Enhance Market Entry Skills for Vietnamese Agricultural Small and Medium Sized Enterprises to Penetrate International Markets

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Abstract: In the era of industrial revolution 4.0, despite of great potential in export of agricultural products, the engagement of Vietnamese small and medium sized enterprises (SMEs) in this activity is rather small and is almost through indirect export. Particularly, the current US-China trade war may lead to more stringent technical barriers to the export of Vietnamese agricultural products when both sides doubt about the origin of Vietnamese agricultural products. In this context, supports provided for Vietnamese SMEs to enhance their export management capacity is necessary. This paper focuses on developing skills to assist SMEs in penetrating international markets such as market research skill and market identification skill. To investigate training needs of Vietnamese SME managers, qualitative methodology with the participation of 124 Vietnamese SME managers was used. The research results are expected to be useful for SMEs, training/consulting institutions as well as government agencies in developing training programs to support Vietnamese SMEs in exporting agricultural products. The paper also makes contribution in developing the body of knowledge related to human resource management in emerging markets such as Vietnam.

Keywords: Vietnam, agricultural product export, technical barriers, management capacity, market entry skill.

1. Literature review

1.1. Training and training needs identification

The rapid changes in technology along with increasing global competition have created opportunities as well as threats for the development of enterprises. To be successful, business competitors have to consider a range of factors, including training and development of human resources (HR), which is generally considered a top priority (Faulkner 2004).

Buckley and Caple (2009), p.1 defined training as “a planned and systematic effort to modify or develop knowledge/skill/attitude through learning experience, to achieve

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effective performance in an activity or range of activities. Its purpose, in the work situation, is to enable an individual to acquire abilities in order that he or she can perform adequately a given task or job”. Similar to the view of Buckley and Caple (2009), Huang (2001), Hubbard (2011), Nazli, Sipon and Radzi (2014), and Rikkua and Chakrabartyb (2013) believed that the training definition includes various learning activities that are organized to foster the knowledge, skills or attitudes of individuals in order to enhance their individual performance.

According to Huang (2001), the training process consists of particular stages, such as investigating and identifying training needs, designing plans of training, devising training objectives, selecting methods to deliver training, conducting training programs, evaluating results of training, and documenting training records. Mayfield (2011) also shared the view with Huang (2001) when identifying stages of training process including Analyze, Design, Development, Implementation and Evaluation (ADDIE model), in which training need analysis aims to set up training goals. In other words, outcomes of skills, knowledge and abilities which trainees are expected to gain are created in this step.

Historically, training needs analysis may be seen as the phase or tool by which the training content is determined (Roberts 2006). According to Tracey (2004), p.678, training needs analysis is defined as: “The first step in the training process, designed to identify performance gaps that can be remedied by training. It consists of surveillance, investigation and data analysis”.

This stage provides guidelines on what is necessary and possible for the training module. One of the main reasons for the failure of training is when relevant training is not provided to the right persons at the right time. Therefore, training needs analysis is considered a highly important component to ensure the success of training (Nazli, Sipon & Radzi 2014). Taking the same view, Bee and Bee (2003) emphasized that business needs should be prioritized as the main driver when considering training solutions to close a performance gap.

As an important stage of the systematic training process (Bowman & Wilson 2008), training needs analysis not only helps training developers create meaningful programs to obtain specific outcomes, but also enhances the effectiveness of the ensuing stages, such as training design and development, or training assessment and evaluation. Without adequate investigation of actual training needs, the time and effort spent on building and conducting a training program will likely prove to be wasteful, with vague achievements and a non-enhanced performance (Tovey & Lawlor 2008).

1.2. Training needs with regard to market entry skills in internationalization

An inadequate understanding of overseas markets and the shortage of information to analyze markets are identified as major barriers for SMEs in internationalization (OECD 2009). When entering foreign markets, many current and potential exporters find that because of the shortage of information, they encounter difficulties in identifying foreign business opportunities by locating, analyzing and selecting foreign markets, as well in making contact with potential customers in international markets (Katsikeas & Morgan 1994; Leonidou 2004; Morgan & Katsikeas 1997a). Such information is obviously helpful in reducing the uncertainty in an international business environment (Welch & Wiedersheim-Paul 1980). Many exporting problems can be solved if managers have the ability to effectively use relevant, accurate and timely information. In contrast, if the manager lacks the knowledge that this information provides, the unfamiliarity and uncertainty of doing business in international markets may increase (Katsikeas & Morgan 1994).

