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RESEARCH ARTICLE

MANAGERIAL COMPETENCIES AND BUSINESS SUCCESS IN EXPORTING AGRICULTURAL PRODUCT: AN EMPIRICAL EVIDENCE IN VIETNAM'S SMALL AND MEDIUM ENTERPRISES

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ABSTRACT

Managerial competencies are among the most commonly investigated types of management research. This is because it plays an important role in any business success. This study examined the impact of managerial competencies on business success in the context of SMEs in Vietnam. The aim of study is to explore main factor affecting on performance of SMEs. The research used multiple linear regression model with a sample of 124 SME entrepreneurs, the result found that both organising & leading and relationship competency influenced positively on business success of SMEs, finally some managerial implication were recommended. Managers should be aware of the importance of competencies associated with organising & leading and relationship domain, business owner also need to develop a strong and positive relationship with SMEs community in exporting agricultural product.

INTRODUCTION

Recent developments in research on management have seen increased attention given to small and medium-sized enterprises (SMEs), largely due to the realisation that SMEs play a significant role in a country's economy. The collective impact of SMEs on the economy of both developed and developing countries is considerable. In a developing country like Vietnam, SMEs are seen as a mechanism to create new jobs, improve income, change economic structure model. Both scholar and policy maker have believed that understanding predictors of business success in SMEs is essential. A successful SMEs might create new jobs, increase export value and contribute GDP growth in region. Vietnam is one of country which has been highly dependent export activities, especially agriculture. Last year, the context of economy is very volatile, typically the US – China trade war, the increase of protectionism through standards of food quality and safety management of Vietnam's major agricultural markets including the US, EU, China, Japan, Korea and so on for imported agricultural products. The world agricultural market in 2018 recorded a sharp decline in prices of industrial crops in the context of fierce competition among exporting countries, causing a rapid increase in supply while the demand decreased or grew slowly (MARD, 2018).

It's not only difficult about the price but also the demand, because the major export markets of Vietnam set increasingly strict technical standards for imported agricultural products. Specifically, the Chinese market enhanced not only the quality standards of imported agricultural products, but also the management and border trade. How to overcome these difficulties in enhancing agricultural product in the major export market, therefore the main objective of present study is to examine the impact of managerial competencies on export success in SMEs, in accordance with leadership theory, this research considers managerial competencies as a mechanism whereby the likelihood of achieving business success can be enhanced.

Literature review and hypothesis development: Managerial competencies are among the most widely used types of leadership & management science. Over the last six decades managerial competencies have been considerable as key term. Initially, White (1959) was the first to use "competence" term to describe personality characteristics, in particular scholastic intelligence associated with high motivation and superior performance at work. Many researchers over the next period of time have tried to identify and establish competencies which are required for managerial effectiveness leading to superior performance.

McClelland (1973) argued that the definition of competency should relate to work behaviours and supported the proposition that behaviours were more likely to have a stronger and better predictive validity for managerial performance and effectiveness. Building on McClelland (1973)'s opinion, Boyatzis (1982) defined managerial competencies as characteristics that are causally related to effective and/or superior job performance. From the human resources approach, Lado and Wilson (1994) conceptualised managerial competence as the capability of a manager to determine the acquisition, development, and deployment of organisational resources, and the conversion of these resources into valuable products and services to deliver value to organisational stakeholders. In the small and medium enterprises (SMEs) context, managerial competencies are normally studied as characteristics of the entrepreneur, who owns and actively manage the business (Gibb, 2005). To sum up, managerial competency comprises 3 components: knowledge, skill and attitude or behaviours needed to perform a role effectively in an organization to enable the organisation to achieve its strategic goals. There are few studies on the relationship between managerial competencies and business success of SMEs. The development of the conceptual framework for this study is based on research gap, especially those related to understanding predictors of SMEs success. A review of the available literature on managerial competencies recommend that a right approach to modelling business success that begin ASK model of the leader are critical to export outcomes has both theoretical and practical concern (Man, Lau, & Snape, 2008), we argued studies dealing with the link between competencies and business outcomes, particularly in export outcome in SMEs are rare (Chandler & Hanks, 1994), (Man, Lau, & Chan, 2002), therefore this study would continue to develop and extend the model of entrepreneurial competencies developed in large firm and examines the relationship between managerial competencies and business success of Vietnam's SMEs in the field of agricultural exporting (Figure 1).

