

Exploring the Practice and Application of Strategic Management in Small and Medium Sized Enterprises (SMEs) In Dong Thap Province of Vietnam

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Abstract - Small and medium sized enterprises (abbreviated hereinafter as SMEs) play important roles and create economic growth and strategic management is considered an important element for business development. This study is conducted to explore the practice and strategic management in SMEs in Dong Thap province and its findings are used as foundations to formulate the recommendations to SMEs for their enhancement and improvement of the practice of strategic management. With the purpose of being foundations for the study, secondary data is used by collecting from vast literature and previous researches. Later, the systematic and content analyses from the vast secondary data are used to reduce the bias. Furthermore, to reach the objectives of the study, the primary data is generated through online questionnaire/ surveys, semi-structured talks and interviews with SMEs' owners and managers.

Index Terms – Application, Practice, Small and Medium Sized Enterprises (SMEs), Strategic management, Dong Thap - Vietnam

1 INTRODUCTION

According to Ayyagari et al. (2011) and Zacharakis et al. (2002), small and medium enterprises (SMEs) plays important roles and contribute to economic growth not only in the world scale but also in regional/ local scales through employment generation, GDP contribution, technological innovations, revenue creature and other aspects of economic and social development (Kotey & Meredith, 1997).

Because of the diversified and increased economic globalization and challenges especially in countries like Vietnam in which foreign, low-cost producers have entered the market and are threatening the survival of existing companies, the environment of market competition is more complicated and all kinds of businesses are facing changes both internally and externally. In order to maintain their competitive advantages as well as to sustain the business development, new strategies must be found and used to strengthen their market positions of which the success of strategic management is closely linked to the businesses' development (Zhao, 2010).

Strategic management is seen an important element for business development. However, most of the studies and relevant findings on strategic management are done with large businesses and rarely with in SMEs. As playing the key role in

generating economic wealth of SMEs, studies on strategic management and its implementation should be focused (Bantel & Jackson, 1999). There are some scholars having done

their studies of if SMEs should need to develop a strategic plan or any formal strategic management procedures inappropriately for SMEs (Cragg & King, 1998) but debate of the application of strategy in SMEs are still arise (Analoui & Karami, 2003). Besides, in practice, there are very little studies which are shown on how managers in SMEs actually perceive strategy and strategic management, and what strategy actually means to them in their businesses (Kutllovici & Shala, 2013).

Therefore, this study aims to discover the practice of the strategic management in SMEs in Dong Thap province and its findings are used as foundations to formulate the recommendation to SMEs for their enhancement of the practice and application of strategic management

2 LITERATURE REVIEW

2.1 Concepts of strategy

Strategy is a complex concept and it is not easy and simple to define because of its involvement to different processes and activities in an organization. The words 'strategy' and 'strategic management' are like to show long-time direction of an organization. According to Mintzberg & Quinn (1991), a business strategy is an overall plan of action defining the competi-

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tive position of a business. Later, Fuerer & Chaharbaghi (1995) define strategy in the three ways as (1) management and planning skills; (2) primary means of the focal objectives pursuit, and (3) long-term direction and scope. More of that, Stewart (2002) states strategy is as a pathway to move a concept or an idea from the inventive state to the actual positioning in a competitive environment or as a roadmap to the planned result.

In the book titled *Strategy process: Concepts, contexts, cases* of Mintzberg et al. (2003), strategy is defined as the creation of a unique and valuable position, involving a different set of activities. Also, in the research of O'Regan & Ghobadian (2005), strategy is a deliberate set of actions to achieve competitive advantage, giving coherence and direction to the organization. In addition, Johnson et al. (2008) define "strategy as the direction and scope of an organization over the long term achieving advantages in a changing environment through its configuration of resources and competencies with the aim of fulfilling stakeholder expectations" and Pearce & Robinson (2010) point out that interacting with the competitive environment to achieve a company's objectives, a strategy is a company's game plan.

In term of types of strategies, and there are three levels at which strategy is practiced in organizations; corporate, business and functional level.

