

ANALYSIS OF FACTORS AFFECTING MANAGEMENT CAPACITY OF SMALL AND MEDIUM ENTERPRISE DIRECTORS UNDER THE MANAGEMENT FUNCTIONS: A CASE STUDY IN HAI PHONG CITY, VIET NAM

Pham Manh Hung

PhD student at Hanoi National Economics University, Viet Nam

manhhung2803@gmail.com

Abstract

This paper is aimed at analyzing the factors influencing the management capacity of small and medium enterprise directors Hai Phong city (the researcher examines the management capacity under functions over the whole process). Data for the study were collected from interviews with directors of 150 enterprises in Hai Phong city. Factor analysis methods and descriptive statistical methods were used in this study. The SPSS 20.0 software was used by the researcher to assist the process of data analysis. The research results show that the factors that affect the management capacity of small and medium enterprise directors under management functions include: gender, education level of those directors, years of management experience, type of businesses, perception of the directors, foreign language and computer skills, passion, resources of the business.

Keywords: Management capacity, management functions, directors of small and medium enterprises, SMEs, Viet Nam

INTRODUCTION

Developing enterprises in general and developing small and medium enterprises (SME) in particular are of great significance to the overall socio-economic development of localities as well as the whole country, especially with the localities where the number of small and medium enterprises makes up a large proportion and make a great contribution to the socio-economic development.

Hai Phong is one of such provinces, with over 95% of the total number of enterprises being small and medium. These enterprises employ more than 80% of the labor force in the whole city; and their role is enormous.

In order to develop those enterprises, improving the management capacity of the SME directors is one of the most effective methods. The reason for this is that directors are those who directly make decisions in the process of production and business with the purpose of developing their enterprises.

In essence, the management capacity of small and medium enterprise directors is the sum of the management components including: business knowledge and management, business management skills, personal qualities in order to help the directors run their businesses through the implementation of the management functions from planning, organization, leadership, and control.

In order to promote the management capacity of small and medium enterprise directors, appropriate measures should be taken to enhance positive impacts and limit the negative ones generating from the factors affecting the management capacity of small and medium enterprise directors.

This study was conducted by to analyze the factors affecting the management capacity of small and medium enterprise directors under the management functions. On this basis, recommendations are made to improve the management capacity of SME directors in Hai Phong city.

RESEARCH OVERVIEW

The management capacity of SME leaders, developing small and medium enterprises, especially in the current context of extensive integration in Vietnam, the participation in organizations in the region and in the world, joining trade agreements ... have received not only the attention of policy makers, activists but also the interest of domestic and international researchers. Studies refer to different aspects, namely:

Small and medium enterprises (SMEs) occupy more than 90% of the total number of enterprises and more than 60% of the labor force of all Asean countries. It can be clearly seen that SMEs play an active role in the ASEAN economy, and an important part in the process of obtaining its achievements (Tran Thi Thu Tram et al, 2015).

Secondary data collected from the Ministry of Planning and Investment and descriptive statistical method for studying SMEs in Vietnam in the context of international economic integration have also been used like in the study of Tran Thi Thu Tram et al (2015); however,

Ha Thi Thieu Dao et al. (2015) have a slightly different approach when looking into the barriers of Vietnamese SMEs in the context of the AEC operation.

SMEs encounter three basic limitations: (1) the abilities and skills of workers (Clarke and Gibson, 1998; Ntsika, 2001); (2) lack of management capacity (Megginson, Byrd and Megginson, 2003; Kuratko and Welsch, 2004; Rwigema and Venter, 2004), and (3) market access, market share and capital constraints (Ntsika, 2001). During international integration, the open door of the market means more competition, which leads to the following three cases: (1) possibilities in international competition, benefits from the integration process; (2) for weak integration, production capacity should be improved to meet international standards, reform in personnel management to survive in the context of fierce competition; Samad (2007) adds that (3) state-sponsored enterprises will not suffer much from the integration process.

Another aspect that receives the attention of the researchers is the management capacity. In their study using data from a survey of 109 business leaders in the Central Highlands provinces of Vietnam, Nguyen To Nhu et al. (2015) have assessed the perception of business leaders about the AEC's economic community. The analysis of the researchers, thereby, shows that business leaders do not really understand the new context they are encountering. Therefore, enterprises are limited in adjusting their business strategies. On that basis, the author has proposed some recommendations to increase the competitiveness of enterprises in the new context. The primary data collection method and data analysis based on the descriptive statistical method have also been used; however, the author Bui Thi Mui (2014), in her research, has narrowed her subjects to female leaders only. The research space chosen by the author to collect data for the study is in public schools in Can Tho province. The research findings show that: the author has clarified the basic concept system and methodology related to the management capacity of leaders at all levels. The study also conducted a survey of the perceptions and attitudes towards women's participating in the management of public schools in Can Tho City, the strengths, weaknesses in their work and the causes of those. The study has looked into the desires that need to be addressed so that female staff had the opportunity to strengthen their management capacity at work, to better their assigned tasks. Based on the research results, the researcher has proposed four groups of solutions and policies to strengthen the management capacity of female leaders in public schools in Can Tho province.

