

Original Article

Structural Equation Model on Organizational Effectiveness in Relation to Entrepreneurial Marketing, Operating Environment, Employee Engagement and Financial Management Practices among Micro, Small and Medium Enterprises in Davao Region

¹Ralph Benjie Austral, REB, REA, MBA, ²Vicente Montaña, DBA

¹Professional School, University of Mindanao, Davao City, Philippines

²Professional School, University of Mindanao, Davao City, Philippines

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Abstract: This quantitative research aimed to determine the best-fit model with the following independent variables: entrepreneurial marketing, operating environment, employee engagement and financial management practices concerning organizational effectiveness as dependent variables. A survey questionnaire was disseminated to various MSME managers and owners in Davao Region. A structural equation model was used to find the best-fit model of the study. Results showed that entrepreneurial marketing ($\bar{x}=4.42$), operating environment ($\bar{x}=4.40$), employee engagement ($\bar{x}=4.47$), and financial management practices ($\bar{x}=4.31$) were very high; organizational effectiveness, as the dependent variable, was also observed as very high ($\bar{x}=4.41$). The study further showed that Entrepreneurial Marketing ($\beta=0.464$, $p=0.00$), Employee Engagement ($\beta=0.408$, $p=0.00$) and Financial Management Practices ($\beta=0.153$, $p=0.002$) have an influence on organizational effectiveness while operating environment ($\beta = -0.105$, $p=0.113$) does not have. The best-fit model then suggested that Proactive Orientation and Innovation focused as indicators of Entrepreneurial Marketing, Job Characteristics and Perceived Organizational Support as indicators of Employee Engagement and Working Capital Management Practices, Accounting Information System and financial reporting practice and analysis, and Capital Budgeting and non-current assets management, as indicators of Financial Management Practices, were final indicators for independent variables which can influence Organizational Effectiveness, with Organizational Structure and Knowledge Management, as indicators.

Keywords: Employee Engagement, Entrepreneurial Marketing, Financial Management Practices, MSME, Operating Environment, Organizational Effectiveness, Philippines, Structural Equation Model.

I. INTRODUCTION

Micro, small, and medium-sized enterprises (MSMEs) are indispensable and vital for economic development. They create jobs, boost innovation, and help spread wealth. Micro enterprises comprise twenty-four percent of the Philippines' total employment, followed by twenty-five and thirty-four percent for small enterprises and six and eighty-three percent for medium enterprises (MSMED Council, 2018). Therefore, the majority of the labor force in the country is coming from the MSMEs. This created job opportunities, thereby increasing economic activities in the country. Moreover, MSMEs contribute a substantial impact on GDP, of which ninety percent of the USA's GDP, ninety-seven percent of Japan's, and ninety-five percent in the UK. These figures show how important MSMEs are in the economic boost (Albalushi & Naqshbandi, 2022). However, despite its relevance to the economy, sixty-seven percent of SMEs are fighting and struggling to survive all over the world (Werthmuller, 2022).

With this regard, one of the critical factors in determining an SME's success is its organizational effectiveness. Organizational effectiveness is a concept wherein an organization uses and optimizes its resources, as well as its own capabilities, to achieve goals, both short-term and long-term (Raynata et al., 2020). Accordingly, the knowledge, education, and creativity of the organization have a direct impact on developing SMEs as an organization towards being a creative economy business (Potjanajaruwit, 2021). Though operational effectiveness was not clearly defined in the study, it can be said that SMEs that can operate effectively are more likely to survive and thrive. For this, there is a demand to investigate SMEs' organizational effectiveness to better understand how they can be more successful. Consequently, management practices and organizational culture affect SME performances (Prasanna et al., 2019). Thus, how SMEs behave and operate greatly affects their success rates. Furthermore, a recent study concerning the operations of MSMEs and their implications in the ASEAN community concluded that most of the businesses under the category of SMEs have experienced difficulty, particularly in the



management and operations (Santos & Santos, 2019). In addition, the success rate of SMEs is attributable to business culture, managerial skills, and operations of the business (Albalushi & Naqshbandi, 2022). The said study emphasized the need for the education system to have a pivotal and meaningful role in the success of MSMEs. Thus, in order for the entrepreneurs to build more confidence in business, respondents of the said study were unanimous on these important skills to learn in an organization, which are marketing, finance, and human resource management. By understanding these dimensions of organizational effectiveness, entrepreneurs can recognize the influences and factors that lead to the success of MSMEs. This information is valuable for SMEs and policymakers interested in promoting SMEs' growth.

Furthermore, the contribution of SMEs and their expansion is one of the main driving forces of economic growth. Therefore, if problems exist within these small-scale businesses, there will be a great impact on economic growth. As such, as an organization, SMEs have their own problems to deal with.

Sustainability has now become an issue for SMEs as they face many problems, including finance (Sityata, 2019), marketing (Kumar, 2022), employees and human resource (Harney & Nolan, 2022), operations (Muchaendepi et al., 2019), and other factors. These problems hinder the effectiveness of SMEs in functioning as business units, thus limiting the capacity of the business to grow and thereby slowing the economic growth of a country.

To add more, there are different challenges SMEs are facing nowadays. A study by the Asian Institute of Management suggested that SMEs face different obstacles and drawbacks (Francisco and Canare, 2019). To name a few, there are constraints in human resources, inadequacy of business operations, lack of finance accessibility, branding and marketing issues, and many more. Surprisingly, the same issues were also cited in the study by the Asian Development Bank (2016). Other factors that SMEs are currently facing are increased competition (Prasanna et al., 2019), changing customer demands (Rahman, Budiyo, & Suwitho, 2021), and technological innovation (Das, Kundu, & Bhattacharya, 2020). These challenges make the survival rates of SMEs a bit slimmer compared to those of more established business entities. Thus, the importance of knowing and understanding its organizational effectiveness is an important factor to increase SME's survival rates. As observed, the numerical figures presented coming from the previous studies are pessimistic considering the involvement of SMEs in the economic boost of the country. SMEs are considered a major instrument in achieving inclusivity of growth and globalization (Bayraktar & Algan, 2019), yet they are struggling to survive (Werthmuller, 2022). This agenda leads to the development of this study to understand how SMEs work and what factors should be taken into consideration to increase their survival rate.

With these dilemmas mentioned, this study aims to answer the question of how entrepreneurial marketing, operating environment, employee engagement, and financial management practices, as obstacles MSMEs currently facing (Francisco & Canare, 2019) are related to the organizational effectiveness of MSMEs in Davao Region (Region XI). The need for these areas in the organization should be given emphasis, leading to the reason for developing this study, which is to have a better understanding of the organization and how effective it is (Santos & Santos, 2019). Furthermore, this study also tries to answer how entrepreneurial marketing, operating environment, employee engagement, and financial management practices can influence the organizational effectiveness of MSMEs in the Davao Region (Region XI). Consequently, each variable has different factors to consider. This study aims to determine the level of organizational effectiveness, which is the dependent variable, in terms of organizational structure, knowledge management, and culture (Raynata et al., 2020). Moreover, this study intends to determine as well the extent of entrepreneurial marketing, operating environment, employee engagement, and practices of financial management. As such, the following independent variables can be affected by the following factors, namely: entrepreneurial marketing that can be influenced by proactive orientation, opportunity-driven, customer-intensity, innovation-focused, resource leveraging, risk management, and value creation (Stephen et al., 2019); operating management that can be influenced by competition, industry regulations, and market conditions (Wanyoike, 2016); employee engagement that can be influenced by job characteristics, perceived, organizational support, reward and recognition, and perceived supervisor support (Mulugeta, 2020); and financial management practices that can be influenced by accounting information and financial reporting practice, capital structure management, working capital management practices, and the use of capital budgeting techniques and fixed assets management (Musah et al., 2018).