A first – order construct was measured by 4 items, borrowed from Man et al. (2002). Learning & conceptual including 5 items, it also borrowed from Lau (2017) and based on the qualitative findings, third construct is technical competency, it was measured by Chandler and Jansen (1992) and based on the qualitative findings. Both organising & leading and relationship competency were borrowed from Man et al. (2002) as well as based on the qualitative findings, while ethical & social responsibility competency was borrowed from Noor Hazlina Ahmad (2007). Finally dependent variable is business success, it were measured by 4 items, borrowed from Chandler and Hanks (1994). The study reviewed available literature source, almost of research demonstrated that managerial competencies played an vital role in business performance, so a number of hypotheses are set up as following table (Table 2).

RESEARCH METHODOLOGY

Survey questionnaire were used to collect data to test the hypothesis, face-to-face interviews were employed with a sample of 124 managers of export in SMEs in northern of Vietnam (Hanoi City). Two phases of study comprised a pilot and a main survey that were undertaken in Hanoi City. Respondents were managers of export SMEs in Hanoi. The pilot study consisted of 2 steps: Qualitative and quantitative.

First the authors conducted a series of in – depth interviews with 10 managers of these SMEs to adjust measures. Although most of the measures of constructs were available in the literature, this step is important to make them appropriate for the context of this study. The quantitative pilot study was undertaken by face – to – face interviews with 30 managers to refine the scales. Cronbach's alpha reliability and factor analysis (EFA) were used to preliminarily assess the scales. The main survey was also undertaken by using face-to-face interviews. A convenience sample of 124 managers working for various types of firms in Northern Vietnam was interviewed in this survey during last quarter in 2018. This research model has 25 observed variables. The measurement was based on a 5 –point likert scale which from 1 = strongly disagree to 5 = strongly agree. According to the criteria – 5 samples for an observed variables the needed size of sample will be $n = 125 (25 \times 5)$, the data collected will be refined and processed by IBM SPSS statistics 25.

ANALYSIS RESULTS

Exploratory Factor Analysis (EFA): EFA is used to reduce and summarize the list of observed variables. This method is very useful in determining the variable set necessary for the research as well as in exploring the link of between variables. Results from KMO and Bartlett's test show that the factor loading coefficients are greater than 0.5, KMO (Kaiser – Meyer – Olkin) coefficients of 0.786 is greater than 0.5, the Bartlett test exposes statistical significance smaller than 0.05, eigenvalue value is greater than 1, the variance equal to 70.5% is greater than 50%. This demonstrates that EFA is appropriate. EFA extracted 6 factors from 16 items measuring with 70.5% of variance extracted as in the following table (Table 3).

Reliability Analysis: This technique enables in removing irrelevant variables. It also helps examine the reliability of the measurement by Cronbach alpha. The criterion to choose a measurement cronbach alpha is greater than 0.5 and have item – total correlation more than 0.3. The Cronbach's alpha scores for these scales were greater than 0.5 (Table 4). In sum, the results of the preliminary assessment indicated that all scales satisfied the requirement for reliability. A multiple linear regression analysis was used to predict business success based on these managerial competencies including organising & leading, relationship, opportunity and learning & conceptual competency. It was found that coefficients of both organising & leading competency and relationship competency were statistically significant predictors of business success. Looking at the P-value of the t –test for each predictor, we can see that each of the managerial competencies contributes to the model, both of them had significant positive regression weights, indicating managers with higher competencies were expected to have higher business success. In among 2 competencies, organising & leading competency is more important than relationship competency. To sum up, only two predictors has the significant impact on business success; it means that we accept two out of six research hypotheses.