Selecting SMEs in Hanoi city as a research site, Do Anh Duc (2015) in his research has analyzed and compared different views on "capacity" in general. The study has clarified the concept of management competence of the enterprise directors with three components: management knowledge, management skills and personal attitudes/qualities.

Human resources management and management capacity are both important to the enterprise directors. This determines whether the business succeeds or fails in the market and makes a difference in the product of the business. However, research usually focuses on businesses in general, or large enterprises, not much attention into SMEs. This study will directly review the management capacity of SME directors in Hai Phong city, factors affecting the management capacity of small and medium business directors under management functions.

RESEARCH METHOD

The data in the study were collected from interviews with 150 managers of small and medium enterprises in Hai Phong city through standardized questionnaires. The author used a convenience sampling method to conduct the surveys.

The questionnaire is divided into two parts: Part 1 includes the information about the interviewees: age, level, gender. Part 2 includes information collected which is directly related to the assessment of the management capacity of small and medium enterprises directors, factors affecting their management capacity. The author used the Likert-type scale in this study.

The data collected were cleaned and analyzed using SPSS 20.0 software. The descriptive statistic and factor analysis methods were used to perform the analysis in this study.

Inheriting previous studies by Do Anh Duc (2015), Bui Thi Mui (2014), the variables selected by the authors are as follows (Factors that influence the management capacity of small and medium business directors):

Table1: Interpretation of factors affecting the management capacity of
Small and medium enterprise directors

GIOITINH	Gender
TUOI	Age
HOCVAN	Education
SONAMKINHNGHIEM	Years of management experience
DAOTAONGHEGD	Speciality of the directors
NGANHGD	Business type of the enterprise
QUYMODN	The size of the business
TRINHDOCMON	Professional qualifications of the director
YTHUCHOCTAP	Sense of learning and updating at work
NHANTHUC	Awareness of law, science and technology
NGOANGU	English level
TINHOC	Computer skills
KINHNGHIEM	Length of service, years of work in the business of the enterprise
KHANANGTICHLUY	Ability to accumulate in the process of work
LINHHOAT	Flexibility in work
DAMME	Passion for the profession

TUTIN	Confidence in work	Table 1...
NANGKHIEU	The nature and aptitude of business directors	
DADANGKD	Diversification of business lines	
GIAIDOANPT	Characteristics of the development stages of the enterprise	
NGUONLUC	The resources of the business	
CHINHSACHNN	State management policy system	
DKKINHTE	Economic conditions	
DKXAHOI	Cultural and social conditions	

ANALYSIS AND RESULTS

To analyze the factors affecting the management capacity of the SME directors, firstly, the researcher undertook a test to consider the suitability of the data with the study selection model. The results in Table 2 show that the factor analysis model is consistent with the researcher's proposed study with coefficient KMO = 0.753.

Table 2: KMO and Bartlett's test results

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.753
Bartlett's Test of Sphericity	Approx. Chi-Square	2160.913
	Df	300
	Sig.	.000

Then, the researcher performed factor analysis, with the coefficient Eigenvalues > 1, seven groups of factors were extracted with the explanation of seven factor groups > 70% (approximately 70.088%). The coefficient matrix of factors was drawn as follows:

Table 3: Coefficient matrix of factors

	Component						
	1	2	3	4	5	6	7
GIOITINH			-.638				
TUOI			.656				
HOCVAN						.681	
SONAMKINHNGHIEM			.586				
DAOTAONGHEGD							
NGANHKD							
LOAIHINHKD							.512
QUYMODN			.561				
TRINHDOCMON	.645						
YTHUCHOCTAP		.635					
NHANTHUC		.787					
NGOINGU		.728					
TINHOC				-.545			

KINHNGHIEM	.623		
KHANANGTICHLUY		.584	.532
LINHHOAT	.777		
DAMME	.720		
TUTIN	.710		
NANGKHIEU			
DADANGKD	.673		
GIAIDOANPT	.791		
NGUONLUC			
CHINHSACHNN		.708	
DKKINHTE		.717	
DKXAHOI	.768		

The seven groups of factors were drawn as follows:

The researcher named Factor 1 (FAC1) as the expertise and experience of directors of small and medium enterprises. This group demonstrates the expertise and working experience of SME directors. Besides, there is also the influence of factors belonging to different stages of development of each enterprise. Each stage of business development has specific development strategies as well as specific direction and closely related to the great influence of the experience and expertise of SME directors.