To gain a deeper understanding, a study was conducted by Manishimwe and Raimi (2021), which showed the relationship between entrepreneurial marketing and organizational performance. In their study, a total of four hundred SBEs (small business entrepreneurs) in Yola, Nigeria, were selected, and it showed that there is an imperative positive impact on the performance of the organization with respect to entrepreneurial marketing. The study further suggested that SBE managers and owners should review and examine their entrepreneurship-oriented strategy measures as well as give more emphasis to customer orientation to increase entrepreneurial marketing practices effectively.

On the other hand, how effective an organization is can be influenced by how a company operates. In the study of Tan and Olaore (2021), between organizational effectiveness and variables such as learning and operations, employees' productivity, and management performance, a positive relationship was observed. Considering that the current era is more focused on knowledge development and learning, the study further suggested that in order for organizations to survive, continuous learning should be ensured, as well as being more acquainted with the latest trends, policies, laws, and guidelines for a specific industry.

Furthermore, the engagement of employees is also a factor in organizational effectiveness. Jha et al. (2019) suggested that there is a direct association between employee engagement and how the organization can be effective in employing the IT Sector in Bangalore City, India. However, surprisingly, there is no significant association that can be linked between organizational effectiveness and employee voice. Though the authors of the study had disclaimed that it cannot be generalized to the entire IT Industry and that this needs more study, it can be argued that a direct association between the engagement of employees and organizational effectiveness exists.

Lastly, financial management practice influences the organization. In the study conducted by Mang'ana et al. (2023), practices of financial management have a significant influence, as well as a positive impact, on the performance of the organization, as well as financial performance of which four hundred twenty-seven SMEs in the agricultural sector of Tanzania were being examined. The study also indicated that the results were consistent with the study's literature, suggesting that this variable has an impact on small businesses' success.

The previous associations of organizational effectiveness and its several factors were traced from the core theories revolving around the mentioned variables. For that, this study is anchored on the Theory of Organizational Effectiveness (Hannan & Freeman, 1977; Etzioni, 1964). In this theory, an organization's effectiveness can be measured naturally on how such an organization achieves its goals. Organizational goals are the very reason for the existence of every organization, thus the desire to achieve such goals. Moreover, organizational effectiveness depends on its environment, and so an organizational ecology should be designed to sustain an environment favorable to the organization.

In this regard, the Effectuation Theory (Sarasvathy, 2001) is the basis for developing the relationship between entrepreneurial marketing and organizational effectiveness. This theory suggests that to create firm value, and entrepreneurs focus on solving business problems and creating opportunities using the available resources instead of predicting the future. Thus, effectuation theory targets the market and explains how to build and interact with the said market based on the available sets of information instead of relying on predictions. With this, firms can achieve better results from analyzing past and historical data, as numerical figures and past data are a manifestation of a concrete basis of experience. Though projection and prediction are ways of visualizing the future, it can be more concrete to project and predict based on the historical data available to analyze a situation. For this, effectuation theory gives entrepreneurs a realistic view of analyzing situations such as targeting a market and creating more value for the firm.

On the other hand, Total Quality Management (TQM) Theory (Demings, 1982), underpins the basis for the relationship of operating environment and organizational effectiveness. Demings (1982) believed that when firms focus on improving their quality, a reduction in cost will follow. However, as companies focus on minimizing costs, they will inevitably reduce the quality, resulting in a higher cost. TQM Theory suggests that firms should focus more on quality rather than being particular to cost. In an organizational setup, there are a lot of processes that should be taken into consideration. However, firms should prioritize the quality of products and services in order to eliminate wastage and rework, which are additional costs without economic benefits; this can be done by incorporating policies and ideas-based law and concrete concepts.

Moreover, the Social Exchange Theory conforms to the relationship between employee engagement and organizational effectiveness for this study (Homans, 1958). This theory suggests that most of the behaviors of individuals come from their want to have maximized desires at a minimized cost. The interaction and relationship of two individuals are created because of a cost-and-benefit analysis, whereby benefits outweigh costs. Furthermore, when put in an organizational perspective, human interaction is somehow parallel to economic transactions. How well the organization performs is basically how people within the organization communicate and interact well. Consequently, it is a common human nature to communicate; as such, every human mind has its own ideas and perspectives, which makes every human unique. In an organization, incongruities are common at every level and aspect of labor. Thus, if people within the organization can practice open and positive communication, congruency can be achieved, resulting in a greater profit at a lesser cost, which Social Exchange Theory tackles.

Lastly, this study was also anchored on Resource-Based Theory (Barney, 1991), a managerial framework that suggested that resources that actually refer to different resources and attributes of the firm, such as assets, knowledge, practices, etc., should be comprehended and strategized to enhance the firm's effectiveness and efficiency. Accordingly, the resources and

capabilities of the firm are its competitive advantage (Wernerfelt, 1984), which can be summarized into four attributes of resources, namely, imperfect imitability, value, lack of substitutability, and rarity. Furthermore, financial information within the organization is a great resource information as well as a barometer of the company. This vital information gives the idea of where the company is currently and where the company is leading. Therefore, the role of managers is to utilize this financial information and comprehend and develop strategies to maximize the firm's capacity.

To add, one of the anchored theories in financial management practices of this study was the Financial Risk Management Theory, a finance concept involving managing and handling financial threats an organization faces by strategically planning financial aspects of an organization to minimize financial leakage. The term was popularly used by Dowd (1999) in his book about the science behind risk management and has been used recently in the study of Cerchiello and Giudici (2016) and Akomea-Frimpong et al. (2021). In this concept, every organization should have a clear indication of what financial risks they are currently facing as well as financial risks they will be facing and how the organization should respond, mitigate, and plan for these risks, thus giving the idea of how effective an organization by effectively doing such. With the help of the stated theories and previous literature, this study will determine the causal effect of entrepreneurial marketing, operating environment, employee engagement, and financial management practices on organizational effectiveness.

