

# DTI DEVELOPMENT FRAMEWORK IN APPLICATION TO BUSINESS OPERATIONS AMONG SELECTED MICRO SMALL MEDIUM ENTERPRISES TOWARDS AN ENHANCED BUSINESS MODEL

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## ABSTRACT

In the Philippines, 99% of establishments are Micro, Small, and Medium Enterprises (MSMEs), crucial for fulfilling consumer needs. The Philippine Statistics Authority noted a decline in export trade and business registration over the past five years. To address this, the Department of Trade and Industry (DTI) introduced the 7Ms Development Framework. This study, involving 240 MSMEs, aimed to assess their depiction of DTI's business focus, the effectiveness of the 7Ms framework, prevalent challenges, gaps, and propose a business model for enhanced competitiveness. Findings revealed that MSMEs considered DTI's "access to the market" as the most visible focus, while technology and innovation were least visible. More so, in terms of the 7Ms framework, participants perceived "money" as the most effective, and "mastery" as the least. Challenges included licensing issues, high input costs, and finance access. Identified gaps involved local government rule variations and high standards for MSME finance. Statistical methods like weighted mean and standard deviation, using SPSS, aided the analysis. The study recommends a business model for MSME sustainability and global competitiveness.

*Keywords: Effectiveness, Development Framework, business focus area, business model, issues and concerns, gaps*

## INTRODUCTION

The Philippine micro, small, and medium enterprises (MSMEs) play a vital role in meeting the needs and desires of consumers. Their presence not only fosters economic growth but also serves as a cornerstone for nations grappling with employment, income distribution, and poverty challenges. President Rodrigo Duterte has recognized MSMEs as the fundamental unit of the economy, attributing this status to their higher contribution to employment

growth rates compared to larger firms. The sustained operation of MSMEs aligns with the government's 10-point socio-economic agenda, aimed at enhancing the nation's economic revenue and elevating the quality of life for numerous Filipinos.

One way to narrow the gap between the rich and the poor is through the establishment of entrepreneurship, led by individuals popularly known as entrepreneurs. According to Go (2018), the traditional definition of an entrepreneur is "a person who, with considerable initiative and risk, organizes and manages any enterprise, especially

a business." In contrast to an employee, an entrepreneur operates a business and is personally accountable for all of the risks and benefits associated with a certain business endeavor, concept, and products or services offered. According to Balita, Jones, Mitchelmore, & Nikolopolous (2015), entrepreneurs are frequently viewed as business leaders and innovators of new ideas and company processes. The objective of establishing an enterprise is to address the desire to augment one's income by becoming self-employed rather than working as an employee for someone else. This business endeavor simultaneously produces more jobs for other people and brings in more tax income for the government. Therefore, it is crucial to support entrepreneurs financially and technically, a task that the government manages with the help of the private sector. Nevertheless, there are always business hazards present.

According to the Philippine Statistics Authority's (PSA) 2017 List of Establishments, there were 924,721 businesses actively operating in the Philippines. Among them, MSMEs accounted for 99.56% (920,677) of all establishments, with microenterprises accounting for 89.59% (828,436), small enterprises comprising 9.56% (88,412), and medium enterprises making up 0.41% (3,829). The remaining 0.44% (4,044 establishments) were classified as large enterprises. Notably, these data indicate that MSMEs constitute the majority of jobs in the Philippines (MSME Statistics, 2019). It is evident that the government has recognized the significance of empowering this sector by providing financial and technical support to sustain their endeavors.

Despite its significance in the growth and development of the country, it was observed in the latest report of the Philippine Statistics Authority that there was a decrease in the percentage of exports of goods and services by 18% from the year 2006 to 2016. The 2017 annual survey of Philippine Business and Industry also showed a decrease of 4.3% growth rate exhibited in terms of the number of establishments from 2016 to 2017.

There are still common constraints identified among all MSMEs, whether new or existing, aside from the economic issues mentioned. These are categorized as non-financial barriers and financial barriers. Non-financial barriers include the number of requirements needed to register an enterprise. At the same time, financial barriers make aspiring entrepreneurs difficult to acquire funds as initial capital due to overwhelming banking conditions and other loan institutions (Casaclang, 2018).