An inability to collect, disseminate and use export market information is believed to have a detrimental impact on the export performance of the firm. Toulova, Votoupalova and
Kubickova (2015) argued that the obtaining of relevant market information prior to entry determines the success of SMEs in internationalization. However, Czinkota and Ronkainen (2013) indicated that in searching the data required for market investigation, there could be problems with regard to the source, the comparability, and especially the quality of the information needed. For example, the data might be inaccurate, outdated or incomplete. In addition, the constraints of time, resources and expertise may be major factors that inhibit SME managers from adequately investigating international markets.

Authors such as Javidan, Teagarden and Bowen (2010); Nordstrom and Kleiner (1990); and Yu et al. (2005) have stated that foreign market entry skills are one of the most important for managers that wish to conduct international business. According to Javidan, Teagarden and Bowen (2010), managers in the international context are required to have effective international business knowledge to expand their business. Further, they need adequate understanding about behaviors of customers and the strategies of rivals in foreign markets. In addition, Nordstrom and Kleiner (1990) highlighted that international managers also need skills to effectively access overseas markets. The managers should have skills that not only address benefits and market attractiveness, but also any risks and threats of potential foreign markets. In addition, these managers need to conduct and investigate market dynamics to predict the direction their companies should take, as well as to develop relationships with foreign partners and to seek opportunities. A good understanding of international trade practices was also deemed important for international managers in the study of Yu et al. (2005).

1.3. Vietnamese Agricultural SMEs in Internationalization

It was noted by Tambunan (2008) that SMEs play a critical role in economic development, in both developed and developing countries. SMEs are often considered the primary source of employment creation and output growth. In developing countries in particular, the role of SMEs is more crucial due to their potential contribution to the improvement of income distribution, exports growth, employment creation and poverty reduction.

According to Vietnam Briefing (2019), SMEs play a major role in Vietnam’s economy and account for 98% of all enterprises with roughly 40% of GDP. Although a number of reforms have been made, Vietnamese SMEs continue to face challenges with regard to credit, market access, competition with foreign firms and human resources. In 2016, 97% of enterprises in Vietnam are SMEs, in which services and agricultural SMEs account for 33% (MPI 2016). However, in recent years, while the total agricultural export value of Vietnam recorded fairly high growth, the export of agricultural products coped with numerous challenges. Almost difficulties in exporting of agricultural SMEs are also related to the shortage of resources and expertise (Sommer 2010).

As the key factor for the national development and competitiveness, the government has continued providing supports and reforms to SMEs to meet its target of one million firms by 2020 from the current 600,000. Among these incentives, many supports focus on human resources development. According to Decree No 118.2015/ND-CP, a 100% subsidy of expenses in training courses for employees of SMEs located in extremely disadvantaged areas. Also, a subsidy of least 50% of expenses for organizing a training course in entrepreneurship and business administration. Particularly, the government will then open accounts for SMEs to join online training courses (Vietnam Briefing 2019).

A range of incentives have been also made to support SMEs operating in agricultural fields. Regarding credit, the Government’s Decree No. 55/2015 / ND-CP of June 9, 2015, on credit policies for agricultural and rural development; Decree 116/2018 / ND-CP dated...
7 September 2018 of the Government amending and supplementing a number of articles of Decree 55/2015 / ND-CP. Regarding organic agriculture and clean agriculture, the Government's Decree No. 109/2018 / ND-CP of August 29, 2018, on organic agriculture; Decision No. 01/2012 / QD-TTg dated January 9, 2012 of the Prime Minister on a number of policies to support the application of Good Agricultural Production Practices in agriculture, forestry and fisheries. Regarding encouraging enterprises to invest in agriculture and rural areas, the Government issued Decree 57/2018 / ND-CP dated April 17, 2018 on mechanisms and policies to encourage enterprises to invest in agriculture (VGP 2019).

In the forum held by the Centre for Support of SMEs in the North under the Ministry of Planning and Investment Department and Bizen Vietnam, numerous issues of Vietnamese SMEs, particularly those of Vietnamese agricultural SMEs were discussed. In today’s volatile business environment, Vietnamese agricultural SMEs faced various difficulties because of their modest scales. To reach sustainable development, focus should be placed on providing training to SMEs to enhance their capacity and optimize resources (Vietnam News 2019). From the experience of developed countries, the investment in human capital, including in higher technical education is seen as the most effective way not only in improving the effectiveness of agricultural SMEs, but also in environmental protection and product quality (World Bank Group 2016).

