

Increasing the Competitiveness of Vietnamese SMEs through Internationalisation: Initial findings from a nationwide study

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The Motivation

- The recent “Master Plan for Vietnam’s Trade Development in the Period 2011-2015 and Vision for 2030” issued by the Minister and Trade and Industry on 24 June 2011 emphasised the need for diversifying the export basket and markets (Ministry of Trade and Industry, 2011).
- This important document outlines the focus on developing higher value-added manufacturing and industrial products while limiting low-cost commodity exporter for international markets.

The Motivation

- It is important to, therefore, identify the determinants of export in order to understand what influences export performance (Freeman et al., 2012; Sousa et al., 2010).
- Studies focusing on the determinants of export in Vietnam have been scarce, especially exploring performance issues that impact on the SMEs in Vietnam as they proceed to internationalise their exporting activities.

The Motivation

- This study was a part of a larger project funded by the Australian Government that looks at capacity building to accelerate SME export performance for development.
- Most studies in the case of Vietnam have used secondary data, therefore, in this study we have used primary data of our survey outcomes.

Objectives of the Study

- This study reports on the initial findings from various focus groups across three regions in Vietnam.
- We have also report some preliminary results from the nationwide survey through Vietnamese SME operators and managers with regard to export performance.

Objectives of the Study

- The study entails the development of a conceptual framework based on SME internationalisation and a face-to-face workshop in Hanoi, Da Nang and Ho Chi Minh City where in total 60 SME owners or managers participated to provide feedback on the conceptual framework.
- With the aid of their responses and with support from literature, research hypotheses for this paper are developed to be examined.

Literature Review – Theoretical Background

- Studies on the determinants of export performance of SMEs are flourishing in the literature in the recent decades due to increasing globalization and importance of SMEs.
- No general agreement has been reached in the international business literature regarding which are the relevant determinants of export performance and their measurements (Sousa, Martínez-López & Coelho 2008 ; Wheeler, Ibeh & Dimitratos 2008 ; Zou & Stan 1998; Oura 2016).

Literature Review

- Nevertheless, in the literature about small business export, it has been acknowledged that export performance determinants should be assessed at two main levels. They include internal factors and external environmental barriers (Cavusgil & Zou 1994 ; Leonidou 1995, 2004 ; Sousa, Martínez-López & Coelho 2008).

Literature Review

- Love et al. (2016) consider the factors of SME export performance (EP) using a review of globally participating UK SMEs. Their findings show that positive exporting determinants also come from embedded knowledge that managers acquire through recruitment of management with necessary skills (Love et al. 2016).
- Oura (2016) investigates about the availability of several variables that affect EP, for example, those associated with managerial, physical, organizational, and relational resources.

A Review of the Literature

- The export marketing literature has been criticized for providing only “isolated, fragmented” results, and for not being able to develop a widely accepted model of export performance.
- Most of them adopted either an internal perspective (managerial and/or organizational factors) or an external one (environmental factors).
- Only a few studies have considered both groups simultaneously (Katsikeas et al. 1997, Badauf et al. 2000, Katsikeas et al. 1996, Kaynak & Kuan 1993, White et al. 1998). This study focuses on all aspects of export drivers, and it provides and examines a more comprehensive framework of SMEs export drivers utilizing Vietnamese sectors data.

METHODOLOGY AND FOCUS GROUP FINDINGS

- Focus groups methodology can act as an effective tool in discovering the “nature” of an issue where earlier studies has been inadequate to form grounded theory that can be examined further (Vernon et al., 2003)
- This study used a well-structured specific discussions questions as listed in Table 3.