In recognition of these barriers, the Department of Trade and Industry (DTI) has developed a strategy known as the 7Ms for MSME Development. It aims to help aspiring entrepreneurs start their businesses and the same with the existing MSMEs for the growth and development of their enterprises. 7Ms include "Mind," "Mastery," and "Mentoring" to initially prepare business owners to have the right entrepreneurial skills and attitude in operating a business. "Money" involves several financing programs that will aid MSMEs in establishing their business financially. "Machine" lets business owners enhance their technical skills and be exposed to facilities and equipment services shared by local government units. "Market" allows MSMEs to tap other market segments by showcasing their products in different marketing events, and "Model" allows aspiring and existing business owners to see different marketing models that can adopt according to their market needs.

The study intends to assess the efficacy of the 7Ms Development framework by the Department of Trade and Industry (DTI) in its impact on the business operations of selected MSMEs in Cavite. Additionally, it identifies prevalent issues and challenges encountered by selected MSMEs in coping with the development of the Department of Trade and Industry's 7Ms development framework. The 7Ms framework aims to address these concerns and support the growth of MSMEs. Assessing these factors enabled the proponent to identify the gaps in dealing with the framework and introduce a business model or programs that will help the

government, MSMEs, and other entities achieve their respective goals and objectives.

## OBJECTIVES OF THE STUDY

This study assesses the effectiveness of the Department of Trade and Industry's 7Ms Development Framework programs in shaping the business operations of designated MSMEs in Cavite. Specifically, it seeks to address the following questions:

1. Evaluate the assessed Micro, Small and Medium Enterprises depict the DTI's business in relation to:
  - 1.1 Improved Business Climate;
  - 1.2 Improved Access to Finance;
  - 1.3 Enhanced Management & Labor Capacity;
  - 1.4 Improved Access to Technology & Innovation; and
  - 1.5 Improved Access to Market
2. Determine the assessment of the selected Micro, Small, and Medium Enterprises, and the effectiveness are the following Department of Trade and Industry's 7Ms development framework concerning their business operations:
  - 2.1 Mindset;
  - 2.2 Mastery;
  - 2.3 Mentoring;
  - 2.4 Money;
  - 2.5 Machine;
  - 2.6 Market; and
  - 2.7. Models
3. Analyze the prevalent issues and challenges encountered by selected MSMEs in coping with the development of the Department of Trade and Industry's 7Ms development framework.
4. Explain gaps identified by the researcher in the 7Ms development framework based on the listed issues and challenges of the selected MSMEs?
5. Determine the business model that

can be devised to prepare the MSMEs to attain strategic and global competitiveness.

## METHODOLOGY

A descriptive research design, utilizing quantitative techniques, was employed for this study. The chosen descriptive research method facilitates gathering information from MSMEs in Cavite regarding their business operations in areas such as market access, technology accessibility, business climate, finance access, management, labor capacity, and innovation. This approach aims to assess the effectiveness of the implemented 7Ms framework.

A non-probability purposive sampling method was used to select MSMEs situated in the central commercial districts of three cities in Cavite. The population consists of officially registered MSMEs with DTI Cavite and BPLO in these municipalities.

Utilizing Slovin's Formula, the researcher determined a target of 478 registered MSMEs from a total population of 902 establishments. However, due to the pandemic, only 240 or 50% of the target respondents participated.

The respondents, business owners or managers, operated in the wholesale and retail trade industry, focusing on essential items such as groceries, bread and pastries, beverages, poultry products, clothing, and accessories. The study excluded manufacturing, accommodation, financial and insurance activities, and the food service industry.

The research site included Bacoar, Dasmariñas, and Imus in Cavite, selected based on their high population, a significant number of registered MSMEs, and proximity to the researcher.

The primary data collection instrument was a questionnaire developed by the researcher and validated by three experts in the field. The questionnaire covered respondent profiles and assessments of the effectiveness of the DTI Development framework, addressing issues and challenges faced by business operators. The survey questionnaire was administered to selected MSMEs in the three cities, emphasizing



collaboration and meticulous selection of participants willing to engage in the survey. Data collection was achieved through a self-structured survey questionnaire.

