

Original Research Article

Managerial Competencies of Directors: A Case Study of Small and Medium-Sized Enterprises in Ho Chi Minh City, Vietnam

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Abstract: In the context of deepening international economic integration, the increasingly fierce global business and competition environment, has been posing great requirements and challenges for businesses, especially small and medium enterprises. In which, the requirement to build a team of directors with knowledge, understanding, and management capacity is an urgent requirement for small and medium enterprises in Ho Chi Minh City, Vietnam. Therefore, through a survey, this article focuses on analyzing and evaluating the current situation of the management capacity of SME directors in Ho Chi Minh City.

Keywords: SMEs, management capacity of directors, Ho Chi Minh City, Vietnam.

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1. INTRODUCTION

Ho Chi Minh City is not only the economic - political - social center of the southern region, but it is also the leading city in economic and financial activities of the whole country. With the available strengths, plus the dynamism and the ability to quickly adapt to the

market, businesses in Ho Chi Minh City are always at the forefront of economic activities. In which, SMEs are the group of enterprises with the largest number, with a large operating area throughout the city and a very diverse field of activities and types of businesses.

Table 1: Number of small and medium enterprises in Ho Chi Minh City from 2010 to 2020

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
State enterprises	148	150	148	153	147	138	134	193	210	101	101
Private enterprise	59.766	66.170	72.300	78.706	88.482	90.089	89.973	79.112	87.432	90.107	93.047
FDI enterprises	2.634	2.729	2.943	3.060	3.364	3.478	4.161	4.735	4.876	5.199	6.797
Cooperative	174	180	183	176	173	172	177	157	159	172	169
Other	545	532	543	511	510	483	461	243	332	222	222
Total	63.267	69.761	76.114	82.606	92.676	94.400	94.024	80.684	89.314	95.801	100.336

Source: Ho Chi Minh City Statistical Yearbook from 2010-2020

The total number of small and medium-sized enterprises in Ho Chi Minh City increased from over 63,267 to over 100,336 (up 58.7% from 2010 to 2020). In 2020, among small and medium enterprises, the group of private enterprises accounts for the largest number (92.7%), other groups of enterprises account for a relatively small proportion. This is a prominent and common feature in the Vietnamese economy in general and the economy in Ho Chi Minh City in particular. With this large number, many SMEs in the area do business in the field of wholesale and retail of automobiles and motorcycles, construction industry,

processing and manufacturing industry, scientific and technological activities, transportation activities, etc. In which the wholesale and retail industry of automobiles and motorbikes accounts for the largest proportion (about 40%).

2. RESEARCH METHODOLOGY

In this study, the author conducts a survey conducted according to the principle of convenient sampling for 300 directors of small and medium-sized enterprises in Ho Chi Minh City. The survey was conducted from October 2018 to December 2018 the

number of votes collected was 284 valid votes. In which, the demographic characteristics of the study sample are as follows:

Table 2: Description of the study sample

	Criteria	Frequency	
Gender	Male	231	1,30
	Female	53	8,70
Age	<36	101	5,60
	36-55	170	9,80
	>55	13	,60
Degree	Intermediate, College	24	,50
	Bachelor	199	0,10
	Master	47	6,40
	Doctor	7	,50

The author uses multiple-choice questions with a 5-point Likert scale: Totally agree (5), Agree (4), Disagree (3), Disagree (2), and Completely disagree (1).

For the management capacity of the directors of SMEs in Ho Chi Minh City, the author determines based on 3 groups of factors that constitute management capacity, specifically: Management knowledge; Management skills, and attitudes/personal qualities. Besides, the author built a scale based on the SERVQUAL scale of Parasuraman *et al.*, (1988) and designed the questionnaire based on the research of Tran Bao An *et al.*, (2012). The questionnaire is designed with multiple-choice questions so that the survey subjects can easily provide information and do not waste time and cause trouble for the respondents. Based on collected data, the author mainly uses qualitative analysis methods to assess the management capacity of directors of small and medium-sized enterprises in Ho Chi Minh City.

3. Assessment of the current situation of the management capacity of directors of SMEs in Ho Chi Minh city

Management knowledge

Management knowledge plays an important role for business directors to manage well to change products, systems, and people dynamically. At the same time, they must be the ones to promote the decision-making process on an issue and empower their employees to decide on the issue.

The current status of the director's management knowledge capacity will be assessed with a strict degree through 6 criteria: knowledge of strategic management of the enterprise, knowledge of production and operation management, management knowledge of finance, human resource management knowledge, technology management knowledge, and marketing management knowledge.