Focus Groups – Discussion Questions

Table 3: Barrier to exporting – discussions questions

<p>1. Lack of information</p> <ul style="list-style-type: none"> • Generally did not feel like they had sufficient information about new markets. • Perceived that trade commissions were not targeting business opportunities for exports. • Internet did not provide a lot of relevant information about markets, product demand etc. • Limited information about overseas customers. 	<p>2. Enabling technology</p> <ul style="list-style-type: none"> • Difficult to upgrade technology.
<p>3. Tariff and non-tariff barriers</p> <ul style="list-style-type: none"> • Safety and food standard in host countries. • Certification requirements. • Frequent changes to policies. Small companies are unable to comply. 	<p>4. Government assistance</p> <ul style="list-style-type: none"> • Government policy changes are occurring too often, making it difficult for SMEs to keep up. • Government assistance is not enough.
<p>5. Capital resources and Human resources.</p> <ul style="list-style-type: none"> • Shortage of capital to prepare the organization for exporting. • Difficulty in employing and retaining skilled labor. • Foreign language skills. 	<p>6. Financial issues</p> <ul style="list-style-type: none"> • High interest rates. • Shortage of credit • Difficult to access credit from banks.
<p>7. Business competition</p> <ul style="list-style-type: none"> • Hard to compete in prices with Chinese exporters. 	

RESEARCH METHODOLOGY AND HYPOTHESES

- In this paper, based on literature and feedback of SMEs in the focus group meetings, a refined conceptual model (see Figure 5) with constructs is presented.
- We specifically look at the issues faced by SMEs in Vietnam in their effort to internationalise their activities.