The study employed a research questionnaire, which was distributed to MSME owners after obtaining permission through DTI Cavite. With 240 responses out of the desired 478 due to COVID-19 disruptions, the data was collected in late February and retrieved in March 2020. The researcher processed the tabulated data using SPSS, utilizing weighted mean and standard deviation for analysis.

## RESULTS AND DISCUSSION

### 1. Description of DTI Focus Areas

**Table 1**

*DTI's Business Focus Areas as Described by Selected Micro, Small and Medium Enterprises*

Focus Area	Mean	SD	Interpretation
Improved Business Climate	2.7075	0.68574	Moderately Visible
Improved Access to Finance	2.6733	0.73907	Moderately Visible
Enhanced Management and Labor Capacity	2.7417	0.74466	Moderately Visible
Improved Access to Technology and Innovation	2.6533	0.30366	Moderately Visible
Improved Access to Market	2.7781	0.71042	Moderately Visible
<b>Overall</b>	<b>2.7107</b>	<b>0.55794</b>	<b>Moderately Visible</b>

Table 1 presents the summary of business focus area of DTI based on the descriptions provided by selected micro, small, and medium enterprises. It is sighted that the "market access" indicator gained the highest mean value of 2.77 and was interpreted as "Moderately Visible" or adequately observed. In contrast, the lowest mean value of 2.65 was given to the indicator "access to technology and innovation." The DTI's areas of business focus were outlined by chosen MSMEs, leading to an average of 2.71 and 0.55

standard deviation. The data suggests that the DTI places significant importance on strengthening connections within the value and supply chains. Additionally, they prioritize making crucial resources such as information, analysis, learning, contacts, matching, and interaction available to MSMEs in both domestic and export markets, with the aim of fostering their growth.

Amuroso (2015) emphasized the active involvement of the SME Development Division of the Philippine Chamber of Commerce and Industry in formulating and implementing policies and programs at both the national and regional levels. These initiatives aim to strengthen the capabilities and competitiveness of MSMEs, focusing on key aspects such as access to markets, market opportunities, technology and information, and credit and financing.

### 2. Assessment of Effectiveness of the DTI 7Ms Development Framework

**Table 2**

*Assessment of the Respondents as to Effectiveness of the DTI's 7Ms Development Framework*

Indicators	Mean	SD	Interpretation
Mindset	2.8878	0.70419	Moderately effective
Mastery	2.8680	0.69730	Moderately effective
Mentoring	2.8904	0.73562	Moderately effective
Money	2.9266	0.71518	Moderately effective
Machine	2.9236	0.71608	Moderately effective
Market	2.9015	0.66061	Moderately effective
Model	2.8778	0.68550	Moderately effective
<b>Overall</b>	<b>2.8963</b>	<b>0.61878</b>	<b>Moderately effective</b>

Table 2 displays The respondents' assessment summary regarding the effectiveness of the DTI 7Ms Development Framework. The data indicates that the respondents rated the overall effectiveness as "Moderately Effective," suggesting that DTI's



7Ms Development Framework is sufficiently effective for businesses.

It is noted that among the seven frameworks, the indicator "Money" has 2.93 highest mean value while the indicator mastery has 2.86 lowest mean value.

This means MSMEs consider money as the lifeline of any business, necessitating effective financial planning, particularly in enterprises where the flow of money is minimal. Observing the efficient utilization of limited resources to foster enterprise growth is equally important.

Notably, finance is often regarded as the sole key to success and progress in setting up an enterprise. There are many bases for capital raising; still, one should study all possible resources before making any decision (Lamba & Aggarwal, n.d.).

