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Louie A. Divinagracia Shirley A. Ongoco



The Philippines is taking a major step in strengthening the smaller countryside business enterprises (SCBEs) to promote rural industrialization and countryside development. Its peremptoriness is best reflected within the context of the insurgency problem and worsening rural impoverishment. SCBEs are business enterprises with an asset size of at most P5 million and employ no more than 100 workers. In eight out of the twelve regions in the country from which data was available, the gifts and housewares (or handicrafts) industry accounted for dominance in rural manufacturing activities in at least four regions (Dept. of Trade and Industry 1986). This was expressed in terms of number of firms, employment generation, and export potentials. In Southern Tagalog where Laguna is situated, this particular industry employed about 25 percent of the total manufacturing workforce and has been rated as the region's top employer. Moreover, it was reported that SCBEs serve as vital links between the farm and off-farm rural economy, and outside markets by utilizing rural labor for the conversion of low value agro-forest-sea resources into higher value-added manufactured products (Divinagracia 1988). The extent to which such linkage is actually realized has been attributed to the technological and managerial capability of SCBEs in general to produce the higher value-added products which can ably satisfy a target market's quality, quantity, and delivery date specifications (Sethuraman 1987). Compared to larger business enterprises, SCBEs tend to use simpler technologies, more locally-produced or fabricated equipment, and fewer capital-intensive techniques and processes. Individuals who run them are rarely exposed to formal management training, and much of their managerial capability was acquired through a process of trial and error as well as learning from practical experience. However, given the continuing advances in

technological and managerial manpower development and growing market competition, it is inevitable that SCBEs should begin to acquire the necessary technological and managerial capability to cope with the rapid changes in the business environment. Unfortunately, the smallness of their operations does not permit SCBEs to undertake the kind of Research and Development (R&D) and Human Resources Development (HRD) activities which their larger business counterparts are capable of doing. Moreover, most of the technological developments during the last century have been associated with an increasing scale of business operation. Quite often, it may neither be possible to scale down the technology nor introduce with success a scale-downed technology to the SCBEs (Maidique 1987).

Inspite of the techno-managerial support activities extended by the government to the SCBEs, their assimilation and utilization of improved technologies have remained to be poor. The SCBEs are still generally believed to be traditional technology users as far as the following areas are concerned: product design development; raw material usage; tools and equipment usage; and product process selection.

What is therefore disabling SCBEs in assimilating and utilizing improved technologies? To answer that question, we undertook a research study to investigate the issues associated with the assimilation and utilization of improved technologies by the SCBEs. Our specific objectives were to validate the extent by which SCBEs are still utilizing traditional technologies; determine the constraints and barriers which SCBEs face in assimilating and utilizing improved technologies; and examine how the SCBEs have managed to survive in the rapidly changing business environment.

We originally intended to cover several provinces, but our research resource constraints have limited the geographic area of inquiry to the province of Laguna. Moreover, only the registered gifts and housewares enterprises in the province were selected as respondents for this study. Enterprises which belong to the underground economy were excluded from the list of respondents.

The first phase of the study was undertaken from November 1989 to January 1990. This consisted of preparing the research design, formulating and pre-testing the questionnaires, getting primary and secondary information, and tabulating the data. The second phase of the study was undertaken from February to March 1990. This consisted of analyzing the data, writing up of the results, and preparing the final formal report.

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Findings of the Study

The results of the study showed that the enterprises which belong to the Gifts and Housewares Industry in Laguna can be categorized based on the major products they were producing: baskets, paper mache, wood carving, wood shaving, and furniture (refer to table 1). Results coming from 16 out of 23 registered enterprises in the area revealed that the SCBEs consider themselves traditional technology utilizers in the areas of: raw material usage; tools and equipment usage; and product process selection (see table 2).

However, the SCBEs claimed that they were all utilizing a modified technology in product design development. Only five out of sixteen enterprises utilized a modified technology in tools/equipment usage, and three in product process selection. The raw materials used by the SCBEs are shown in table 3 while the kinds of tools and equipment they utilized are shown in table 4. The readers will note that SCBEs are still predominantly utilizing traditional raw materials.

The owner-managers of the SCBEs whom we interviewed were more aware of and availed of the managerial and technology training programs offered to the industry than the workers. These training programs were conducted by government and academic institutions. However, product rejects caused by the failure of the workers to meet product specifications are still often encountered.

Moreover, the owner-managers of the SCBEs felt that some of the so-called improved-product designs presented in the training pro-

Pr	oduct Category	Location	Cottage	Small	Total
1.	Baskets	Nagcarlan, Kalayaar	n 3 .		3
2.	Paper Mache	Paete	1	-	1
3.	a. Wood Carvings b. Wood Carvings -	Paete, Pakil	4	-	4
	Paper Mache	Paete	2		2
4.	a. Wood Shavings b. Wood Shaving -	Pakil	2	-	2
	Wood Products	Pakil	-	1	1
5.	a. Furniture - Baskets	Sta. Cruz	1	. —	1
	b. Furniture - Wood Carvings	Paete	1	1	2
	Total		14	2	16

 Table 1. Laguna Gifts and Housewares Enterprises Producing Major

 Products: Location and Classifications, 1989

grams were far from what the market preferred. The equipment that was recommended was expensive (especially those from smaller enterprises), and too complicated to be operated by the workers. Furthermore, some of the owner-managers felt that they knew more than what the trainors could offer and teach in the areas of product design development and product process selection.

On the other hand, the owner-managers continued to have strong preference for the traditional raw materials because they give the finished products a unique and original appearance. Such products are often sought more by the markets and command better and higher prices.