The survey results show that the criteria that are rated well over 50% include: Knowledge of professions, business fields, and production accounted for 70.1%; Knowledge of management and leadership accounted for 64.1%; knowledge of business strategy accounted for 58.8%; Human resource management accounted for 55.6%; Marketing accounted for 53.5%; Informatics accounted for 62%; Foreign languages account for 52.5%. The criteria that are evaluated well under 50% have: Cultural and social knowledge accounted for 44.7%; Politics and law accounted for 46.8%; Finance and accounting accounted for 38.4%; Production and service management accounted for 48.9%; Corporate social responsibility accounted for 39.1%; Corporate culture accounts for 39.1%; Change management, risk management accounted for 47.5%; International integration accounts for 41.5%.

Through that, it also shows that the criteria content that the director evaluates is still poor: Knowledge of finance and accounting accounts for 13.4%; Knowledge of international integration accounts for 12.4%; Corporate social responsibility accounted for 9.5%; Knowledge of change, risk management accounted for 9.2%; Culture and society accounted for 8.8% and knowledge about politics and law accounted for 8.8%.

According to the results of assessing the reliability of the scale, we see that most of the leadership and management knowledge are rated by the director as being important to the success of the business in the future. In addition, some knowledge is not appreciated such as knowledge of corporate social responsibility, knowledge of corporate culture, knowledge of international integration, knowledge of culture and society, and knowledge of finance and accounting. The results also show that there is a lot of knowledge about leadership that businesses do not meet well at the moment such as knowledge about change management, risk management, knowledge about production and service management, and political and legal knowledge.

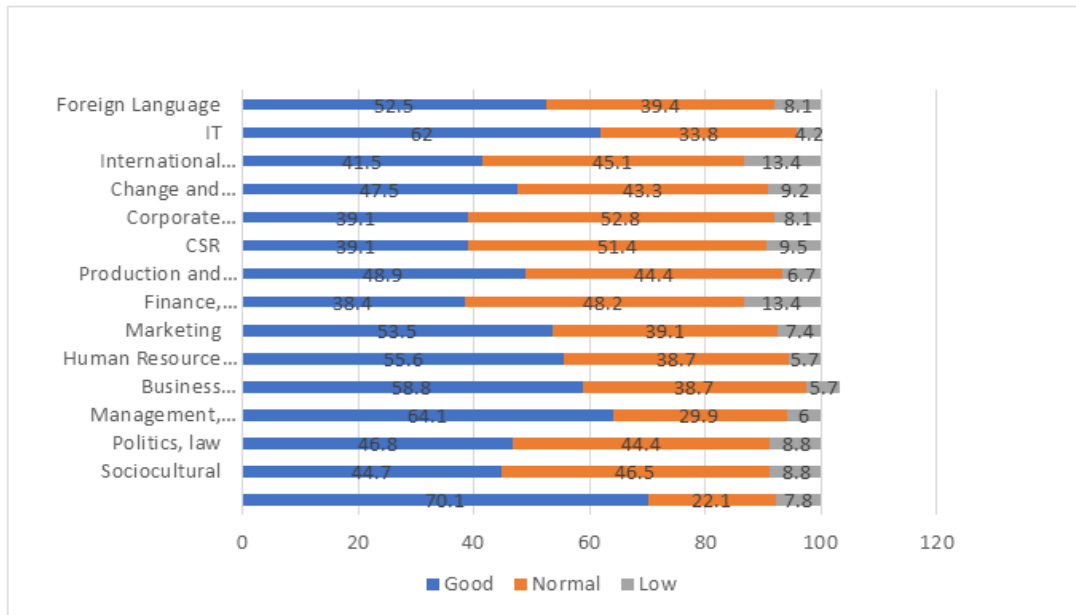


Figure 1: Level of assessment of management knowledge of directors of SMEs

Source: Author calculated from survey data

Knowledge of international integration is considered a very important factor in the current international economic integration process, but the directors consider it to be of low importance compared to other knowledge. This is a situation that should be noted for the directors in the survey sample of the topic. In the current situation, directors need to have a sense of soon supplementing and perfecting their knowledge of international integration to improve production and business efficiency, and competitiveness of enterprises in the domestic market as well as in the international, ensuring the sustainable development of enterprises.

Manager's management skills

Management skills are indispensable skills of a director. To become a good manager, in addition to leadership and management knowledge, they need to equip themselves with indispensable knowledge and skills such as management and planning skills, effective delegation skills, Inspiring and communication skills, etc.