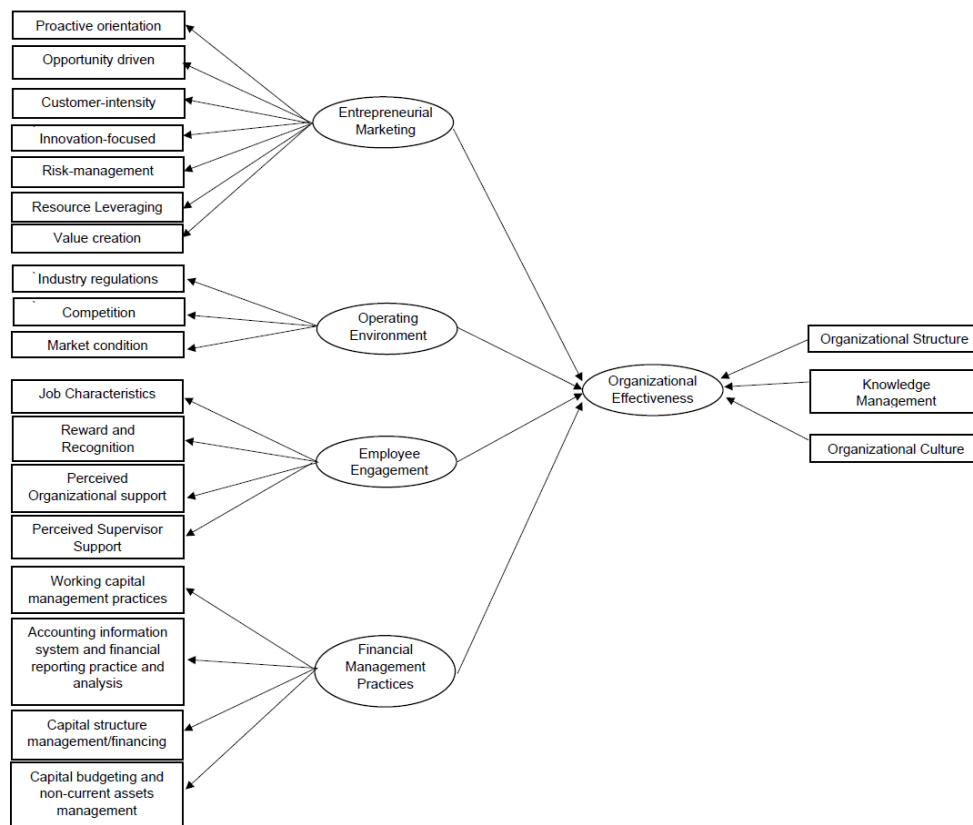


Figure 1. A model of direct influence of entrepreneurial marketing, operating environment, employee engagement and financial management practices to organizational effectiveness.

The context of micro, small, and medium enterprises (MSMEs) for this study was defined based on the context given by Republic Act No. 9501 or the Magna Carta for Micro, Small and Medium Enterprises (MSMEs) (Republic of the Philippines, 2008). In this law, firms are classified separately based on their asset size. Thresholds include less than P3,000,000.00, P3,000,001.00 to P15,000,000.00, and P15,000,001.00 to P100,000,000.00, which are classified as Micro, Small, and Medium Enterprises, accordingly and respectively. To clearly state, MSMEs was the term used in the conduct of the study. SMEs are often used in related studies and literature, which mostly are those on the international setup. As there might be confusion regarding the use of the terms MSMEs and SMEs, the researcher opted to use the term MSME on the premise that the study was conducted locally in the Philippines.

Moreover, the concept of organizational effectiveness has already been used in different studies across different timelines. For this paper, the term Organizational effectiveness was based on the concept provided by Raynata et al. (2020) in their study of what factors determine organizational effectiveness. In their study, organizational effectiveness is used as an idea wherein an organization uses and optimizes its resources, as well as its own capabilities, for the achievement of goals. Consequently, the study presented that organizational effectiveness can be influenced by factors, namely knowledge management, organizational structure, and the culture of the organization. Organizational structure refers to the system and arrangement of relationships between people within the organization and their specific tasks, as well as internal and contact authority. Furthermore, knowledge management means a transformation of tacit and inferred knowledge to more specific and explicit knowledge to be able to realize and achieve whatever the organization wants. Lastly, organizational culture entails the values, beliefs, and behavior of the people within a specific organization, which have apparently been practiced for a long time already; in such a way, these sets of values, beliefs, and behavior were deeply incorporated among members of the organization. All in all, these three factors comprise the organizational structure of an organization.

According to the study of Stephen et al. (2019), entrepreneurial marketing is a merger of two distinct concepts used to label the marketing processes of an organization in pursuit of opportunities in an indefinite market under limited resources. Furthermore, the concept describes the behaviors, skills, and values of the firm entrepreneur in order to address numerous problems as well as find opportunities. Based on the study of Stephen et al. (2019), entrepreneurial marketing can be influenced by proactive orientation, opportunity-driven, customer-intensity, innovation-focused, risk management, resource leveraging, and value creation. Proactive orientation is related to how entrepreneurs and firms, as a whole, initiate the market to have market opportunities. Basically, entrepreneurs should have adequate knowledge and orientation of what the market is and how this market behaves in order to first act on the said market. On the other hand, opportunity-driven is the capacity of the firm to determine the exact opportunity that determines the success and maximized benefit. Customer intensity, furthermore, is the core driving concept of marketing that establishes a “customer-centric” view by incorporating advanced approaches to build and maintain customer relationships. Moreover, innovation-focused, as a determinant of entrepreneurial marketing, suggests different marketing actions that focus on concepts that will lead to new products and processes, as well as new markets. Consequently, risk management involves entrepreneurs’ ability to take risks within the range of rational, calculated, and measured amounts of risk that are inherent in the pursuit of opportunities and decisions. On the other hand, resource leveraging is the ability of the entity to make use of resources as well as connections to its own advantage for growth. Lastly, value creation is the necessity to deliver to the stakeholders something that has value, which is more likely more valuable than those that were being offered by the competitors.

On the other hand, in the study of Wanyoike (2016), the term operating management was defined as predominant factors a firm has no control over but still can influence the performance of the firm; this includes factors such as competition, industry regulations, and market conditions. Though the research has not explicitly defined competition, industry regulations, and market conditions, the terms were operationally used in the entire study. Industry regulations regulation refers to the specific laws and regulations every business should follow and comply with. Competition, on the other hand, connotes the situation wherein several businesses offer the same products and services; consequently, the study suggests that to compete, the company should utilize every strength and opportunity they have in order to be ahead of others. Lastly, the market condition refers to the attractiveness of the market in which a firm performs and operates; accordingly, a firm should promote its product and services on time at the right time.

Consequently, Employee Engagement, in the study of Mulugeta (2020) about the what are the factors affecting employee engagement, was defined operationally as when people within the organization are free to express and employ themselves in every role performance physically, emotionally, and cognitively in order to harness every people’s work role. The definition was also used in reference to Kahn (1990) in his study of personal engagements and disengagements in a workplace. Moreover, employee engagement was influenced by job characteristics, perceived organizational support, reward and recognition, and perceived supervisor support. These factors were also in reference to Kahn’s (1990) perspective. Job characteristics are those tasks for a specific role that deliver challenging work, use different sets of skills and personal discretion, and use these characteristics to provide vital contributions. Moreover, rewards and recognition are those mechanisms an organization uses to make people feel valued and respected. Perceived organizational support refers to the efforts organizations make to support the needs of the employees while they are doing their jobs. Lastly, perceived supervisor support discusses the interpersonal relationships displaying trust and support as supportive management.

Lastly, financial management practices, on the other hand, are defined as those practices used by the organization for fund management and how these funds should be used to achieve the organization’s objective while maximizing organizational value. This perspective was in reference to the study of Musah et al. (2018), in which financial management practices were influenced by four components, namely, accounting information and financial reporting practice, capital structure management,

working capital management practices, and the use of capital budgeting techniques and fixed assets management. Working capital management practices refer to those practices involving how companies manage their short-term assets, such as cash, and to safeguard daily operational needs. AIS and the practice and analysis of financial reporting, on the other hand, refers to those practices, including all systems used in the organisation's financial reporting to aid end users in their analysis and decision-making. Furthermore, Capital structure management involves those practices of the organization to effectively decide the source of finance, such as the right combination of equity and debt financing to fund business operations. Lastly, Capital budgeting and non-current assets management refer to the approaches involving the capital investment decisions of the firm, which can affect how the company survives in the future; thus, this also involves the capacity of the firm to evaluate the viability of a certain project financially.

To clearly state, the following terms were objectively defined based on how it was being used in the study as well as about previous related studies: organizational effectiveness refers to how the organization uses and optimizes its resources, as well as its own capabilities to achieve goals; entrepreneurial marketing is the marketing methods of an organization on the pursuit of opportunities in an indefinite market under limited resources; operating management are factors a firm has no control but still can influence the performance of the firm; employee engagement refers to how people within the organization are free to express and employ themselves in every role performance physically, emotionally and cognitively; and financial management practices are practices used by the organization for fund management and how these funds should be used to achieve the organization's objective while maximizing the organization's value.