2. Research Methodology

2.1. Research Objectives

Based on the literatures related to training, training needs and market entry skills needed in internationalization, this paper aims to explore the training needs of Vietnamese Agricultural SMEs to “go global”. Therefore, perceptions of Vietnamese agricultural SME managers with regard to market entry skills needed to export their products were first investigated. Subsequently, implications related to relevant training programs are then provided. Research outputs are expected to be beneficial to SME managers and training/consulting institutions in assisting Vietnamese SMEs to expose their agricultural products to overseas markets.

The following main research questions has been investigated and guides this study:

What are the perception of Vietnamese agricultural SME managers with regard to market entry skills needed in internationalization?

2.2. Data Collection

According to Saunders, Lewis and Thornhill (2012) in the studies where the perceptions of participants are investigated, the qualitative method should be used. In the study on the training needs with regard to market entry skills of Vietnamese agricultural SMEs, using semi-structured questions assisted the researcher in obtaining deeper understanding on the skills that Vietnamese SME managers need to internationalize their agricultural products. Numerous opinions of SME managers were shared, which supported the researcher in developing qualitative data in both breadth and depth (Bryman & Bell 2011; Saunders, Lewis and Thornhill 2009).

124 Vietnamese SME managers operating in agricultural business fields agreed and joined this research. These managers come from different provinces in the north of Vietnam. The qualitative data were collected during the period between December 2018 to May 2019.

The interview protocol was developed based on the literatures related to market entry skills needed in business integration. The similarities and differences among perceptions of SME managers were examined, which assisted the researcher in analyzing qualitative data.

2.3. Data Analysis

In this study, the step-by-step qualitative data analysis procedure suggested by Creswell (2014) was used to systemize the data.
Accordingly, the researcher organizes the data, conducts a preliminary read-through of the databases, codes and organizes themes, and organizes the data in the format for interpretation. The qualitative QSR support software Nvivo was used in the process of data analysis.

3. Results

3.1. Result analysis

In this section, the training needs perceived by Vietnamese agricultural SMEs to internationalize business, particularly to overcome technical requirements barriers are investigated and presented.

- Skills to identify and analyze International Business Market

General skills to identify and analyze International Business Market

To begin with, in order to understand foreign markets to overcome barriers, Vietnamese SME managers in this study would like to equip themselves with general understanding about the international business environment. More specifically, they want to gain skills to identify and analyze international business markets. Studies on agricultural export markets may help them to make appropriate preparation, as shared by one manager:

“Gaining the skills of market analysis help businesses examine the extent to which their capacity may fit to the requirement of markets”

SME managers emphasized the skill of analyzing and assessing international markets as a prerequisite, "impact directly on business performance" and "on the development orientation of export enterprises". Only when an intensive analysis and assessment of the market, especially those in the adaptability of the enterprises’ products to the requirements and barriers of the markets, are made, then enterprises may choose target export markets. With good market analysis skills, businesses may not only meet the market requirements and overcome barriers, but also actively "identify and capture export opportunities". Based on such understanding, SMEs may develop investment strategies, marketing strategies and select suitable products for export.

In particular, understanding foreign market barriers helps SMEs to make timely adjustments. Not only the understanding of factors such as market demand, competitors’ characteristics, but also the awareness of export standards, is strongly needed for SME to get success in competition. Although SMEs may satisfy customers’ needs, has strategies to overcome its competitors, but cannot meet export standards, it is impossible for them to enter foreign markets. Therefore, apart from the concept of “seizing export opportunities”, the managers in this research also emphasized the concept of “select appropriate markets”. One manager shared

“Market research is an important skill because it determines the success or failure of a product. In addition to researching customers’ needs and competitors’ products in the market, businesses must pay attention to export standards”.

Another SME manager stressed "skills to investigate markets, to understand technical barriers have a great impact on the agricultural export performance".

