunities; small and medium enterprises (SMEs); entrepreneurial undertakings

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### **INTRODUCTION**

The small and medium enterprise (SME) sector is the backbone of the Philippine economy. It comprises about 99.6% of all registered firms nationwide, employs 69.9% of the labor force, and contributes 32% to the economy ([www.dti.gov.ph/contentment/66/69/554.jsp](http://www.dti.gov.ph/contentment/66/69/554.jsp)). It is noteworthy that the number of SMEs in the Philippines continues to grow over time and it tends to choose regional locations outside the National Capital Region as site of their entrepreneurial endeavors. The favored location is Region IV, which also has the highest growth in terms of the number of SME locators. Of the 11 provinces in Region IV, Batangas is generally considered as having the competitive advantage being an agricultural-industrial center that is rich in experiences in SME development. This province is a major national and international gateway through south west of the Philippines' largest island of Luzon and to the country's major industrial provinces and growth centers collectively known as CALABARZON (Cavite, Laguna, Batangas, Rizal, and Quezon).

In addition to the strategic location of the province, the hardworking and enterprising Batangueños are generally known to be seekers of business opportunities. It is often said that business opportunities are everywhere as long as there are people with money who are willing to satisfy their needs. However, there are still many factors that need to be considered by real entrepreneurs before they can be encouraged to enter the business arena. According to Fajardo (1994), the resources, skills and interests of the entrepreneur should match the social and economic needs of the community. Consequently, the above cited observations prompted the authors to undertake a study that would provide information relative to this so that upcoming entrepreneurs who would like to put up SMEs in the Province of Batangas can be properly guided.

This study which evaluated the factors used in recognizing business opportunities and in the selection of an entrepreneurial undertaking is considered important because the findings can be used as baseline data useful in the policy making activities and directions of Batangas-based local government offices involved in SME promotion and development. It can help in the formulation or review of a framework that can serve as a guide to the government in providing assistance to this important sector of society. Likewise, the study can serve as guide to upcoming entrepreneurs before they engage themselves in their entrepreneurial undertakings.

### **METHODOLOGY**

The study made use of the descriptive survey method of research using a survey questionnaire to gather data from the SME entrepreneurs in the Province of Batangas. According to a Trade and Industry Specialist from the Batangas Provincial Office of

DTI, there are about 38,000 SMEs currently doing business in the province. Because there was no official and complete listing of these businesses at the time of the study, the researchers resorted to non-probability sampling using the purposive design technique in the selection of the subject-SMEs. Likewise, sampling of participants was limited to the two major cities of the province – Batangas and Lipa. As revealed in the previous study by Briones (2004), most SMEs in the province are generally located in these two cities. The current study thus assumed that the behavior of the SME entrepreneurs in the two cities can basically represent that of the whole province.

The responses of the participants were analyzed using frequency and percentage distribution, mean, and ranking. To test for correlation of variables, chi-square based measure of association and Kendall's tau-b correlation analysis were used.

## RESULTS AND DISCUSSION

### PROFILE OF SME PARTICIPANTS

The 170 SME participants included in this study which represented the SMEs in the Province of Batangas are geographically located as follows: 96 in Batangas City; and the remaining 74 in Lipa City. Table 1 presents the profile of the participating SMEs in the Province of Batangas in terms of nature of the company, form of business organization, number of years in business operation, and number of employees.

As reflected by the gathered data, a greater proportion of the SME locators in both Batangas City and Lipa City are into trading or service in terms of the nature of their operations of their companies. Also, the majority of SMEs in both locations are managed by single proprietors. It can also be gathered from the table that the majority of the surveyed SMEs have been in business operation for less than 10 years with a greater proportion of them in their infancy stage (less than 5 years). Presumably, enterprising Batangueños generally established these SMEs in response to the changing needs and wants of the consumers.

Since the surveyed companies are categorized as SMEs, their number of employees generally does not exceed 200. Using the employment size as criterion, the University of the Philippines' Institute of Small Scale Industries considered small enterprises as those that employ less than 100 employees while medium enterprises are those that have 100 to 199 employees (Mendoza, 2001). As shown in Table 1, SMEs in the province are generally small with majority of them further classified as microenterprises (enterprises with less than 10 employees).