Corporate strategy determines what the business should be and how the activities should be structured and managed. Of which it is defining the business's overall mission and objectives, validating proposals emerging from business and functional levels and allocating resources with a sense of strategic priorities (Hax, 2001).

Business strategy is concerned with maintaining competitive advantage in each strategies business unit. Business strategy or competitive strategies are concerned with how an organization is going to compete in a specific business or industry (Coulter, 2008).

Functional strategy or operational strategies are the short-term (less than a year) goal-directed decisions and actions of the business's various functional areas (Coulter, 2008) as marketing, operation, production, finance, and human resources. This type of strategy is to support business & corporate strategy. However, in theory, a clear consensus does not exist on what strategy is rather there are many definitions (O'Regan & Ghobadian, 2005).

2.2 Definitions of strategic management

In theory, strategic management is a very broad field with various definitions. According to Analoui & Karami, (2003), strategic management involves a set of managerial decisions and behaviors which determines or impacts the company performance including four elements as environmental scanning, strategy formulation, strategy implementation, and strategy

evaluation and control (Analoui & Karami, 2003). However, strategic management is a sub-discipline of filament of management covering a variety of methods and disciplines; also, both quantities and behavioral sciences are related to produce strategic management art and science (David, 2005; Parnell, 2005).

According to Ramachandran et al. (2006), strategic management deals with how enterprises develop sustainable competitive advantages resulting in the creation of value. In term of the function and other definition of strategic management, Hofstrand (2007) states strategic management expresses the current and future position (as target) of the business, the way to reach that position (strategy of firms to achieve to target), the new position situation (evaluation and feedback) and the fundamental model of strategic management of which consists of four phases.

David (2011) defines "strategic management as the art and science of formulating, implementing and evaluating cross-functional decisions that will enable an organization to achieve its objectives". Therefore, strategic management combines the activities of many functional areas of a business to achieve objectives (Pearce & Robinson, 2010). Additionally, Pearce & Robinson (2010) point out the process of strategic management in in five stages of goal-setting; analysis; strategy formation; strategy implementation and strategy monitoring

- Goal-setting is to clarify the vision for your business.
- Analysis is a key stage because the information gained at this stage will shape the next two stages.
- Strategy formulation and implementation: Successful strategy implementation is critical for the success of a business venture.
- Evaluation and control include performance measurements, a consistent review of internal and external issues and taking corrective actions when necessary.

More of that, Johnson et al.(2006) and David (2013) identify the process of strategic management including a set of consecutive stages of strategic analyses; formulation of strategy; strategy implementation and feedback, ex-post evaluation and correction. Likewise, Wilson & Essien (2012) state that strategic management is "a process of formulating, implementing, and evaluating, strategies to achieve long-term goals and sustain competitive advantages"

2.3 Benefits of strategic management

As known, at present, not only in the world but in Vietnam as well, the business environment are really unpredictable, to help the business overcome that and achieve desired results, Norman & Thomas (2003) note, "Without a clearly defined strategy, a business has no sustainable basis for creating and maintaining a competitive edge in the marketplace." This view is agreed by various scholars as Bracker et al, (1988), Rue & Ibrahim (1998); Gibson et al (2002) by confirmation of the link

between strategic planning and firm success . In addition, Suzanne et al. (2006) point out strategy helps the business in the purposeful search for opportunities. This is highly agreed by Analoui & Karami (2003). Analoui & Karami (2003) show benefits of the introduction of strategic management in SMEs in the following points:

- help to understand the current situation in which the company is located,
- give a clear view of the vision, mission of the company,
- determine the strengths and weaknesses, emphasizing those that are strategically important for the company's activities,
- contribute to setting the right goals of the company, allow the company to be more active,
- prepare the organization to be able to deal with expected and unexpected problems,
- create a background for communication management in the organization,
- evaluate environmental issues and its changes and allow the introduction of ethics and corporate social responsibility in the strategic process.