SME managers in this study also highlighted a range of factors they want to investigate when analyzing a market, which are seen to affect directly to sales performance, such as export barriers, competitors’ strategies, consuming trends, substitute products...To analyze markets, to understand both opportunities and threats from the market, SME managers are required to equip with numerous skills, including "market segmentation skills, target market identification skills, competitive advantage analysis skills, marketing strategy planning skills, new product development skills, quality management skills, and branding skills". Based on an adequate market understanding, “SME managers may make plans and take actions to cautiously penetrate investigated markets”. In the context of increasingly stringent trade barriers, with
effective market analysis skills, SME managers may find it easier to "identify agricultural products that may meet the technical requirements from international markets, including difficult ones".

- Skills to evaluate and develop new markets

Regarding market research skills, SME managers in this research also emphasized the skills to evaluate and develop new markets. Accordingly, developing diverse markets, "capturing opportunities in potential markets" is an indispensable requirement in the enterprises development. Especially, developing new markets when current markets are saturated or show signs of decline, is an effective measure for the existence and revenue increase of businesses.

SME managers also stressed that new market development should be compatible with new product development and vice versa, when developing new products, new markets for the products, especially their barriers should be taken into account. Current products may fit to current markets, but may be not accepted in new markets. At that time, changing, improving, even choosing other export product categories is needed.

- Skills to evaluate and analyze changes in the market

The success of business not only comes from subjective efforts of enterprises, but also from many objective factors of the market, including changes. Thus, SME managers in this study also wanted to gain skills to analyze changes in foreign markets. They expressed their special attention to changes relating to policies and regulations, especially requirements and barriers in export. Understanding market changes also helps SME managers to identify "which products are being restricted or promoted". One SME manager shared

"Vietnam is currently in the upward trend of integration, without timely updates of changes from export markets, we cannot satisfy timely markets’ requirements".

SME managers also highlighted that in the economic integration, barriers relating technical standards are increasingly stricter, creating more and more difficulties for export SMEs. Therefore, SMEs need to understand clearly such requirements to develop appropriate strategies. In order to overcome difficult barriers, SME managers are required to "actively learn and update changes from the market, so that we can master the regulations". Furthermore, SME managers also need to enhance learning skills and conceptual skills to acquire advanced knowledge to cope with market fluctuations. With such valuable knowledge and skills, SME managers not only identify and analyze but also forecast changes from markets.

- Understanding of specific potential/target/traditional foreign markets + Understanding of specific markets

Understanding of specific markets is also a desire shared by SME managers in this study. SME managers wanted to have a sufficient understanding of supply-demand as well as requirements/barriers related to their products in specific approaching markets. According SME managers, each market has particular regional characteristics related to factors such as geographical characteristics, development levels, and trade protection levels. This requires SMEs to "regularly update information on standards of regions and countries they intend to export".

In particular, requirements with regard to export standards of specific markets are normally extremely different. These requires export SME managers to acquire a clear understanding of such specific requirements of markets that they want to export. Based on that, they may have a good preparation to meet strict requirements/standards. When asked about market-searching skills needed to export products, one SME manager emphasized

“I want to be equipped with skills to learn about the standards of specific markets that my business tends to export. Because each market has its own strict standards, we must learn
thoroughly to process agricultural products to meet the standards”.

One SME manager shared the need to explore technical requirements in specific markets

"I want to have an understanding of the standards related to organic agricultural products export in the US, EU, Japan, Australia markets, because my company tends to export agricultural products to these markets”.

Understanding of potential/target market

Understanding of specific markets is also a premise for SMEs to identify potential markets for their export activities. Specifically, SME managers would like to know the trading potential of the market, and also the “potential technical barriers that our products have to overcome”. Good specific market research skills may help SMEs determine the extent to which their export product may meet the needs of potential consumers, export requirements and standards set in these potential markets, thereby helping SMEs “identify difficulties and risks that may be encountered in order to build a long-term strategy for SMEs”.

Potential demand for export products is an issue, the ability to meet export requirements of these potential markets is another. Therefore, immediately after determining “whether the market has demand for our products”, SME managers must “find out technical requirements that market set for our products do take action to enter these markets”.

For SMEs, identifying correctly potential and target markets is becoming more important. With small scale and limited resources related to capital, human resources and business experience, seeking markets to enter for SMEs is much harder, compared to large-size enterprises. Especially, demanding markets requires much more efforts of SMEs to satisfy the needs as well as to compete successfully with current competitors. Therefore, one SME manager emphasized that “only when we get fully understand technical standards did we make a selection of right target markets”.