The second group (FAC2) is considered as the perception of SME directors and the government policies. This group represents the awareness of the directors through their sense of learning to improve professional qualifications, to promote foreign language competencies, ability to meet the needs of the international economic integration context, the perception of SME directors about the position of the business, about their stuff, the responsibility for the business, etc, as well as the economic context and state policies. Specifically, the international economic integration is increasingly demanding professional knowledge, soft skills, foreign languages, computer science for SME directors to meet the current context of integration.

The third group (FAC3) is called the demographic factors, which are directly related to age, gender, years of working experience of the SME directors. These factors affect the management capacity of SME directors. For instance, age influences the plans, the direction of the business; gender between men and women has specific characteristics affecting their decisions.

The fourth group (FAC4) mentions the soft skills of the SME directors.

The fifth group (FAC5) refers to the ability of the directors to accumulate knowledge, experience, social relations, etc.

The sixth group (FAC6) refers to knowledge and learning

The seventh group (FAC7) refers to the business types of the enterprises.

Each group of factors has its own characteristics showing its impacts on the management capacity of small and medium enterprises directors under the management functions. In the first group, the business stage of the enterprise gets the highest score at 0.791; meanwhile, factors of group 2 has the highest score on the cognitive factor of the SME directors at 0.787; the third factor group with the highest score is on the age factor of directors. This group of factors belongs to the directors themselves. the directors' age is directly related to the working experience as well as their ability to accumulate.

RECOMMENDATIONS

Directors of small and medium enterprises need to improve management skills to meet the requirements of the international economic integration. To improve these skills, those directors must constantly strive to improve and develop each of their management skills, which may be through:

- Improve problem solving skills
- Improve the skills of using power and influence
- Enhance skills of motivating employees
- Improve communication and negotiation skills,
- Improve computer and foreign language skills.

In addition, directors of small and medium enterprises also need to improve their management knowledge: management knowledge has a positive impact on the results of business operations. The directors should foster and accumulate knowledge in financial management, human resource management, technology management, marketing management, etc. Those kinds of knowledge can be accumulated through the learning process, experience sharing, etc.

Simultaneously, they also need to improve and promote their personal qualities. This is an important factor in the management capacity of small and medium enterprise directors. Improving these factors helps the directors to better their job, thereby, promote the production and business activities of enterprises.

REFERENCES

- Clarke, J. and Gibson, S., M, (1998), *Enterprising futures: training and education for small businesses*, Education Training, Vol. 40 No. 3, pp. 102-8.
- Ntsika (Ntsika Enterprise Promotion Agency), (2001), *State of Small Business Development in South Africa, Annual Review, 2001*
- Megginson, L., C., Byrd, M., J., & Megginson, W., L., (2003), *Small Business Management: An Entrepreneur's Guidebook (4th ed.)*. New York: McGraw-Hill

Kuratko, D.F. & Welsch, H., P., (2004), Strategic Entrepreneurial Growth, 2nd edition. Ohio: Thomson South-Western

Rwigema, H., & Venter, R., (2004), Advanced Entrepreneurship. Cape Town: Oxford University Press.

Samad, N., A. (2007), Positioning Malaysian SMEs in the global. Proceedings of Persidangan Kebangsaan IKS 2007, Kota Kinabalu: Universiti Utara Malaysia

Nguyen To Nhu, Nguyen Thi Ngoc Loi (2015), Awareness assessment and strategic response of business leaders in the context of AEC integration - Research in the Central Highland provinces, Proceedings of the Conference on administration and business - COMB 2015, Da Nang University.

Bui Thi Mui, (2014), Situation and Solutions for Strengthening Leadership Capacity of Female Officials in Public Schools in Can Tho, Scientific journal, Can Tho University.

Do Anh Duc, (2015), Enhancing management capacity of SME managers in Hanoi, PhD thesis in economics, Hanoi National Economics University.

Ha Thi Thi Thieu Dao, Nguyen Thi Mai, Tran Thi Thanh Hai, (2015), Economic barriers of SMEs in Vietnam, Proceedings of the Conference on administration and business - COMB 2015, Da Nang University.

Tran Thi Thu Tram, Pham Thi Mai Quyen, (2015), Small and Medium Enterprises in Vietnam with the ASEAN Economic Community - Opportunities and challenges, Proceedings of the Conference on administration and business - COMB 2015, Da Nang University.