To measure and evaluate the management skills of directors, the author has built 18 evaluation criteria and divided them into 3 main groups: (i) Group of skills for personal development; (ii) Group of skills that create efficiency for enterprises; (iii) Group of skills to create social capital.

The survey results show that the skills rated at a good level of over 50% by the director include: Skills to use power and influence accounted (51.1%), motivate employees (64.1%), work-life balance (56%), learning (73.9%), problem-solving (72.5%), communication - negotiation (69.7%), encouragement

(54.2%), workforce development (52.1%), team setting and leadership (52.1%), vision and strategy formulation 57%, work organization and implementation 69.7% mobilizing and coordination with resources accounted for 53.5%, control accounted for 52.5, conflict handling accounted for 52.5%.

Besides, there are 4 skills with low evaluation rates, including influencing skills and image building with a good rating of 45.1%, poor evaluation rate of 8.4%; skill initiating change with a rate of good rating of 43.7%, poor accounting for 8.4%; Skill in building and developing corporate culture, good assessment accounted for 34.9, poor accounted for 11.3%; good delegating skills accounted for 46.8% and poor skills accounted for 10.2%.

Management qualities

Personal qualities are the necessary standards, virtues, opinions, or methods of the behavior of an individual in work and life. Personal qualities can be moral qualities and can be competent ones. Basic personal qualities are formed from the views, interests, and habits in personal life, and it is the basis for making important decisions, and directing the behavior of individuals in the workplace and in life. Groups of people with different qualifications, job characteristics, ages, and levels of achievement, have different desires and pursuits of values. There is a very clear relationship between values and behavior. The values we pursue are often reflected in our behavior at work and life. In contrast, behavior often reflects the value and maturity of the individual's qualities. Individuals often differ in their level of development or maturity in values and qualities at different stages.

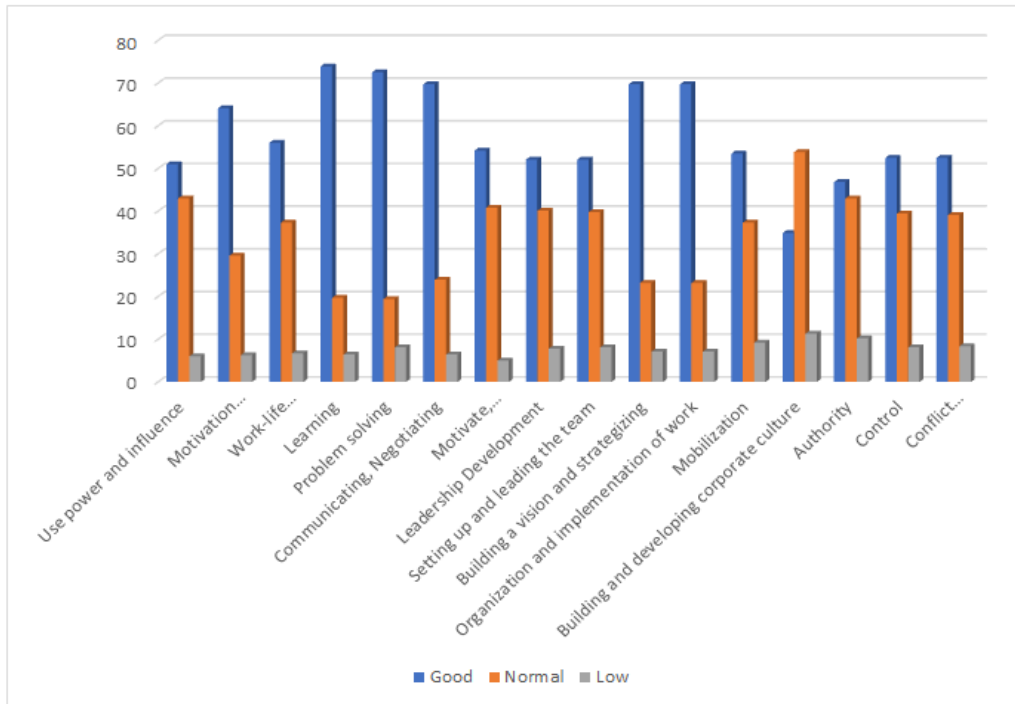


Figure 2: The level of assessment of the director's management skills
 Source: Author calculated from survey data

Thus, the qualities that people in general and directors, in particular, aim to build, preserve and develop our noble aspirations and pure and noble qualities of competence and morality for the sake of people and a good society. Based on an overview of the director's qualities, the author selects 8 main groups of criteria to evaluate the personal qualities of the director, including (1) Aspiration, business passion; (2) Creativity; (3) Flexibility; (4) Confident, decisive; (5) Responsibilities; (6) Professional ethics; (7) High-pressure resistance; (8) Have a spirit of cooperation.