With the presented literature from the previous paragraphs, it can be said that there are documented relationships between entrepreneurial marketing and organizational effectiveness, operating environment and organizational effectiveness, employee engagement and organizational effectiveness, and financial management practices in organizational effectiveness. However, there are limited studies that suggest a combination of entrepreneurial marketing, operating environment, employee engagement, and financial management practices, as a whole, relating to organizational effectiveness. This gap is what this study tries to attain and achieve. Considering the alarming survival rates of these entities nowadays, the result of this research could be a great help in understanding how MSMEs work. Furthermore, with the study conducted recently by Soledad, M. (2019) with regard to performances and practice in the City of Davao, it was suggested that MSMEs still have a long way to go in terms of organizational consolidation, financial strength, and the setting up of business operations. This does not still account for the effects of the COVID-19 pandemic, which affected all business organizations. Thus, the need to analyze the importance of entrepreneurial marketing, operating environment, employee engagement, and financial management practices relating to Organization Effectiveness can help local MSMEs have a higher survival rate in the business soon. Furthermore, this study intends to determine organizational effectiveness, a dependent variable of MSMEs in terms of organizational structure, knowledge management, and organizational culture.

With this, the study aims to determine the extent of entrepreneurial marketing of MSMEs in terms of proactiveness, customer-intensity, opportunity-driven, risk management, innovation-focused, and value creation, as well as any relationship that can be established with entrepreneurial marketing and organizational effectiveness. Furthermore, this study also wants to determine the extent of the operating environment of MSMEs in terms of industry regulations, competition, and market conditions, as well as any relationship that can be established between the operating environment and organizational effectiveness. Consequently, this research also aims to determine the extent of employee engagement of MSMEs, when analyzed with reward and recognition, job characteristics, perceived organizational support, and perceived supervisor support, as well as any relationship that can be established between employee engagement and organizational effectiveness. Lastly, this research also aims to determine the extent of financial management practices of MSMEs in terms of working capital management practices, accounting information system and financial reporting practice and analysis, capital structure management/financing and capital budgeting and non-current assets management, as well as any relationship that can be established with financial management practices and organizational effectiveness. The above four indicators comprise the independent variables in this study.

Moreover, this study aims also to determine the significant influence of entrepreneurial marketing, operating environment, employee engagement, and financial management practices on the organizational effectiveness of MSMEs in the Davao Region as well as to determine the model that best fits the organizational effectiveness of MSMEs in Davao Region.

As previous literature suggested fragments of organizational effectiveness, this study will benefit both the community and academe to have an in-depth understanding of MSMEs in terms of marketing, finance, operation, and human resources taken as one, bridging the gaps mentioned before. Accordingly, SMEs play a vital and important part in an economy, making up most of the business organization globally (ILO, 2021). With the help of this study, the whole community, whether businesses or the academe, can see MSMEs on a wider and deeper scope and not just a fragment.

More importantly and specifically, this study will provide valuable advantages to the local MSMEs, both owners and workers, by giving them a clear idea of how they should be doing their businesses intrinsically and holistically. Furthermore, this study will be valuable and helpful to government agencies such as the Department of Trade and Industry and Local Government Units for them to analyze, identify, and strategize specific programs and interventions to have MSMEs with higher chances of survival rate, being one of the contributors of the economic growth.

In addition, this study will benefit the general community, both on a local and global scale, by promoting sustainability in the coming years, which is in line with the Sustainable Development Goals (SDG), which consist of 17 Goals. More specifically, the result of this study on analyzing the organizational effectiveness of MSMEs targeted SDG 8, for decent work and economic growth, and SDG 9, involving innovation, industry, and infrastructure as MSMEs help economic development. Knowing its organization's effectiveness will have an effect on how to strengthen MSMEs, thereby promoting economic development. Thus, this can target SDG 11, relating to sustainable communities and cities, as MSMEs, when organizational effectiveness is emphasized, will promote more jobs and sources of income, not just today but also in the near future. Finally, this study will be advantageous to the upcoming researchers as the results of this study may lead to future research as well as unexplored ideas and concepts related to small and medium enterprises.

II. METHODOLOGY

This chapter of the study exhibits the approaches and methods employed to analyze the information of the study, outlining the research design and collection of data, as well as the analytical and statistical tools used.

A) *Research Respondents*

To establish authentic data, respondents were owners or managers of the business organization, as they could accurately evaluate the organization. In the study conducted by Akinyode (2016) about disciplines of SEM, he stated that several authors, such as Weston and Gore-Jr (2006), suggested that a minimum of 200 respondents for SEM is adequate. This is also consistent with Kline's suggested median sample size of a minimum of 200 (2016). For this study, the sample size was around 430 owners or managers of MSMEs. Consequently, if a larger sample size can be gathered from the minimum required, the efficiency of the data will increase (Hair et al., 2021). All of these respondents were concentrated in all cities of Davao Region (Region XI)

This study used stratified sampling. For this, the respondents were either owners or managers of business organizations in the different provinces of Davao Region, namely Davao del Norte, Davao Oriental, Davao Occidental, Davao de Oro, Davao del Sur, as well as Davao City; they can accurately evaluate the organization. A study conducted by AlQershi, Mokhtar, and Abas (2020) about the performance of SMEs used stratified sampling to evaluate SMEs.

Consequently, respondents were given the option to drop out and leave the study at any time convenient to them if they were not comfortable answering the prepared questions on the survey questionnaire. Moreover, the respondents' decision will not affect their participation or affiliation with the researcher. Participants who dropped out and left were not even required to explain their decision.

The study was concentrated in Region XI (Davao Region). The region's major socioeconomic products include agriculture, tourism, accommodation and services, and industrial (PSA, 2022). Accordingly, the region is the 3rd's fastest economy in the country (Padillo, 2023). Moreover, based on the latest 2020 ASPBI, there are a total of 7,668 establishments that are considered Micro establishments, 3,758 establishments, and 338 establishments for Small Establishments and Large Establishments, respectively. Thus, considering the number of MSMEs in the region, this is an appropriate avenue for studying organizational effectiveness.

B) *Materials and Instrument*

This study used an adapted questionnaire from the related previous studies to measure each variable. Questions from each variable were pulled out from these studies: organizational effectiveness (Raynata et al., 2020), entrepreneurial marketing (Stephen et al., 2019), employee engagement (Mulugeta, 2020), operating management (Wanyoike, 2016), and financial management practices (Musah et al., 2018). Table 1 shows the scaling used for all the variables in this study.

Table 1. Likert Scale of the Measurement of Constructs

Response	Range of Mean	Description	Interpretation
5	4.20 – 5.00	Very High	The measure indicated is always true
4	3.40 – 4.19	High	The measure indicated is often true
3	2.60 – 3.39	Moderate	The measure indicated is sometimes true
2	1.80 – 2.59	Low	The measure indicated is seldom true
1	1.00 – 1.79	Very Low	The measure indicated is almost never true

Before properly disseminating the survey questionnaires to the intended participants, the researcher conducted a pilot test with the consolidated research questionnaire. In this pilot test, a sample of 50 participants was used to test the applicability of the test questionnaires. Furthermore, to examine the consistency internally of the instrument, this had undergone a Cronbach Alpha Test. Table 2 shows the interpretation that was used in the test of reliability.