### 3. MSMEs’ Issues and Challenges in Coping with DTI’s 7Ms Development Framework

**Table 3**  
*Summary of Issues and Challenges Confronted by Selected MSMEs in Coping with the DTI’s 7Ms Development Framework*

Common issues and challenges	MEAN	STD	Interpretation
Lack of management skills	2.7573	0.80859	Sometimes confronted
High competition from other businesses	2.7624	0.82445	Sometimes confronted
Difficulties in business licensing & permits	2.9092	0.76508	Sometimes confronted
Insufficient working capital	2.8029	0.75264	Sometimes confronted
Access or cost of finance	2.8031	0.78395	Sometimes confronted
High cost of inputs	2.9056	0.75718	Sometimes confronted
Lack of skilled workers	2.7920	0.82071	Sometimes confronted
Insufficient market access	2.7293	0.83413	Sometimes confronted
Restrictive laws	2.7669	0.79187	Sometimes confronted
Safety and security	2.7104	0.86813	Sometimes confronted
<b>Overall</b>	<b>2.7943</b>	<b>0.63386</b>	Sometimes confronted

Table 3 shows the selected MSMEs’ issues and challenges in coping with DTI’s 7Ms development framework. Based on the results, respondents assessed the issues and challenges confronted by selected MSMEs as "Sometimes Confronted" or occasionally encountered by the respondents, with a 2.79 overall mean value and 0.63 standard deviation. It is noted that the highest mean value of 2.91 was given to the indicator "Difficulties in business licensing and permit." The "safety and security" indicator has a lower mean value of 2.71.

This indicates that among the common concerns and challenges encountered by assessed MSMEs, difficulties in business licensing and permits are the most regarded issue to deal with in their business operations.

### 4. Identified Gaps in the 7Ms Development Framework

The following gaps were discovered in the application of the 7Ms Development Framework: (1) LGU’s non-uniformity of rules results in MSMEs needing help in business licensing and permits; (2) the high cost of inputs hampers MSMEs from expanding their businesses due to the high cost of raw materials, parts, and services for machine maintenance; and high standards/qualifications set for MSMEs to access finance cause trouble for MSMEs in applying for loans and opening an account due to some requirements and qualifications set by the banks and other financing companies.

### CONCLUSIONS

The selected MSME respondents reported that the business focus areas of the DTI are moderately visible or adequately observed. Furthermore, the 7Ms were assessed as moderately effective and interpreted as adequately applicable to the business operations of MSMEs. Of the identified issues and challenges, difficulties in business licensing and permit processing are the most confronted problems based on mean scores. The study



identified three significant gaps, namely: LGU's non-uniformity of rules, high cost of inputs, and high standards set for MSMEs to access finance.

## RECOMMENDATIONS

The researcher recommends the adoption of the MSME Competitiveness Model to tackle challenges faced by selected MSMEs while enhancing the focus areas of DTI, including business climate, market access, technology accessibility, innovation, finance accessibility, and management and labor capacity. This model is designed to foster resilience, sustainability, innovation, and global competitiveness among MSMEs.

The model is structured into two zones: the MSME zone and the Government zone, collaborating to achieve mutual goals and objectives.

Within the MSME zone, small businesses progress through distinct stages—Start-Up, Growth, Expansion, and Maturity—each presenting unique challenges and opportunities. Strategies tailored to each stage include (1) Establishment: Product Promotion; (2) Growth: Product Development; (3) Expansion: Market Penetration and Market Development; and (4) Maturity: Diversification.

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**Fraulein M. Herrera, DBA, CHRA**, is an esteemed professional serving as the Program Chair and Research Coordinator of the College of Business Administration at the University of Perpetual Help Molino. Additionally, she holds a faculty position at the Graduate School of Lyceum of the Philippines University Cavite. With an impressive 23-year tenure in academia, Dr. Herrera is a seasoned educator, specializing in subjects such as Strategic Management, Business Policy, Research, and Economics at both the tertiary and graduate levels.

Recently, she achieved the Human Resource Associate Certification from the Human Resource Educators of the Philippines, showcasing her commitment to staying abreast of industry standards and enhancing her expertise. Her dedication to excellence extends beyond the classroom, as she has been appointed as a Project Evaluator and Project Consultant by the Department of Science and Technology (DOST) for various project proposals, highlighting her expertise in project assessment and consultation.

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