The Conceptual Model

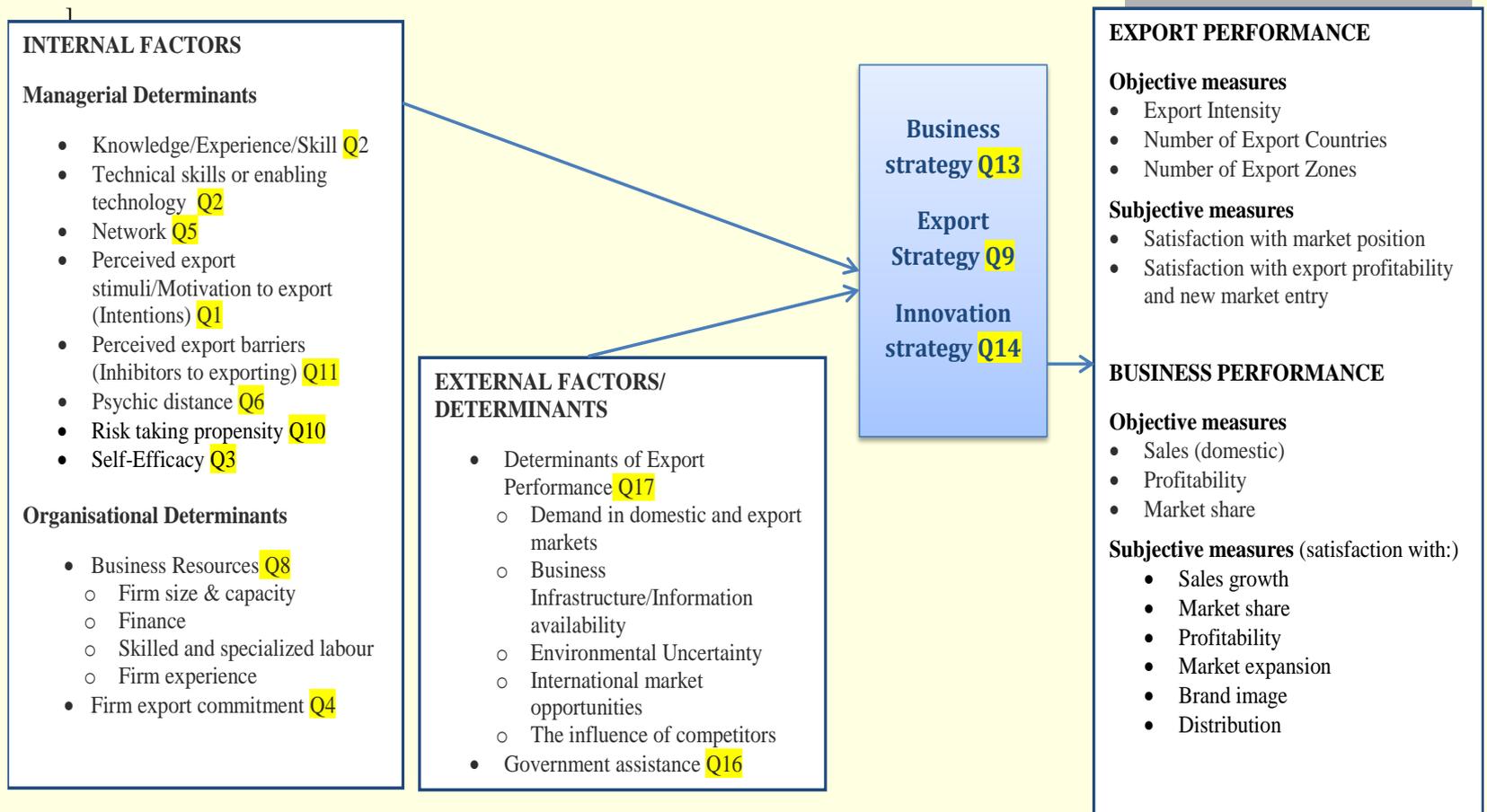


Figure 5: Export Performance - An investigation into the key success factors for Vietnamese organisations

Findings

- Findings in this paper was based on the outcome from 6 focus groups (3 of them are exporters and 3 are non-exporters). Each focus group consists of 10 SMEs/businesses.
- The data in this study were analysed using a content analysis procedure.
- the focus groups have provided us with large quantity of qualitative data.
- In this paper we focus on the barriers that hinder them from exporting or developing further, and potential pathways for addressing this through identifying important weaknesses in business capacity and government support.

Figure 6: The list of export issues faced by Vietnamese SMEs



Primary Data and Methodology

- A total of 364 SME (both exporters and non-exporters) were used in this study from different sectors (Table 1).
- Questionnaire were sent to the CEO/managing director of the sample of SMEs
- In order to collect required data, a random sample of various Vietnamese SMEs from all industries and locations across Vietnam were selected.

Data Analysis – preliminary

Results

- This research applies descriptive statistics and other statistical methods (we only report here few empirical results from descriptive statistics and reliability outcomes).
- All Cronbach's alpha reliability scores were 0.7 or above.

Results

- As indicated in Table 2, the largest proportion of the SMEs exporters are in the South region of Vietnam, and they are mainly operating in manufacturing and service industries, with 134 firms (59.8%) and 83 firms (37.1%) respectively. In the North region, the rate of manufacturing activities are much more than other regions for both exporters and non-exporters.

Results

- Concerning export markets of SMEs across the three different regions, as Table A.6 indicate, the majority of Northern firms in the sample (364 firms) export their products to ASEAN (32.1 percent), South America (24.5 percent), South Asia (20.8 percent) and Europe (13.2 percent).
- Based on these results, it is noticeable that the Vietnamese SMEs are mainly focusing on ASEAN and South American export markets, followed by South Asia and other regions.

Types of Industry

Table 1: Types of Industry (Both Exporters & Non-Exporters)

	Industry type	North (n=53) Frequency (%)	Central (n=87) Frequency (%)	South (n=224) Frequency (%)
EXPORTERS	<i>Manufacturing</i>	39 (73.6%)	57 (65.5%)	134 (59.8%)
	<i>Services</i>	12 (22.6%)	24 (27.6%)	83 (37.1%)
	<i>Construction</i>	2 (3.8%)	1 (1.1%)	7 (3.1%)
NON-EXPORTERS	<i>Manufacturing</i>	163 (67.6%)	42 (25.6%)	75 (56.8%)
	<i>Services</i>	40 (16.6%)	89 (54.3%)	43 (32.6%)
	<i>Construction</i>	37 (15.4%)	32 (19.5%)	14 (10.6%)