Table 2. Cronbach Alpha Value (Konting, et. al., 2009)

Cronbach Alpha Value	Interpretation
0.91-1.00	Excellent
0.81-0.90	Good
0.71-0.80	Good and Acceptable
0.61-0.70	Acceptable
0.01-0.60	Non acceptable

The result of the pilot testing is presented below:

Table 3. Reliability Statistics Result

Cronbach's Alpha	N of Items
.996	107

Given the pilot test result among 50 participants, it was revealed that the Cronbach Alpha Value was 0.996. This exemplifies excellent internal consistency, demonstrating higher reliability among the items in the survey questionnaire.

Furthermore, the survey questionnaire underwent a validation rating from the expert validators to obtain professional judgments on the appropriateness and suitability of the questions relating to the study.

C) Design and Procedure

This study employed a quantitative research technique to determine the model best fits organizational effectiveness. Moreover, this study utilized a descriptive-correlation research design to describe and provide a static visualization and establish any relationship between variables (McBurney & White, 2009). Correlational research was also used in this study. Such research and design are fitted to determine any relationship between entrepreneurial marketing, operating environment, employee engagement, and financial management practices relating to organization effectiveness among MSMEs in the Davao Region. The study was taken from the perspective of an economic region to establish and understand the present condition of MSMEs in Region XI and how it affects the local economy as a whole. For this, the research typology for this study was the MSMEs in Region XI, particularly those considered as owners or managers of the businesses as they have the capacity to evaluate the entirety of the business.

The researcher had asked permission from the University of Mindanao Ethical Review Committee before data collection, followed by permission to conduct. Simultaneously, the researcher was working in partnership with DTI XI. After this, the researcher sent letters to the MSMEs in the Davao region face to face. The estimated timeframe for this study was from the 4th Quarter of 2023 until the 1st Quarter of 2024.

After gathering, the results were analyzed, interpreted, and presented accordingly. Afterwards, the researcher formed conclusions and recommendations based on the study's results.

The data gathered, as well as the printed survey questionnaires, will be stored for a month after the date of publication of the paper. These will be stored in a separate box at the researcher's house for confidentiality. After a month, the printed survey questionnaires will be shredded, and the summarized soft copy will be permanently deleted.

To comply with the Data Privacy Act of the Philippines, this study secured informed consent from the participants and discussed how their data will be processed. Moreover, the researcher was compliant with the policies, guidelines, and rules of the University of Mindanao on data privacy and its ethical codes of conduct.

To obtain informed consent from the participants, the researcher disclosed all related data and information that they needed to know about the study to the participants. Likewise, the researcher exemplified the participants' understanding of what information needed to be collected. Afterwards, the researcher promoted the voluntariness of the participants in the whole process of data gathering, which includes the decision to exit at any time deemed necessary by the participants at their own convenience or when they felt perilous to answer the questions being asked.

The researcher recruited participants for the study. As a university policy, the researcher must be a master's degree holder, have finished all the academic requirements of the doctorate program, passed the university comprehensive examination of the program, and have finished the title and outline defense.

Furthermore, the participants were those owners or managers doing MSME businesses within the Davao Region only, in the notion that owners and managers are more well-versed and possess more knowledge of the entirety of the MSME business. For this reason, employees handling only specific functions were excluded from this study. Moreover, all MSMEs outside the Davao region were excluded from the study. Additionally, any criteria that do not fit the definition of MSME under the context given by Republic Act No. 9501 were excluded.

On the part of the participants, information risk was common, on a minimal level. Any privacy concerns might be a problem in the data gathering, but this can be mitigated through adhering to the data privacy act and informed consent. On the part of the researcher, a location risk was encountered when collecting data from some parts of the Davao Region, which was on a minimal level. To mitigate this risk, the researcher asked for help from the local barangay units to be safe in the data-gathering process.

This study will be advantageous to the local MSMEs, both owners and workers, as it will give them a clear idea of how they should do their businesses intrinsically and holistically. Their participation was of great help to the industry.

Moreover, the researcher did not find any conflict of interest regarding the research participants, as the researcher was neither acquainted with any participants nor owned a business considered an MSME.

With the help of the research adviser, Dr. Vicente E. Montano, he will be a co-author for the publication of this paper.

For this study, the researcher used mean to determine the extent of entrepreneurial marketing, operating environment, employee engagement, financial management practices, and organization effectiveness and used Pearson Product Moment Correlation (Pearson R) to recognize any relationships among these given sets of variables. This study also employed the Structural Equation Model (SEM) to determine causal relationships between models and to select the best-fit model of organizational effectiveness among Region XI's MSMEs. Consequently, SEM has become one of the tools used to examine and understand relationships among latent variables (Deng, 2018).

To evaluate the models, the following guides were used in a manner that results should be as the standardized criteria of the following: CMIN/DF should be $0 < \text{value} < 2$ with a p-value > 0.05 , Normative Fit Index (NFI) should be > 0.95 , Tucker-Lewis Index should be > 0.9 , Comparative Fit Index (CFI) should be > 0.95 , Goodness of Fit Index (GFI) should be > 0.95 , Root Mean Square Error of Approximation (RMSEA) should be < 0.5 , and P of close Fit (P close) should be > 0.50 .

Throughout the duration and conduct of this study, the researcher observed all applicable ethical standards. The University of Mindanao Ethics Review Committee (UMERC) approved and reviewed the survey questionnaire before it was distributed to ensure that the instrument used complied with the utmost ethical standards of the research process. This also includes strictly following the protocols and criteria set by the committee and the research industry as a whole, especially when managing the data; as such, the researcher secured a protocol number issued by UMREC. Furthermore, the researcher assured that the participants were asked about their willingness to be included in the study. Information can be very confidential on the owners and managers of MSMEs' end. So, as much as this study complied with the Data Privacy Act of 2012 (DPA), participants' knowledgeable consent is of utmost concern in the data gathering.

III. RESULTS AND DISCUSSION

Data and its results were summarized, analyzed, and interpreted in this chapter. Moreover, this chapter analyzes the causal effect of entrepreneurial marketing, operating environment, employee engagement, and financial management practices on organizational effectiveness. The discussions in this chapter were constructed and structured as follows: means and standard deviation of entrepreneurial marketing, operating environment, employee engagement, financial management, and organizational effectiveness, including any relationship between these variables. Moreover, this chapter discusses the model that best fits the organizational effectiveness of MSMEs in the Davao Region in relation to entrepreneurial marketing, operating environment, employee engagement, and financial management practices.

A) Level of Entrepreneurial Marketing, Operating Environment, Employee Engagement, Financial Management and Organizational Effectiveness

The level of Entrepreneurial Marketing, Operating Environment, Employee Engagement, Financial Management, and Organizational Effectiveness is presented in Table 4.

The Organizational Effectiveness has an overall mean score of 4.41 (SD=0.46), which is characterized as very high. Organizational structure, with a mean score of 4.53 (SD=0.42), has the highest mean, followed by Knowledge Management, with a mean score of 4.37 (SD= 0.49), Organizational Structure, with a mean score of 4.34 (SD=0.48) and All are considered as very high. The survey result was higher than the study of Raynata et al. (2020), which has a mean score of 3.08.

On the other hand, Entrepreneurial Marketing, being one of the dependent variables, has an overall mean of 4.42 (SD=0.52) and is also characterized as very high. Customer Intensity with a mean score of 4.51 (SD=0.51) got the highest mean, followed by Value Creation ($\bar{x} = 4.48$, SD= 0.56), Opportunity Focus ($\bar{x} = 4.44$, SD= 0.51), proactiveness ($\bar{x} = 4.43$, SD= 0.49), Risk Management ($\bar{x} = 4.39$, SD= 0.49), Innovation Focus ($\bar{x} = 4.38$, SD= 0.58), and Resource Leveraging ($\bar{x} = 4.30$, SD= 0.51), respectively in a particular order from the highest mean. All of these mean score results were characterized as very high. The survey result was quite high compared to the outcome of the paper of Stephen et al. (2019). Though the literature did not have a summary of mean scores and standard deviation, when summarized and averaged, it has an overall mean score of 2.00 (SD=1.16). The said study also did not have a description as to what these figures pertain to.