Classification	Pr D	odu Jeve	ict [lopr	Desi nen	gn it	R	uw l Us	Mate age	eria	1	[00]	s/E l	Equi Jsag	pm je	ent	P	rodi Se	lecti	Pro on	0895
	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5
Traditional			a. 	a b.	a. b	0	0	0	0	0	0	0	0	0	0			0	0	0
Improved	0	0	0	0 0	0								-		• 0		0	0		

Table 2. Technologies Utilized by the Laguna Gifts and Housewares Enterprises, 1989

Legend:

- 1 Baskets
- 2 Paper Mache
- 3 a Wood Carving
- b Wood Carving paper mache
- 4 a Wood Shaving
- b Wood Shaving wood products

5 a Furniture - baskets

b Furniture - Wood carving

Areas of Technology

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Raw Materials	Basket	Paper Mache	Wood Carving	Wood Shaving	Furniture	Total
Baging	2					2
Bamboo	3				1	4
Banban	1					1
Coconut Husk	- 1					1
Hagnaya	1					1
Kaong	2					2
Kilog	1					1
Pandan	1					1
Rattan pole	3				· 1	4
Split rattan	1					. 1
Tanlac	1					1
Newspaper		3				3
Brown paper		3				3
Acacia			· 1			1
Almaciga			4			4
Batikuling			6			6
Kamagong			1			1
Mala - anunang			1 .			1
Mango			1			1
Marang			5			5
Red Lauan			5			5
White Lauan			2			2
Tanguile			1			1
Amlang				3		3
Kaitana				3		3
Malapapaya				· 1		1
Malasangki				2		2
Matang - araw				1		1
Narra					2	2
Philippine Maho	gany				1	- 1

Table 3.	Laguna	Gifts	and	Housewares	Enterprises	Who	Reported
	Their R	aw Ma	ateria	al, 1989			-

Our study further revealed that technological innovation is the major coping and survival mechanism of the SCBEs in facing the rapidly changing business environment they are in. Table 5 summarizes the areas where the enterprises exerted a low and a high degree of technological innovation. It can be seen that product design development is the leading area where all the enterprises demonstrated a high degree of innovation. Most of the new ideas in product design originated from the owner-managers themselves and from the buyers (refer to table 6). Table 4. Tools and Equipment used in the Production of Major Products of the Gifts and Housewares Enterprises in Laguna, 1989.

А.	Baskets 1. Knife 2. Cutter	3. Blow torch 4. Scissors
B.	Paper Mache 1. Oven (optional)	
C.	Wood Carving 1. Carving tools 2. Press drill 3. Radial saw 4. Sander 5. Jointer	6. Beading Machine 7. Band saw 8. Thickness planer 9. Jigsaw machine 10. Surfacer
D.	Wood shaving 1. Hand tools hand drill kikil hand planer blow torch	 Band saw Surfacer Thickness planer Circular saw
E.	Furniture 1. Router 2. Blow torch	3. Other hand tools

In addition, modifications in the process of producing the finished products were also made. Such modifications were introduced by the workers who wanted to shorten the time spent in producing the products as well as by those who wanted to improve product quality.

For the benefit of our SCBEs, we attempted to identify three critical areas for immediate action which should be taken foremost by those who are directly responsible in the well-being of our smaller enterprises in the countryside.

The owner-managers who participated in this study recognized that the transfer of technology in their respective SCBEs will also have to involve the transfer of management know-how and skills. In fact, they found the topics on management and supervision highly relevant in the training programs they attended. However, we strongly recommend that the workers in the SCBEs should also be given the opportunity to attend such programs and in the process learn and benefit from the value of good management and improved technologies.

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Areas of Techno	ology																			
	Pr	odu	ict [Desi	gn	R	aw	Mat	erial	1	Tool	s/E	lqui	pm	ent	P	rodu	uct	Proc	ess
Classification	Ľ)ev(elop	me	nt		L	isag	e 			ι	Jsaį	<u>з</u> е			Se	elec	ion	
	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5
Law								0	0	0			0	0	0				0	
LOW			-			0		-		·				. -		0			·	-
								0	0	0									0	0
High			0	0	0		••						-	·		• • •	0			-
	0	0	0	0	0									0	0 (0	1	0		
Legend:																				
1 Baskets									1 a	w	ood	sha	vin	B						

Table 5. Innovations made by the Laguna Gifts and Housewares Enterprises, 1989

1	Baskets	4 a	Wood shaving
2	Paper Mache	1	Wood shaving - wood products
3	a Wood Carving	5 a	Furniture - baskets
	b Wood Carving - paper mache	1	Furniture - wood carving

Table 6. Sources of Ideas of Product Design: Laguna Gifts and Housewares, 1989

Source of Idea	# Responses	%		
Buyers	12	35		
Own Idea / Owner	12	35		
Magazines	3	9		
Training	1	3		
Relatives	1	3		
Government Agencies	3	9		
Workers	1	3		
Abroad	1	3		
Tot	al 34	100		

Secondly, we strongly feel that more efforts have to be directed at harnessing the innovativeness of owner-managers and workers in SCBEs. Innovation implies bringing something new into use and considering only the best and appropriate for the small-size operations of the SCBEs. Innovation is neither the immediate adoption of expensive and imported technologies nor the tolerance for antiquated and technically-inefficient methods.

Thirdly, we observed that SCBEs are not only motivated by management principles and technology modifications which allow for cost reduction and quality improvements but also by the manner in which product and market diversification are facilitated. As a result, we would like to see the reinforcement, if not movement, of policy and support service interventions in these areas in the near future.

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