With limited capability of SMEs, a question that export SME owners must answer is “which is the most appropriate market to SMEs”. From the viewpoints of many SME managers, this is the market that SMEs may easily enter, as shared by one SME owner

“I need skills to identify agricultural export market that is best suited to my business and my export products so that my company can easily overcome technical barriers”.

+ A deeper understanding of the traditional market

Besides potential markets, SME managers also need a deeper understanding of traditional export markets. With such understanding, along with continuous updates on the fluctuations of the traditional market, SMEs will be able to "analyze and handle issues related to traditional market".

All in all, SME managers in this study emphasized that only with full understanding of potential and current markets, SMEs may get success in export. In other words, “the more understanding about the market SMEs have, the better SMEs may enter foreign markets”.

3.2. Implications

Based on the previous investigation on foreign market entry skills perceived by SME managers, the follow section suggests relevant training programs. To begin with, training programs provided to Vietnamese agricultural SMEs should focus on sufficient understanding about international business environment. SME managers may gain in depth understanding of the business environment that they are currently trading or planning to penetrate. They may also get insight into the competitive environment and evaluate the potential of their business. SMEs may be able to assess their own strengths and weaknesses to seek suitable opportunities for their business growth.

The course may introduce SME managers about various external factors and forces that surround SMEs when exporting. This content may be related to factors of macro environment such as (1) Geographical environment (Foreign country’s climate, topography, natural resources and people); (2) Economic environment
(Economic development, income – GNP and Per Capita income – expenditure pattern, infrastructure); (3) Financial environment (Monetary and fiscal policies, commercial and foreign investment policies, balance of payment account); (4) Demographic environment (Size, age and gender wise composition of a population); (5) Socio-cultural environment (Language, aesthetics, Education, Religion and superstitions, attitudes and Values, Material culture, Technology, social groups and organizations and business customs and practices); (6) Political environment; (7) Legal environment and (8) Ecological environment. The factors of micro environment which directly influence the firm’s decisions and operations should also be included. These consists of suppliers, market intermediaries and services, organizations, competitors, customers and general public. The effect of international business environment to SME’s strategies to help them develop appropriate strategic and tactical decisions, in the consideration of various components of domestic, foreign and global environment, should also be presented to SME managers.

Following to the content relating international business environment, training courses may then provide SME managers with knowledge of marketing research. Learners may be equipped with skills to define goals for marketing research and to apply various research methods to market research. In particular, the course may help SME managers to design an effective questionnaire and launch survey to the target audience, to analyze survey results, perform basic calculations, synthesize findings and develop and deliver insights. Assignments to practice the concepts covered in the lectures should also be provided to trainees. A further area of research which SME managers may apply in the course is into their customers where they will learn techniques for analyzing customer base, their buying preferences, and their contribution to SMEs’ profitability.

When it comes to knowledge to develop new markets, the training course may first help SMEs to address a number of challenges to avoid costly mistakes. Trainees should be equipped with understanding of local markets, their tastes and customs. Also, the course may provide trainees with cultural intelligence and communication skills for their employees to maximize the benefits of operating in a new market.

In terms of changes in the markets, especially in economic integration, workshops with the involvement of various stakeholders such as business experts, SMEs operating in the same fields should be created. In there, the changes, especially those related to regulations such as technical requirement of export markets should be updated. Then, the experience in dealing with changes of other SMEs may be useful for SMEs, particularly the new ones.

Training courses on specific market research should focus on the methods to adapts to requirements of these specific markets such as export barriers of these specific markets. The course cannot cover numerous countries, therefore, countries in one regions, or have similar characteristics related to business customs, cultures or legal system. SMEs trading similar products may be grouped to be trained about specific markets for their business. More importantly, the cooperation among SMEs may be established and developed in such courses, which is extremely for SMEs with limited resources to support each other to enter foreign markets.

4. Conclusion

The paper has provided the discussion on the skills that Vietnamese SME managers need to internationalize their agricultural products. Based on relevant literatures, perceptions of Vietnamese SMEs related to skills to conduct international market research, to identify potential/target markets were investigated and presented. Some implications to develop appropriate training programs were also provided to assist SME managers, training/consulting institutions to take steps to enter foreign markets successfully.
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