Moreover, Operating Environment has an overall mean score of 4.40 (SD=0.57), perceived as very high. Competition got the highest mean score with 4.42 (SD=0.61), followed by Industry Regulations with a mean score of 4.41 (SD=0.55) and Market Condition with a mean score of 4.36 (SD=0.54). All of the results were perceived as high. The survey result, on the other hand, was a bit of the same compared to the study of Wanyoike (2016), which has 4.37 (SD=0.57).

Furthermore, Employee Engagement has an overall mean score of 4.47 (SD=0.53), perceived as very high. Reward and recognition has the highest mean score of 4.52 (SD=0.54), followed by Perceived Organizational Support ($\bar{x} = 4.47$, SD= 0.52), Perceived Supervisor Support Dimension ($\bar{x} = 4.46$, SD= 0.52), and Job Characteristics ($\bar{x} = 4.44$, SD= 0.50), in a particular order based on the highest mean. All of the results were perceived as high. Furthermore, based on the study of Mulugeta (2020), the study did not have an overall score of the variable, but when averaged based on the results, it showed an overall mean score of 3.87 (SD=0.77), which is slightly lower compared to the result of the survey.

Lastly, Financial Management got an overall mean score of 4.31 (SD= 0.58), perceived as very high. Working Capital Management Practices got the highest mean score of 4.38 (SD=0.56), followed by Accounting Information System and Financial Reporting Practices, Capital Budgeting and Fixed Assets Management Practices, and Capital Structure Management Practices with mean scores of 4.36 (SD=0.58), 4.31 (SD=0.59), and 4.18 (SD=0.57), respectively. The literature from the study of Musah,

A. et al. (2018) did not have a summary of the overall mean, but when averaged, it showed 3.68 (SD=0.42), which is a bit lower compared to the result of the conducted survey.

Table 4. Level of Entrepreneurial Marketing, Operating Environment, Employee Engagement, Financial Management and Organizational Effectiveness

Variable	Mean	SD	Description
ENTREPRENEURIAL MARKETING	4.42	0.52	Very High
Proactiveness	4.43	0.49	Very High
Opportunity Focus	4.44	0.51	Very High
Customer Intensity	4.51	0.51	Very High
Innovation Focus	4.38	0.58	Very High
Risk Management	4.39	0.49	Very High
Resource Leveraging	4.30	0.51	Very High
Value Creation	4.48	0.56	Very High
OPERATING ENVIRONMENT	4.40	0.57	Very High
Industry Regulations	4.41	0.55	Very High
Competition	4.42	0.61	Very High
Market Conditions	4.36	0.54	Very High
EMPLOYEE ENGAGEMENT	4.47	0.53	Very High
Job Characteristics	4.44	0.50	Very High
Reward and Recognition	4.52	0.54	Very High
Perceived Organizational Support	4.47	0.55	Very High
Perceived Supervisor Support Dimension	4.46	0.52	Very High
FINANCIAL MANAGEMENT PRACTICES	4.31	0.58	Very High
Working Capital Management Practices	4.38	0.56	Very High
Accounting Information System and Financial Reporting Practices	4.36	0.58	Very High
Capital Structure Management Practices	4.18	0.57	High
Capital Budgeting and Fixed Assets Management Practices	4.31	0.59	Very High
ORGANIZATIONAL EFFECTIVENESS	4.41	0.46	Very High
Organizational Structure	4.34	0.48	Very High
Knowledge Management	4.37	0.49	Very High
Organizational Culture	4.53	0.42	Very High

As observed, all variables mostly are very high, indicating that every variable and each item in every variable in the survey questionnaire was understood and discerned accordingly by the respondents based on their perception of the questions asked. These construe the idea of Francisco and Canare (2019) and the Asian Development Bank (2016) that human resources, the inadequacy of business operations, lack of finance accessibility, branding, and marketing issues were among the issues that MSMEs should consider.

B) Significance of Relationship and Influence between Dependent and Independent Variables

When analyzed with Organizational Effectiveness, Entrepreneurial Marketing has a standardized beta of 0.464, indicating a positive relationship among the two variables. Moreover, the p-value resulted in 0.000, thereby significantly influencing these variables. The said result aligns with the study of Manishimwe and Raimi (2021), which showed a significant positive impact on entrepreneurial marketing and organizational performance among Small Business Entrepreneur. Further, it construes with the study of Alqahtani (2022) that suggested a positive and substantial influence of entrepreneurial marketing and organizational performance.

However, it was noted that when the Operating Environment was analyzed with Organizational Effectiveness, it depicted a slight negative relationship between the two variables with a standardized beta of -0.105. Moreover, when analyzed, these variables do not have a significant influence as the p-value was 0.113. The result contradicts the study conducted by Tan and Olaore (2021), suggesting a strong correlation between the organisation's effectiveness, learning and operations, employees' productivity, and management performance.

Consequently, Employee Engagement strongly correlated with organizational effectiveness, with a standardized beta of 0.408. Since the p-value was 0.000, these two variables have a significant influence. The result aligned with the study of Jha et al. (2019), suggesting that within the IT Sector in Bangalore City, a direct association exists between employee engagement and how the organization can be effective. Though this literature suggested that no significant association can be linked between organizational effectiveness and employee voice, this study suggested that MSMEs in the Davao Region depicted a positive relationship between Employee Engagement and Organizational Effectiveness.

Lastly, Financial Management Practices contribute a positive relationship when analyzed with Organizational Behavior, with a standardized beta of 0.153, making this variable the least standardized beta. Moreover, it showed a significant influence among these variables with a p-value of 0.002. The result was consistent with Mang’ana et al. (2023), suggesting that financial management practices influence the organizations.

Moreover, the R-value is 0.852, which means that predictors were related to Organizational Behavior. Thus, any change among these predictors will significantly impact organizational behavior. Consequently, R² (Coefficient of Determination) has a value of 0.727. This means that around 72.7% of the Organizational Effectiveness can be explicated by the predictors of the study. The remaining 27.3% can be attributable to other predictors not encompassed in this study. Accordingly, Adjusted R² resulted in 0.723. This means that the predictors used in the study were able to explain 72.3% of why organizations are effective. Though it was noted that 72.3% was already explained to grasp the scope of organizational effectiveness, there are still 27.7% that might affect the organisation's effectiveness that was not grasped in the study. According to Clampit et al. (2022), Dynamic Capability has a strong association with the effectiveness and stability of SMEs in such a way that Leader Cultural Intelligence also affects the organization (Nosratabadi et al., 2020). These two, or maybe unknown predictors that may exist, were not explored in this study, composing that numerical discrepancy within the study results. However, the F-value resulted in 185.414. This means that the F- value is high, and the predictors used in this study are very useful in understanding organizational effectiveness, not just a random guess. Thus, the chosen predictors are significant in explaining the organisation's effectiveness, and these predictors are really material and useful. However, though Operating Environment was part of the analysis and the model initially used, the pattern of this variable does not constitute significant enough to conclude that it affects Organizational Effectiveness.

As a whole, Entrepreneurial Marketing, Employee Engagement, and Financial Management Practices, whose p-values have less than 0.05 (p<0.05), suggest that these variables are the key drivers of Organizational Effectiveness, which were consistent with the study conducted by Manishimwe and Raimi (2021), Jha et al. (2019), and Mang’ana et al. (2023) as discussed previously; leaving Operating Environment, which has a p-value of 0.113, who lacks significant influence with Organizational Effectiveness.