DISCUSSION AND IMPLICATION

Our findings appear to be well supported by Noor Hazlina Ahmad (2007), the relationship between managerial competencies and business success, what is surprising is the

Table 1. Measurement of managerial competencies and business success

Competency area	Sources	Items
Opportunity	(Man et al., 2002)(Noor Hazlina Ahmad, 2007)	(1) Identify long term opportunities (2) Evaluate business opportunities (3) Create competitive advantage (4) Determine strategic actions
Learning & Conceptual	(Man et al., 2002)(Noor Hazlina Ahmad, 2007)	(1) Keep up to date in my field (2) Understand the broader implications of issues and observations (3) Apply learned skills and knowledge to actual practices (4) Be proactive and responsive to changes (5) Be spontaneous and quick in making decision
Technical	(Chandler & Jansen, 1992)	(1) Have good basic knowledge in my business area (2) Possess expertise in technical or functional areas (3) Use specific techniques/tools relevant to business (4) Utilise technical knowledge relevant to the business
Organising& leading	(Man et al., 2002)(Noor Hazlina Ahmad, 2007)	(1) Plan the operations of the business (2) Organise resources (3) Coordinate tasks (4) Supervise subordinates (5) Build an entrepreneurial culture in which staff is willing to take risks
Relationship	(Man et al., 2002)(Noor Hazlina Ahmad, 2007)	(1) Develop long term trusting relationships with others (2) Maintain a personal network of work contacts (3) Negotiate with others (4) Create a positive working climate through discussion and problem sharing
Ethical & Social Responsibility	(Noor Hazlina Ahmad, 2007)	(1) Be committed to offering products or services at fair prices (2) Keep promises (3) Engage voluntarily in community activities (4) Show concern for the staff welfare
Business success	(Chandler & Hanks, 1994), (Noor Hazlina Ahmad, 2007)	Sales turnover Profitability Business image

Table 2. Research hypotheses

Hypothesis	Statement
H1	Opportunity competency affects positively on business success of Vietnam's SMEs
H2	Learning & conceptual competency affects positively on business success of Vietnam's SMEs
H3	Technical competency affects positively on business success of Vietnam's SMEs
H4	Organising& leading competency affects positively on business success of Vietnam's SMEs
H5	Relationship competency affects positively on business success of Vietnam's SMEs
H6	Ethical & Social Responsibility competency affects positively on business success of Vietnam's SMEs

Table 3. Exploratory Factor Analysis

	Factor					
	1	2	3	4	5	6
QA.4	.759					
QA.14	.728					
QA.16	.616					
QA.20		.741				
QA.19		.713				
QA.22		.617				
QA.10		.406				
QA.18			.704			
QA.21			.691			
QA.3			.519			
QA.17						
QA.9				.628		
QA.8				.617		
QA.25					.962	
QA.26						.610
QA.1						.428

Extraction Method: Principal Axis Factoring.

Rotation Method: Promax with Kaiser Normalization.

a. Rotation converged in 10 iterations.

fact that only 2 managerial competencies like organizing & leading and relationship competency affect positively on business success. The result from multiple regression model indicated that organising and leading competency is the most important factor. This matches with previous studies in the literature. The findings of the present study confirmed that both organising& leading and relationship were strong predictors of business success in SMEs.

The significant finding for the model conveys an important message to all business practitioners regarding the importance of personal capabilities in determining business success. The result also supports previous findings in the literature that, in SMEs competitive advantage is achieved and sustained through the ability of the entrepreneur ability, despite constraints associated with firm size. These findings, considered together with the findings of the present research

Table 4. Reliability analysis

Factor	Name	Number of items	Cronbach alpha
F1	Organising and leading	3	0.745
F2	Relationships	4	0.731
F3	Opportunity	3	0.667
F4	Learning & conceptual	2	0.588
BC	Business success	4	0.677