It can also be gleaned from the table that not much difference can be noted between Batangas City-based SMEs and Lipa City-based SMEs in all the indicated profile variables. This means that the profile characteristics of SMEs do not vary across locations.

**Table 1: Profile of participating SMEs in the Province of Batangas**

Profile Criteria	Batangas City (n=96)		Lipa City (n=74)		Both Cities (n=170)	
	F	%	f	%	F	%
<b>A. Nature of Company</b>						
Trading	40	41.7	40	54.1	80	47.1
Manufacturing	6	6.3	9	12.2	15	8.8
Service	50	52.1	23	31.1	73	42.9
Missing system*			2	2.7	2	1.2
Total	96	100.0	74	100.0	170	100.0
<b>B. Form of Business Organization</b>						
Single Proprietorship	56	58.3	48	64.9	104	61.2
Partnership	8	8.3	3	4.1	11	6.5
Corporation	30	31.3	23	31.1	53	31.2
Cooperative	2	2.1	0	0.00	2	1.2
Total	96	100.0	74	100.0	170	100.0
<b>C. Number of Years in Business Operation</b>						
Less than 5 years	44	45.8	26	35.1	70	41.2
6 – 10 years	26	27.1	17	23.0	43	25.3
11 – 15 years	11	11.5	9	12.2	20	11.8
16 – 20 years	3	3.1	6	8.1	9	5.3
More than 20 years	12	12.5	16	21.6	28	16.5
Total	96	100.0	74	100.0	170	100.0
<b>D. Number of Employees</b>						
Less than 10 employees	59	61.5	51	68.9	110	64.7
10 – 99 employees	35	36.5	20	27.0	55	32.4
100 – 199 employees	2	2.0	3	4.1	5	2.9
Total	96	100.0	74	100.0	170	100.0

### FACTORS IN RECOGNIZING BUSINESS OPPORTUNITIES AND SELECTING AN ENTREPRENEURIAL UNDERTAKING

At any given time, many potentially profitable business opportunities exist in the environment. But these opportunities must be recognized and grasped by the individuals who have the abilities and desire strong enough to assure themselves of success.

Individuals need to recognize these opportunities leading to the selection of an entrepreneurial undertaking for them to join the league of entrepreneurs. Ardichvili and Cardozo (2000) revealed that entrepreneurial opportunities are discovered through recognition rather than purposeful search. Moreover, the above statement also coincides with the findings of Lee (2003) in his dissertation examining how Korean immigrant women and men from the New York City metropolitan area become owners of small businesses. According to him, a search for business opportunities is one of the common phases experienced by prospective owners along with on-the-job training and capital accumulation. As pointed out by SERDEF and UPISSI (1998), identifying potential business opportunities and selecting an entrepreneurial undertaking are tasks that require a lot of resourcefulness, creative and innovative thinking, and continuous search for improvement through research and analytical work. Table 2 shows the assessment of the SME entrepreneurs on the factors significant in recognizing business opportunities and selecting an entrepreneurial undertaking.

**Table 2: Assessment of factors employed by SME entrepreneurs in the Province of Batangas in recognizing business opportunities and selecting an entrepreneurial undertaking**

n=170

Recognition Factor	Mean	Rank
Availability of markets considering the supply-demand gap, quality of existing product, etc.	4.41	3
Entrepreneur's interests and potentials	4.36	2
Availability of capital	2.58	1
Skills and trainings of the entrepreneur	5.19	5
Supplier of inputs/ raw materials availability	6.24	7
Manpower availability considering the needed skills competencies	6.42	8
Availability of technology and information	7.26	9
Government policy/ support	8.28	10
Appropriate business location	4.91	4
Possibilities of good profit	5.25	6

The SME entrepreneurs in the Province of Batangas considered the availability of capital as the major factor considered in recognizing business opportunities and selecting an entrepreneurial undertaking. Access to finance, therefore, is considered to be the vital factor for SME development. It is a given that generally, no one generally starts a business without the available capital. According to Meier and Pilgrim (1994), access to credit rather than the cost of credit is the bottleneck for small enterprises. This is indicated in the result of his survey where only 12% of the small enterprises in the Philippines use bank loans as the source of financing while 40% make use of informal credit sources.