In term of strategic management procedure, the most important objective is to help businesses to be successful through creating self-distinctive in a competitive way with other businesses and providing them the chance to capitalize on their inner strengths and exterior chances while reducing their inner weaknesses and exterior threats (David, 2005)

Heugens (2003) on the implementation of issues management activities by businesses, societal or political predicaments significantly and positively influenced organizational outcome variables are found. And in research of Muogbo (2013) on the impact of strategic management on organizational growth and development, the study states that though strategic management are not common business practice among manufacturing firms in Anambra State, but it is tool for improving the competitiveness, performance levels, and structural development of manufacturing firms in Anambra State in particular and Nigeria in general.

As per Njanja's study in 2009, management strategies affecting performance of micro, small and medium enterprises in Kenya, the study shows globalization factors and other factors external to the businesses such as incentives, regulation and policy issues; infrastructure had very high effects on the management structures, systems and other internal factors of the firm. More, Yunus (2010) studied strategic management practice and corporate performance of selected small business enterprises in Lagos metropolis. The result shows positive relationship with organizational profitability are found in implementation of strategic management

2.4 Concepts of Small and Medium Sized Enterprises (SMEs) in Vietnam

As a key driver for business, growth, innovation and com-

petitiveness, job creation, social stability and economic development, the notion of small and medium-scale enterprises (SMEs) was introduced into the development landscape in early of 1940 (OECD, 2004) and the primary aim was to improve trade and industrialization in the present developed nations. However, at present, there is not a universal SME definition (McAdam & Reid, 2005).

SME definition is usually derived in each country and based in its role in the economy, policies and programs designed by particular agencies or institutions empowered to develop SME. Different quantitative criteria as the number of employees, capital, profit, energy consumption, sales, value-added and market share and qualitative criteria as managed by owner-managers, lower level of hierarchy and specialization, insufficient financial resources and absence of modern managerial techniques have been used to define SME (Dincer, 1996). According to Analoui & Karami's definition (2003), "SME is as one that has only a small share of its market is managed in a personalized way by its owner or part-owner and not through the medium of an elaborate management structure".

In Vietnam, private economic sector has been recognized in the economy. As a foundation from the promulgation of the Enterprise Law (1999), a breakthrough for the private sector's development has been created. On November 2001, the Decree 90/2001/ND-CP has been born and that is considered as a first pro-SME development legal document. From 2009 to date, SME definition is stipulated in Decree 56/2009/ND-CP as follow: SMEs are business establishments that have registered their business according to law and are divided into three levels: very small, small and medium upon on the sizes of their total capital (equivalent to the total assets identified in an enterprise's accounting balance sheet) or the average annual number of laborers (total capital is the priority criterion), concretely as follows:

	Very small	Small-sized enterprises	Medium-sized enterprises
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	enter-prises				
	Number of laborers	Total capital	Number of laborers	Total capital	Number of laborers
I. Agriculture, forestry and fishery	10 persons or fewer	VND 20 billion or less	Between over 10 persons & 200 persons	Between over VND 20 billion and VND 100 billion	Between over 200 persons & 300 person
II. Industry and construction	10 persons or fewer	VND 20 billion or less	Between over 10 persons & 200 persons	Between over VND 20 billion and VND 100 billion	Between over 200 persons & 300 person
III. Trade and service	10 persons or fewer	VND 10 billion or less	Between over 10 persons & 50 persons	Between over VND 10 billion and VND 50 billion	Between over 50 persons & 100 person

4 METHODOLOGY

As a background for the study, secondary data has been used. Secondary data are from various published papers from different sources as Google scholar, Books, Science Direct, etc. to reduce bias; the author uses the systematic and content analysis. Later, the primary data is generated through online questionnaire and direct semi-structured talks/ interviews with 70 managers and owners of SMEs in many sectors of tourism, hotels, construction, trading service, agriculture business, etc. The questionnaire has been built up and sent online via Google doc to 15 businesses in Dong Thap Province. All of them are owners and managers of those businesses with 3 year employment experience or above. There are 10 questions in the questionnaire focusing on their reality/ practice in the strategy formulation (establishment), application of strategy types, business difficulties/ challenges and management in their business. After getting feedback/ response of the questionnaires, the author conducts semi-structured and direct interviews and phone talk with them to gain their deeper information and viewpoints towards the practice of strategy and strategic management. All of interviews are done in Vietnamese language, recorded, noted and transcribed later.