The results of self-assessment on 8 groups of leadership and management qualities of the director himself showed that most of the directors rated from good, to very good, in which the highest satisfying qualities were responsibility; have aspirations and passion for business; confidence, and decisive. However, there are still some qualities that the director's self-assessment has not yet met, which are: Desire to expand business activities; Exemplary in the implementation of professional ethical standards; Ability to work overtime; Ability to handle multiple tasks at the same time; Show trust with employees.

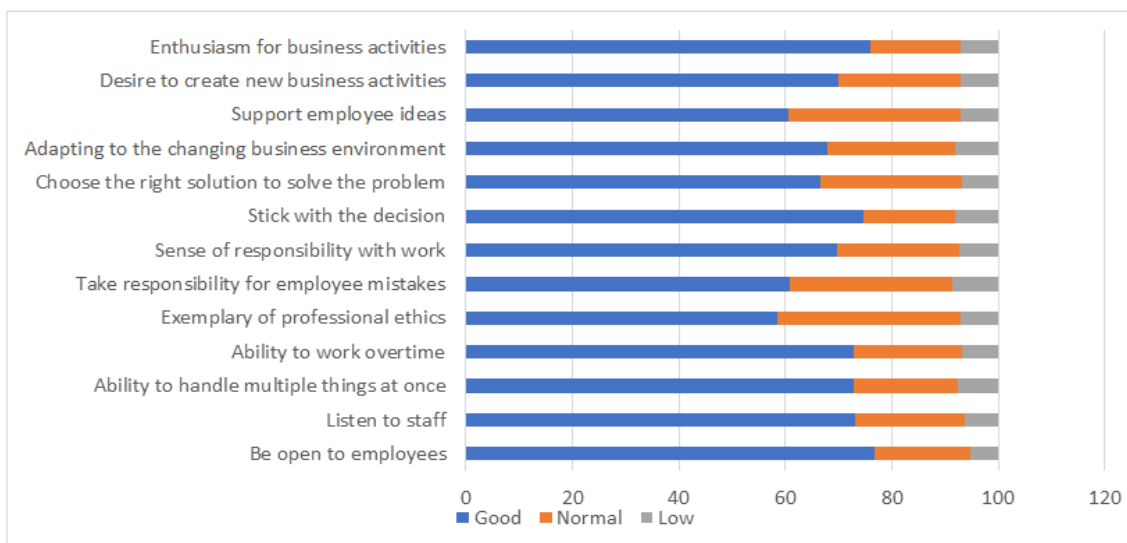


Figure 3: Level of assessment of management qualities of directors of SMEs
 Source: Author calculated from survey data

Thus, the survey results show that a sense of responsibility, passion for business, self-confidence, and decisiveness are the outstanding characteristics of the directors of small and medium-sized enterprises. However, flexibility, creativity, ability to withstand high pressure, and professional ethics have not been appreciated. This is the weak point to note for the director of small and medium enterprises.

Management capacity of directors of small and medium enterprises

The performance of the director is a factor that directly affects the operation of the enterprise. The research results have shown knowledge that is currently the strong point of the director, and at the same time, the knowledge of the director's self-assessment is still limited. Specifically:

Management knowledge: According to the survey results, with 15 evaluation criteria on leadership and management knowledge mentioned in the questionnaire, the directors in the survey sample did not respond well to the knowledge of corporate culture, responsibility business society, socio-cultural knowledge, knowledge of finance, accounting, and knowledge of international integration. Some of the knowledge of the directors is quite good, such as knowledge of industries, business fields, production, knowledge of informatics, knowledge of management, leadership, knowledge of business strategy. This result is similar to the research results of Le Thi Phuong Thao (2016) when researching the leadership capacity of directors of small and medium-sized enterprises in the North Central region, and research by Le Quan and Nguyen Quoc Khanh (2012).