Table 5. Significance of the influence of Entrepreneurial Marketing, Operating Environment, Employee Engagement and Financial Management Practices on Organizational Effectiveness Among Micro, Small and Medium Enterprises

Organizational Effectiveness					
(Variables)		B	B	T	Sig.
Constant		0.944		7.336	0.000
Entrepreneurial Marketing		.412	0.464	7.658	0.000
Operating Environment		-0.082	-0.105	-1.588	0.113
Employee Engagement		0.337	0.408	6.609	0.000
Financial Management Practices		0.117	0.153	3.165	0.002
R	.852				
R ²	.727				
ΔR	.723				
F	185.414				
P	.000				

C) The Best-Fit Model that Predicts Micro, Small and Medium Enterprise’s Organizational Effectiveness

Interrelationships of the variables used in this study were discussed in this session. Four models were considered and evaluated to determine the best-fit model of organizational effectiveness, summarized in Table 6. The basis for the acceptance of the best-fit model was the index set in the study methods. This chosen model exemplifies the uniformity among the variables projected in the model. For this, all indexes must fall consistently within the acceptable range. Consequently, adjustments were made to the model to fit the index set by eliminating indicators that do not contribute significantly to a specific scale. These modifications were based on the correlation that has the same direction that contributes to a specific variable scale (Schumacker & Lomax, 2004).

Table 6. Summary of Goodness of Fit Measures

Index	Criterion	Model 1	Model 2	Model 3	Model 4
CMIN/DF	0<value<2	2.821	3.008	2.805	1.324
p-value	>0.05	0.000	0.000	0.000	.000
NFI	>0.95	0.985	0.987	0.991	0.988
TLI	>0.95	0.983	0.985	0.989	0.994
CFI	>0.95	0.990	0.992	0.994	0.997
GFI	>0.95	0.948	0.958	0.969	0.982
RMSEA	<0.08	0.065	0.068	0.065	0.034
Pclose	>0.05	0.015	0.019	0.085	0.766

Legends

CMIN/DF- Minimum Discrepancy divided by Degrees of Freedom
 p-value- probability value
 NFI - Normed Fit Index
 TLI - Tucker Lewis Index

CFI - Comparative Fit Index
 GFI - Goodness of Fit Index
 RMSEA - Root Mean Square Error of Approximation
 P-close - test of Close Fit

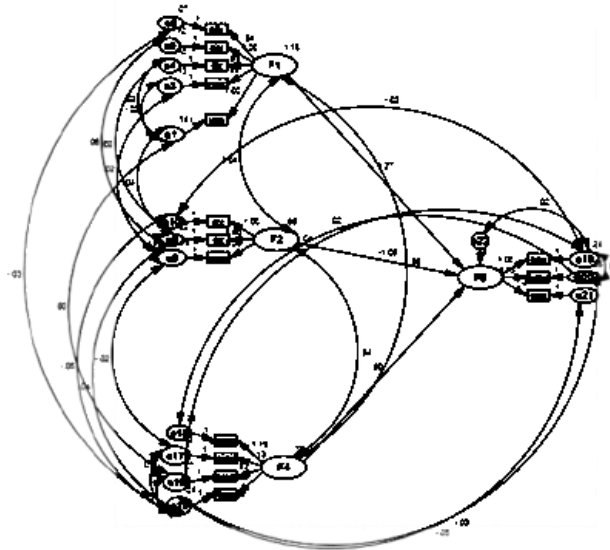


Figure 2. Structural Model 1 in Standard Solution

Model No.1 did not meet its criteria for CMIN/DF (2.821), p-value (0.000), GFI (0.948), and P Close (0.015). Thus rendering this model unfit. This model, proactive orientation, and resource leveraging for Entrepreneurial marketing and all indicators for employee engagement were deleted. Despite this, the model was rendered to be unfit.

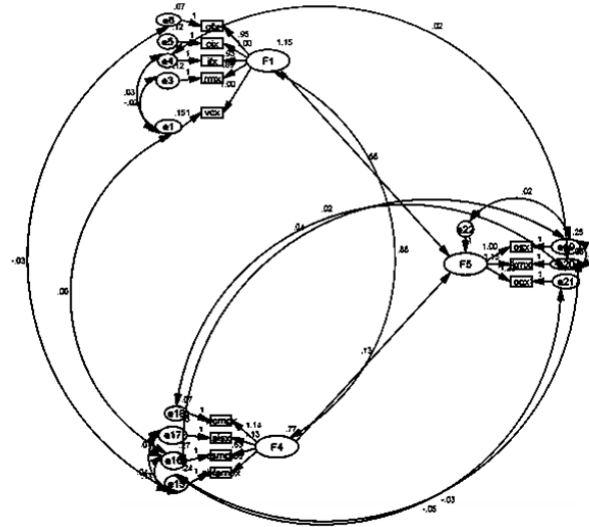


Figure 3. Structural Model 2 in Standard Solution

For Model No. 2, the operating environment was entirely deleted together with its indicators. However, its CMIN/DF (3.008), p-value (0.000), and P-close (0.019) did not meet the standard criteria for the index. Thus rendering this model unfit as well.

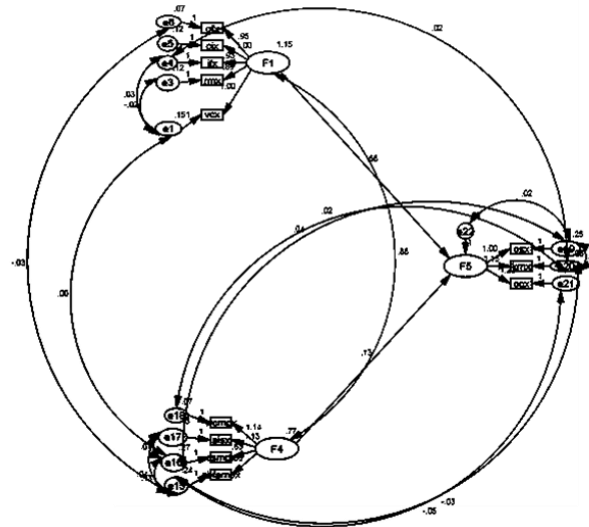


Figure 4. Structural Model 3 in Standard Solution

Further assessment for the best-fit model has been done. Innovation-focused was eliminated in Entrepreneurial marketing, and capital structure management practices were eliminated in financial management practices to develop Model 3. Despite this, its CMIN/DF (2.805) and p-value (0.000) still did not meet the criteria on the index, thus rendering this model unfit as well.