5 FINDINGS AND RECOMMENDATIONS

5.1 Findings of the research

With overview of the SMES in Dong Thap province, to the year 2015, there are 2100 SMEs established with the total registered capital VND Billion 8.117 including of 28% in the industry sector, 48% in trading sectors, 9% in service sector, 3% in the agriculture sector and others. SMEs have great contribution to the social development of the province by employment generation of 32.000 laborers, tax payment of VND billion 3.332.

From the findings of the survey, 90% of the businesses state that they are not familiar or don't have ideas of strategic management and of course, any written strategy or plan is not existed in their businesses. 93% businesses are not doing the strategic analysis. In term of adoption of strategy types as marketing, operation, production, finance, and human resources into their businesses, 93% of them state they don't have any strategies as listed above for the business operations. These are caused by many reasons

70% of surveyed SMEs in tourism industry in Dong Thap province are owners of the business and they are in very small sized one run with family-style enterprises. The owners have not equipped with the understanding the importance or knowledge on strategic management. The next is the time to serve for the strategic planning and management. 87% of them are owners of business who run directly their business.

With 80% their responses, skillful or qualified staff shortage and belief lackage into staff (working behavior, staff performance, etc.) are problems in their business operations, especially for the strategy establishment and formation of strategic planning and management.

One of limitations in SMEs is the time reservation for strategic management issue. Nowadays, for the fluctuated and fierce competitive environment, they reserve their time to solve the routine tasks; they do not have enough time to think of strategic management.

80% interviewees express they are lack of skills, knowledge and information as legal documentations, market information, competitor, ect. to build up business strategy or strategic plan. 20% of them understand and show their good knowledge in the discipline of strategy and strategic management, but, it is still out of their controls because they are lack of capital and financial sources for self-establishment or consultant hire.

70% of them think that strategic management will bring something new to the present operation of the business. Against the change resistance, strategic management is not implemented or applied into the businesses. In addition, they also states they are afraid of change or risk which can arise from strategic management.

5.2 Recommendations

With the result of the above stated analysis, to enhance the

application of strategic management into the SMEs in Dong Thap Province, some of the following guidelines should be done:

To the local authorities, related authorities should have supportive and training programs to SMEs like legal documentations provision, capital mobilization, technological management and skills, management skills. This should not be a short term activity but also a the long-term plan of which help SMEs' owners or managers increase and update their skills in management, application of new and update information into their operation aiming to the increase of the profits and efficiency/ effectiveness of the business. Besides, along with the state government, the local authorities should help SMEs widen their business by market induction, relationship building-up, trademarks registration, intellectual property protection, etc. especially for human resource development. As known, human resource plays vital role in all organizations. The quality of human resources directly affects the product competitiveness.

To the SMEs, the owners and managers should realize the importance and improve their understandings and knowledge in strategy and strategic management issues by self-learning or study at the training centers/ university, etc. The SMEs owners should actively use the process or tools of business management, particularly in technology advancement to the operation. Additionally, as known, risk is one of things which all of businesses must face and suffer; thus, businesses should face with them as a nature of the business. In some cases, businesses should also attract talents or get support from consultants to enhance strategic management.

6 CONCLUSION

Strategic management occupies a crucial place and brings many benefits to businesses in general and to SMEs in particular. It is the direction for business not only in the short term but in the long term as well. Right strategy and full understandings of strategic management will lead the business to overcome the fierce competitive environment and enhance their business efficiency/ effectiveness. By this study, the findings are shown the practice of the SMEs in the discipline of strategic management. Aiming to enhance its development and practice into businesses, some above mentioned recommendations as guidelines should be applied.

Since the study is conducted in Dong Thap province, therefore, this makes some limitations. The first limitation is on the sample which is collected by convenience method. As its consequence, it is not a representative for the whole. Same or further researches for each industry/sector can be done to cover this limitation.

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