Management skills: Among the 18 leadership skills mentioned in the topic, the statistical results show that in general, the majority of enterprises in the survey sample have assessed learning skills quite well; Organizational and implementation skills, problem-solving skills, communication and negotiation skills,

vision and strategy building skills, and employee motivation skills. In addition, the assessment results on the current situation of leadership skills also show that the most limited point of the director team is in business building and development skills, delegation skills, and business initiation skills. change, conflict management skills, power and influence skills. This result also has many similarities with some results of previous studies on leadership capacity such as the study of Le Thi Phuong Thao (2016), Do Anh Duc (2014). However, there is a difference compared to the report on the survey results of Vietnamese non-state enterprises by Phung Xuan Nha *et al.*, (2012) when this report emphasizes management and planning skills. ; motivate subordinates; Effective delegation, change management, and decision making.

Management qualities: The results of the assessment of the current situation of meeting leadership qualities of the director show that the director's qualities are aspirational, business passion; responsible; confidence; predictability; collaborative spirit. They are the four outstanding qualities of small and medium-sized enterprise directors. The limited director qualities are flexibility, ability to work under pressure, creativity, and professional ethics. This result also has the same quality as the research of Le Thi Phuong Thao (2016), both studies show that the limited quality of the director is creativity. Meanwhile, other studies such as Le Quan and Nguyen Quoc Khanh (2012) indicate that the necessary qualities for a Vietnamese small business CEO are: inclusiveness, patience, creativity, risk-taking, and decisive. This is also one of the qualities of the managers in the survey sample of this study that was self-assessed. The survey results of Vietnamese non-state enterprise leaders by Phung Xuan Nha *et al.*, (2012) pointed out the three most important qualities of a CEO: focus on sustainability, passion for work, willing to take risks. In this study, the directors also emphasized the element of passion and enthusiasm for business activities.

Table 3: Strengths and weaknesses in the management capacity of directors of SMEs in Ho Chi Minh City

MANAGEMENT CAPACITY OF DIRECTORS		
Knowledge	Skill	Quality
Strengths		
<ul style="list-style-type: none"> - Knowledge of business and manufacturing industries - Knowledge of informatics - Knowledge of foreign languages - Knowledge of management and leadership - Knowledge of business strategy 	<ul style="list-style-type: none"> - Learning skills - Organizational and implementation skills - Problem-solving skills - Communication and negotiation skills - Vision and strategy-building skills - Employee motivation skills 	<ul style="list-style-type: none"> - Have ambition and passion for business - Responsibility - Confident and decisive - With the spirit of cooperation
Weaknesses		
<ul style="list-style-type: none"> - Knowledge of corporate culture - Knowledge of corporate social responsibility - Cultural and social knowledge - Knowledge of finance and accounting - Knowledge of international integration 	<ul style="list-style-type: none"> - Business building and development skills - Authorization skills - Skills to initiate change - Conflict handling skills - Skills to use power and influence 	<ul style="list-style-type: none"> - Flexibility - High-pressure resistance - Creativity - Professional ethics

The results of the study show that the factors constituting the performance of the director have a direct impact on the business performance of the enterprise. In which leadership and management skills, Leadership knowledge, management, and outstanding qualities will be strengths to help directors promote their abilities and qualities. On the contrary, the knowledge, skills, and qualities that the director himself evaluates are not good and limited will be the goals and tasks for the director to strive, make efforts and improve himself to bring the business more and more development. Thus, improving the performance of directors will help improve the operational efficiency of SMEs.

CONCLUSION

Ho Chi Minh City is the leading locality in the country in economic development and international integration. With the policy of innovation, opening up for integration, and encouraging investment, small and medium enterprises have made great contributions to economic development, job creation, and social security for the locality. However, along with the process of international integration, small and medium-sized enterprises in Ho Chi Minh City also face many difficulties, especially the quality of human resources for business management. The management capacity of the director of a small and medium-sized enterprise is the object directly involved in the management, administration, and operation of the enterprise, and the management capacity has an impact on the performance of the enterprise. The survey results show that the management capacity of the directors of SMEs in Ho Chi Minh City has not yet met the needs of the current development and international integration process. Thereby, the study has also drawn the strengths and weaknesses of the director's management capacity as a basis for proposing practical solutions, associated with the actual need to improve the management capacity of the director of SMEs in Ho Chi Minh City shortly. The solutions come from the advocacy of individual business directors, government policies, business

associations and training institutions, etc. The solutions, if implemented synchronously, will contribute to improving the management capacity of the leaders of small and medium-sized enterprises. At the same time, these solutions will directly affect the production and business activities of small and medium enterprises, contributing to promoting local socio-economic development.

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