It can also be noted that government policy/ support is rated as the least important as this was ranked last. According to Smallbone and Welter (2002) many enterprises are set up, survive and sometimes even grow despite government assistance primarily because of the entrepreneurial capability of individuals as reflected in their creativity in mobilizing resources and in their flexibility to adapt to the hostile external environment.

The following complete the assessment of the factors and their respective rankings: entrepreneur's interests and potentials (rank 2); availability of markets considering the supply-demand gap, quality of existing product, etc. (rank 3); appropriate business location (rank 4); skills and trainings of the entrepreneur (rank 5); possibilities of good profit (rank 6); supplier of inputs/ raw materials availability (rank 7); manpower availability considering the needed skills and competencies (rank 8); and availability of technology and information (rank 9). According to Longenecker et. al. (2003), there are many other criteria for judging whether a new business idea is a good investment opportunity. He added that one should not tend to underestimate the market since to qualify a business idea as a good investment opportunity a product or service must meet a real need with respect to functionality, quality, durability, and price. On the other hand, the study of Luissier (1995) pointed out that the number one start-up business advice of business owners to would-be entrepreneurs is to start a business in which one has the industry knowledge.

The assessed recognition factors were analyzed vis-à-vis the profile of the participants particularly the nature of their company operations, form of business organization, number of years of operation, and number of employees. In this regard, the study found out that SME entrepreneurs perceived that that these recognition factors are only moderately correlated with the nature of their company operations (Table 3). This means that the factors used in recognizing business opportunities are only generally associated, to a moderate extent, with whatever nature of company operations an SME indulges in; thus, SME entrepreneurs who are engaged in either trading, manufacturing, or service business activities would sometimes find the importance of these identified recognition factors to have successfully started and managed their entrepreneurial undertakings.

**Table 3: Chi-square based measure of association between nature of the company operations and factors in recognizing business opportunities and selecting an entrepreneurial undertaking**

n= 170

Recognition Factor	Contingency	
	Coefficient	Interpretation
Availability of markets considering the supply-demand gap, quality of existing product, etc.	0.278	MC
Entrepreneur's interests and potentials	0.183	MC
Availability of capital	0.140	MC
Skills and trainings of the entrepreneur	0.193	MC
Supplier of inputs/ raw materials availability	0.287	MC
Manpower availability considering the needed skills and competencies	0.233	MC
Availability of technology and information	0.222	MC
Government policy/ support	0.185	MC
Appropriate business location	0.202	MC
Possibilities of good profit	0.141	MC

Legend: Chi-square based measure of association's contingency coefficient interpretation:

- 0.00 – 0.10 = weak correlation (WC)
- 0.11 – 0.30 = moderate correlation (MC)
- more than 0.30 = strong correlation (SC)

Table 4 shows the chi-square based measure of association between the form of business organization and the assessed recognition factors. According to the SME entrepreneurs, availability of markets considering the supply demand gap, quality of existing product, etc., supplier of inputs/ raw materials availability, and appropriate business location were found to have strong correlations with the form of business organization of SMEs. Moreover, all the other factors were found to have moderate correlations only. In general, SMEs grouped by location considered these recognizing factors to have moderate to strong correlations with the form of business organization (Table 4). This indicates that SMEs grouped according to their form of business organization are generally associated with what they consider important recognition factors. Therefore, whether SMEs are singly owned, managed by partners, corporate or cooperative owned, these recognition factors essentially serve as important elements in business promotion and development by the entrepreneurs.