Table 5. Regression analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.412	.375		6.429	.000
	F1	.206	.076	.261	2.716	.008
	F2	.160	.084	.185	1.902	.060
	F3	.079	.078	.099	1.013	.313
	F4	.025	.073	.033	.349	.728

a. Dependent Variable: business_success

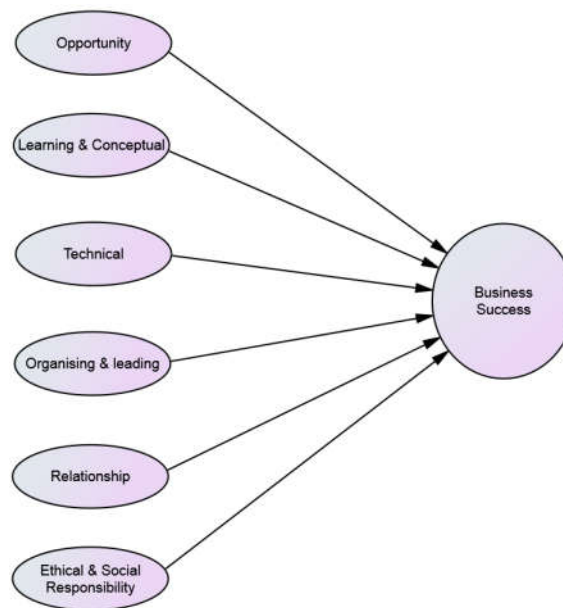


Figure 1. Research model

that, managerial competencies had a substantial direct influence on business success suggest that managers in SMEs should engage in skill improvement and development as a critical first step towards business level performance. Understanding business success, especial in exporting of SMEs through the lens of managerial competencies is essential because it provides managers with knowledge about the way they should operate their business and encourages them to be conscious of the potential positive or negative impacts of their own behaviour. The identification of behaviours reflecting competencies that have causal relationships with business success allows the managers to recognise the need for, and seek, appropriate training programme. Competencies can be improved with education and training and the behaviours highlighted in this study validated here are highly amenable to shaping through educational courses. The result from multiple regression analyzing suggests that managers should be aware of the importance of competencies associated with organising& leading and relationship domain, business owner need to develop a strong and positive relationship with SMEs community in exporting agricultural product. This is also very important for managers who intend to export their activities. An understanding of the important competencies also required for conducting business in each context enables managers to

more adequate prepare for entry into foreign markets. Our results share a number of similarities with Noor Hazlina Ahmad (2007) findings, where the relationship competency domain is seen as important too, for learning how best to develop and maitain productive relationships might be more critical. The importance of managerial competencies, especially organising& leading and relationship competency may help educators and trainers identify and teach the “right ability” to practising and prospective entrepreneurs. Educators and policy makers should also be cognisant of the fact that, at least for participants in this study, current training programs were not seen to contribute much to the improvement of managerial competencies. It may be that current training courses are not tailored to the needs of SMEs, or not sufficiently focused on the improvement of competencies. Furthermore, given that the majority of learning among managers occurs in the course of normal work routines, a more effective way of teaching SMEs owners may be via “mentoring schemes”, the goal of mentoring in SMEs is to learn from other’s experience, especially from the more experienced and senior managers in exporting agricultural product. Given that formal training is often viewed as inappropriate, very costly to SME managers, the using of effective mentoring schemes could accommodate the SME

manager's preference for a more practical, where assistance is provided specifically to deal with the immediate problems and demand of the business. Finally, with giving proof the link between managerial competencies and business success in this study, the role of policy makers is to focus on managerial development initiatives towards developing relevant aspects of an individual's knowledge, skills and behaviour, relevant aspects include: organising & leading, the capacity to create a sustainable relationship in exporting.

Limitation and further studies

Our work clearly has some limitations. The first concerns the reliance on cross – sectional data involving existing SMEs. As such, the current study considers only the surviving SMEs in its sample frame but not firms that have ceased their business. Further research in this area would benefit from a longitudinal study which includes SMEs that are no longer in existence. Such a study could provide valuable insights into the factors that contribute to firm failures. Second limitation is the small sample size, so the findings might not be generalized to other enterprises. A useful direction for future research in this regard would be to expand the scope of study in the whole country.

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