Table A.6. Export markets

Market	North Frequency (%)	Central Frequency (%)	South Frequency (%)
ASEAN (Indonesia, Philippines, Singapore, etc.)	17 (32.1%)	27 (31%)	86 (38.4%)
Other East Asia (China, Japan, Korea, etc.)	1 (1.9%)	4 (4.6%)	4 (1.8%)
Australasia (Australia and New Zealand)	2 (3.8%)	6 (6.9%)	25 (11.2%)
South Asia (India, Pakistan, Bangladesh, etc.)	11 (20.8%)	11 (12.6%)	22 (9.8%)
North America (US and Canada)	2 (3.8%)	2 (2.3%)	4 (1.8%)
South America	13 (24.5%)	19 (21.8%)	66 (29.5%)
Middle East	0 (0%)	0 (0%)	6 (2.7%)
Europe	7 (13.2%)	0 (0%)	0 (0%)
Africa	0 (0%)	2 (2.3%)	4 (1.8%)
Others	0 (0%)	16 (18.4%)	0 (0%)
Missing	0 (0%)	0 (0%)	7 (3.1%)
Total	53 (100%)	87 (100%)	224 (100%)

Results

- Based on the detailed analysis of our primary datasets that were collected through survey (Table 4), all determinants and factors that have already been discussed and demonstrated in Figure 4 of this research are internally highly reliable and consistent with different levels of consistency.

Summary of Reliability Outcomes

Table 4: Summary of Reliability Statistics Outcomes

Determinant	Cronbach's Alpha	Cronbach's Alpha based on Standardized item	Number of Items	Comment
<i>International Business Knowledge & Tech. Skills</i>	0.891	0.891	4	High consistency
<i>Network</i>	0.843	0.843	4	High consistency
<i>Outcome Expectations (Stimuli/Motivation to Export)</i>	0.768	0.768	4	High consistency
<i>Perceived Export Barriers (Inhibitors to exporting)</i>	0.937	0.937	4	High consistency
<i>Psychic Distance</i>	0.847	--	5	High consistency
<i>Risk Taking Propensity</i>	0.655	0.649	4	High consistency
<i>Self-Efficacy</i>	0.880	0.881	4	Acceptable consistency
<i>Business Resources</i>	0.851	0.848	6	High consistency
<i>Firm Export Commitment</i>	0.810	0.808	3	High consistency
<i>Determinants of Export</i>	0.772	0.773	2	High consistency
<i>Government Assistance (in Export)</i>	0.916	0.916	8	High consistency
<i>Business Strategy Pro-activeness</i>	0.830	0.831	4	High consistency
<i>Export Marketing Strategy</i>	0.821	0.823	4	High consistency
<i>Innovation Strategy</i>	0.881	0.885	2	High consistency
<i>Objective Measures</i>	0.867	0.867	4	High consistency
<i>Subjective Measures</i>	0.878	0.878	5	High consistency

Data Analysis - Results

- The results from the focus groups indicate that the most potential barriers are poor products and service, lack of knowledge of international markets, limited resources, less skilled people, lack of sufficient financial resource, competition, modernization, networking, and others.
- It is also reported that limited competencies and capabilities of small businesses has reduced their exporting activities.

Conclusion and Policy Implications

- The leaders and managers of SMEs should focus on those barriers which have been identified from the focus groups findings of this research. They could improve their exporting activities of their businesses via better marketing strategies; e-commerce; training their employees on overseas markets; networking with other business associations across other regions etc.
- The findings also suggest that SMEs need to pay particular attention to the government policies as the country has undergone tremendous economic reforms and other export promotion policies.

Conclusion and Policy Implications

- The model was not developed to cover all possible variables and this could result in the limitation of implications.