**Table 4: Chi-square based measure of association between form of business organization and factors in recognizing business opportunities and selecting an entrepreneurial undertaking**

n=170

Recognition Factor	Contingency	
	Coefficient	Interpretation
Availability of markets considering the supply-demand gap, quality of existing product, etc.	0.348	SC
Entrepreneur's interests and potentials	0.227	MC
Availability of capital	0.260	MC
Skills and trainings of the entrepreneur	0.230	MC
Supplier of inputs/ raw materials availability	0.348	SC
Manpower availability considering the needed skills and competencies	0.287	MC
Availability of technology and information	0.203	MC
Government policy/ support	0.202	MC
Appropriate business location	0.332	SC
Possibilities of good profit	0.214	MC

Legend: Chi-square based measure of association's contingency coefficient interpretation:

- 0.00 – 0.10 = weak correlation (WC)
- 0.11 – 0.30 = moderate correlation (MC)
- more than 0.30 = strong correlation (SC)

Using Kendall's tau-b correlation analysis, it was found out that there exist very weak correlations between the recognition factors and the number of years of operation and number of employees of the participating SMEs in the Province of Batangas (Tables 5 and 6). This implies that SMEs whether in their infancy stage or in their mature stage, choice of recognition factors is not affected, and therefore varies. This holds true for SMEs reclassified as micro, small, or medium enterprises.

**Table 5: Kendall's tau-b correlation analysis between number of years of SME operation and factors in recognizing business opportunities and selecting an entrepreneurial undertaking**

n=170

Recognition Factor	Contingency	
	Coefficient	Interpretation
Availability of markets considering the supply-demand, quality of existing product, etc.	0.044	VWC
Entrepreneur's interests and potentials	-0.038	VWC
Availability of capital	-0.017	VWC
Skills and trainings of the entrepreneur	0.009	VWC
Supplier of inputs/ raw materials availability	-0.098	VWC
Manpower availability considering the needed skills and competencies	-0.023	VWC
Availability of technology and information	-0.055	VWC
Government policy/ support	-0.067	VWC
Appropriate business location	0.117	VWC
Possibilities of good profit	0.091	VWC

**Table 6: Kendall's tau-b correlation analysis between number of employees and factors in recognizing business opportunities and selecting an entrepreneurial undertaking**

n=170

Recognition Factor	Contingency	
	Coefficient	Interpretation
Availability of markets considering the supply-demand gap, quality of existing product, etc.	0.004	VWC
Entrepreneur's interests and potentials	-0.033	VWC
Availability of capital	-0.006	VWC
Skills and trainings of the entrepreneur	0.032	VWC
Supplier of inputs/ raw materials availability	-0.078	VWC
Manpower availability considering the needed skills and competencies	-0.001	VWC
Availability of technology and information	-0.076	VWC
Government policy/ support	0.005	VWC
Appropriate business location	0.011	VWC
Possibilities of good profit	0.033	VWC

Legend (Tables 5 and 6): Contingency coefficient interpretation (absolute value):

0.00 – 0.20 = very weak correlation (VWC)      0.41 – 0.60 = moderate correlation (MC)  
 0.21 – 0.40 = weak correlation (WC)              0.61 – 0.80 = strong correlation (SC)  
 0.81 – 1.00 = very strong correlation (VSC)

### CONCLUSIONS

Recognizing business opportunities existing in the environment can be achieved with the aid of the factors identified in the study. Among these factors, the SME entrepreneurs considered the availability of capital as the major factor to be considered while government policy/ support as the least important. The findings likewise indicated that the nature of company operations and the form of business organization of these SMEs are generally associated with the choice of factors used in recognizing business opportunities leading to the selection of an entrepreneurial undertaking. However, both the number of years of operation and number of employees showed very weak correlations with these recognizing factors.

### RECOMMENDATIONS

The authors hereby forward the following recommendations:

1. The identified factors for recognizing business opportunities in this study can serve as tool or evaluation criteria for upcoming entrepreneurs in their determination of the attractiveness of any business idea. However, one should remember that a good idea is not necessarily a good investment opportunity. Likewise, profile characteristics of the SMEs can also be considered as guide in prioritizing business opportunities factors to simulate the success stories of the SMEs under study.
2. Considering that availability of capital is identified as the major factor used to recognize business opportunities among SMEs in the Province of Batangas, it is recommended that the government impose financial liberalization so that SMEs can be given the privilege to have greater access to formal credit. Likewise, non-distortive measures such as credit guarantee funds, as well as improved information for SMEs on lending programs and procedures can be suitable instruments to overcome the problem of lack of access to credit. It is expected that providing financial assistance to upcoming entrepreneurs would increase the number of productive SMEs in the province.

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