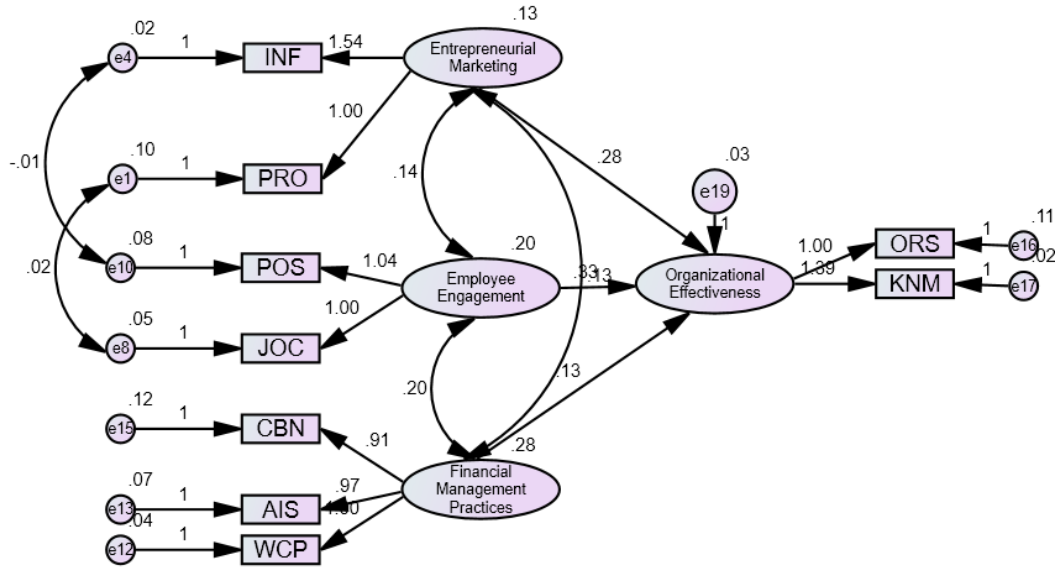


Figure 5. Structural Model 4 in Standard Solution

Figure 5 depicts the best-fit model and standard solution for organizational effectiveness. For this model, CMIN/DF is 1.324, p-value of .000, NFI is 0.988, TLI is 0.994, CFI is 0.997, GFI is 0.982, RMSEA 0.034, and P-close is 0.766, of which all solution has passed the criteria set in the indexes. With this model, only innovation- focused and Proactive orientation as indicators of entrepreneurial marketing were left. This agrees with the study of Oiku (2023), suggesting that being proactive significantly influences the organization’s effectiveness and resiliency. Furthermore, this also construes the study of Zhu et al. (2022), suggesting that innovation significantly influences enterprise, as well as the study of Soomro (2020), suggesting that innovation influences the performance and effectiveness of the organization. Moreover, Khan et al. (2020) mentioned in their study that there is a significant influence on the effectiveness of an organization when analyzed with job characteristics. The same is true with Organizational Effectiveness and Organizational Support having a significant influence between the two. This literature supports the model, indicating that Organizational Support and Job Characteristics, being indicators of Employee Engagement, directly influence Organizational Effectiveness. Lastly, Working Capital Management (Iqbal et al., 2023), Accounting Information Systems (Al-Okaily et al., 2020), and Capital Budgeting (Alex et al., 2020) have a direct relationship and influence on the organization’s effectiveness, performance, and development. On the other hand, Vithanage et al. (2020) asserted that Organizational Structure essentially contributes to the effectiveness of SMEs and how they perform. The same holds true with Knowledge Management positively supporting organizational outcomes such as organizational effectiveness (Imran et al., 2021). These two indicators, Organizational Structure and Knowledge Management, comprise Organizational Effectiveness in the final model of this study.

Therefore, Proactive Orientation and Innovation focus as indicators of Entrepreneurial Marketing; Job Characteristics and Perceived Organizational Support as indicators of Employee Engagement; Working Capital Management Practices, Accounting Information System and financial reporting practice and analysis, and Capital Budgeting and non-current assets management as indicators of Financial Management Practices, are the final indicators for the independent variables which can influence Organizational Effectiveness, with Organizational Structure and Knowledge Management, as indicators.

IV. CONCLUSION

The results of the study have led to the following inferences. Among the independent variables, employee engagement got the highest mean; followed by entrepreneurial marketing, operating environment, and lastly by financial management practices. All indicators from each independent variable were said to be very high, except for Capital Structure Management Practices, which showed to be high for financial management practices. Furthermore, Organizational Effectiveness, being a dependent variable, displayed very high overall, where all indicators for the said variable were also considered very high.

In addition, entrepreneurial marketing and employee engagement were observed among the SMEs in the Davao Region, which have the most significant influence in terms of organizational effectiveness with potent beta coefficients. Moreover, financial management practices can influence an organization’s effectiveness, but on a moderate scale. Unfortunately, the operating environment is not a significant predictor of an organization’s effectiveness, having a p-value of more than 0.05. Moreover, the study displayed an r² value of 0.727, in a manner that 72.7% of the organizational effectiveness was already

captured by Entrepreneurial Marketing, Operating Environment, Employee Engagement, and Financial Management Practices, being the independent variables used in the study. This means that 27.3% were attributed to other factors not grasped in the study, which might be an avenue for future researchers to explore. Moreover, having an F value of 185.414 further suggested the independent variables used in the study were not just a random guess; thus, they were strong and very useful for understanding organizational effectiveness. Consequently, after careful analysis of different models, among the given independent variables and their corresponding indicators, the final model that fitted to the different indexes suggested that among the indicators of entrepreneurial marketing, only Proactive Orientation and Innovation focus were left. Consequently, Job Characteristics and Perceived Organizational Support, as indicators of Employee Engagement Working Capital Management Practices, Accounting Information System and Financial Reporting Practice and Analysis, and Capital Budgeting and Non-current Assets Management as indicators of Financial Management Practices were left for independent variables, which can influence Organization Effectiveness with Organizational Structure and Knowledge Management as indicators. These indicators left, both for independent and dependent variables, were the final indicators that will be included in the final model of this study.

The results of the study were consistent with the previously mentioned literature, as being proactive (Oiku, 2023) and being innovative (Zhu et al., 2022) influence how effective an organization is. Moreover, job characteristics and how the organization supports its employees (Khan et al., 2020) can influence the organization's effectiveness and performance. The same holds for Working Capital Management (Iqbal et al., 2023), Accounting Information Systems (Al-Okaily et al., 2020), and Capital Budgeting (Alex et al., 2020), which can significantly influence the organization's effectiveness, performance, and development. On the other hand, when organizational effectiveness becomes evident, Organizational Structure (Vithanage et al., 2020) and Knowledge Management (Imran et al., 2021) play a vital role.

According to the study's findings, the following inputs were recommended to enhance the organizational effectiveness of MSMEs in the Davao Region.

As the lowest mean, MSMEs should focus more on organizational structure. Decision makers within the organization, whether owners or managers and those individuals who require decision-making, should have a wide array of freedom to decide. Moreover, employees are encouraged to be included in the decision-making process for better outcomes and be given autonomy to perform their specific tasks in the business organization.

Consequently, it is also recommended that MSMEs be more engaging and proactive to look for opportunities and take action before a problem arises. Continuous improvement helps MSMEs stay competitive and efficient. For this, the organization itself should excel in identifying opportunities to be competitive. Moreover, every step and aspect should be more of an action-oriented.

In terms of employee engagement, employees of MSMEs should have autonomy and independence toward work. They need to be reminded of their role and the importance of their role inside and outside the organization, with a clear start and end of their work objectives, as well as to determine whether they had met the expectations set by the organization through performance feedback.

Lastly, MSMEs should be more conscious about their finances. A robust working capital management system should be mounted for operational efficiency. Inventory should be updated regularly to keep track of the goods and avoid too much handling, which might lead to spoilage and wastage. Optimal cash balances should be maintained to ensure that there is sufficient cash flow for the daily operations of the business. Moreover, it should maintain accurate records for its payables to manage better its cash flows and avoid late payments, which entails another cost.

Lastly, given the recommendations mentioned from the MSME's perspective, government agencies like the Department of Trade and Industry and Local Government Units implement programs such as seminars, financial assistance, or loan programs, as well as tax incentives. Great mentorship and regular training on the possible topics mentioned previously were great subject matters from experts and matters like leadership and entrepreneurship programs funded by the government to strengthen MSMEs. The role of the government is crucial in the sustainability and development of MSMEs (Judijanto, 2024); thus, implementing programs beneficial for this sector would greatly help MSMEs.

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