THE INSIGHTS OF THE TRAINING AND DEVELOPMENT ACTIVITIES IN SMALL AND MEDIUM-SIZED ENTERPRISES VIETNAM.

LE VAN
Faculty of Commerce and Business Administration, Van Lang University, Vietnam
levan@vanlanguni.edu.vn

ABSTRACT:

Human resource is the backbone and the main resource in which its development is a vital ingredient to achieve performance goals, improve productivity and sustain competitive advantage. Training & development (T&D) is a very important concept. T&D helps employees not only to meet their skills for the current job but also to prepare for their endeavor. This study. The purpose of this study is to explore insights of the perceptions, practices, and barriers in the T&D activities in Small and Medium-sized Enterprises (SMEs) Vietnam. This study was carried out in 210 SMEs in Ben Tre Province Vietnam. The study used 2 kinds of methods the secondary data and the primary data of which the secondary data is from various sources as Google Scholar, Books, ScienceDirect, Scopus, etc. and the primary data is from the questionnaires. The findings of the study are to provide the recommendations as guidelines on T&D improvement of SMEs in Ben Tre province in Vietnam and other related authorities.

KEYWORDS:
Ben Tre Province, Perceptions, Small and Medium-sized Enterprises (SMEs), Training and development (T&D), Vietnam.

1. INTRODUCTION

With the present global and competitive world, for all organizations, human resource is the backbone and the main resource in which its development is a vital ingredient to achieve performance goals, improve productivity and sustain competitive advantage (Schermernhorn, 2005). For a match for the demands of the 21st century, to maintain a competitive advantages and to achieve the organization goals, employees must own skills
and they must be satisfied with their work, as a result, it is denial with the importance of training and development practices (Kaynak, 2003; Heras, 2006).

Training & development (T&D) is a very important concept. T&D helps employees not only to meet their skills for the current job but also to prepare for their endeavor. (Kraiger et al., 2004). T&D makes the overall organization performance increase (Shepard et al., 2003), although employee training is costly. But in the long run, it gives back more than it took (Kaynak, 2003; Heras, 2006).

In term of Small and Medium sized Enterprises (SMEs), SMEs account for the major proportion of Vietnam’s total business population. As in research report of Center for Environment and Community Research of Vietnam in 2017 (CECR-Vietnam), “SMEs are often planned within industrial clusters. The increase in the number of enterprises has brought about significant economic benefits: per capita income per annum has increased from US $ 471 in 2003 to US $ 2300 in 2016. The more than 400,000 SMEs operating in Vietnam employ 51% of workers and contribute over 40% of GDP. Moreover, this private sector occupies a crucial position in the economic development of the country”. Under the rapport of Grant Thorton Vietnam in 20171, “the number of new SME’s continues to grow at a healthy rate with approximately 14,500 new enterprises established in the first 2 months of 2017, a year on year growth of 3.9%. In this period the registered capital of these newly established firms was US$ 6.7 billion an increase of 35% against the same period as last year, With over 600,000 registered SME’s and growing at over 100,000 per annum SME’s are an important sector of the economy”.

As a consequence, the emphasis on T&D needs in the SMEs is of utmost importance to deal with rapidly changing and becoming a global village. Strategically, training must be viewed as an important dimension for organizations in the pursuit of improved productivity and performance. Helfat & Lieberman (2002), training is essential to develop human resources and use these more effectively, stimulating the flow of knowledge and communication. Also, many organizations use training as a tool to increase affective commitment. Thus, the current study is an empirical research work on exploration of the insights of the perceptions, practices, and barriers in the T&D activities in SMEs in Ben Tre Vietnam.

2. LITTERATURE REVIEW

2.1 DEFINITIONS OF T&D

According to Noe et al. (2000), for an organization, training is generally considered as a planned effort to facilitate employees learning of the job-related competencies including knowledge, skill, or behaviors which are critical for successful job performance. In addition, development is to enhance competencies of employees for the higher management position (Asare-Bediako, 2002). Furthermore, employees must be trained and developed possibly to meet both for their own career needs and the organization need (Asare-Bediako, 2002). Training is job or task-oriented aiming at enabling individuals to perform better on the jobs they are currently doing. On the other hand, development is career oriented rather than job-oriented aiming to the higher responsibilities in the future (Asare-Bediako, 2002). Thus, all organizations should develop and implement training and development systems and programs that best help them to achieve their objectives. Asare-Bediako (2002) also points out that, development activities are focused to reinforce strength, overcome limitations, provide relevant, new competencies, and broaden outlook including formal courses, acting assignment, attachments, job rotation, and delegation.

In the study of Tanova & Nadiri (2005), training is one of the most important part of human resource functions. A successful human resource planning includes sustainable training. Under this issue, training is the important aspect of strategy for any organization and helps to achieve its vision.

Additionally, McNamara (2008) states training is relative to an expert who works with learners to transfer certain areas of knowledge or skills to improve in their current jobs to them and development is a broad, ongoing multi-faceted set of activities (training activities among them) to bring someone or an organization up to another threshold of performance, often to perform some job or new role in the future (McNamara, 2008). Aswathappa (2008) defines T&D practice as any effort to improve current of future employees skills, abilities, and knowledge and it will positively impact the performance of the organization (Nikandrou et al., 2008).

As for Armstrong (2009), training is the practice of employee equipment with skills, knowledge and abilities for building organizational capabilities and organizational performance and development refers to activities leading to the acquisition of new knowledge and skills for the purpose of personal growth (Aguinis & Kraiger, 2009). Hence, T&D is the framework to help employees improve their personal and organizational skills, knowledge and abilities (Armstrong, 2009). According to Abiodun (2010), training is a
systematic development of the knowledge, skills and attitudes required by employees to perform adequately on a given task. T&D is as the most important formation of any competent management (Abiodun, 2010).

Also, in the studies of Aguinis & Kraiger (2009) and Ongori & Nzonzo (2011), training is defined as a systematic approach to learning to develop individual, team and organizational effectiveness by the medium of improving their knowledge, developing skills, and bringing about attitude and behavioral changes, to perform these effectively and efficiently. In other words, training refers to a planned effort by an organization to enable employees to acquire certain job-related competencies, such as knowledge, skills or behaviors that are essential for positive job performance (Aguinis & Kraiger, 2009; Ongori & Nzonzo, 2011).

According to Bernadin & Russell (2013), training is as any attempt to improve employee performance on the current job focusing on changes in specific knowledge, skills, attitudes and behaviors. This is agreed by Dessler (2017) as his definition of training as the process of teaching new or current employees the basic skills they need to perform the job. Moreover, development relates to learning opportunities designed to help employees grow. Development has strategically focus to help employees prepare for future work demands while training focuses on the immediate period to help fix any current deficits in employees' skills (Bernadin & Russell, 2013).

Out of those, De Vos & Willemse (2011) confirm there are two types of training namely formal and informal training in which formal training refers to learning that ensues based on a planned structure that is constructed in terms of objectives, time and resources and informal training refers to learning stemming from daily activities related to work, family and leisure. (De Vos & Willemse, 2001).

2.2 THE IMPORTANCE OF T&D

T&D is crucial for the survival of any organization in the competitive world. As confirmed by Kalleberg & Moody (1994), training impacts positively not only on the different dimensions of the performance of the firm: product quality, product development, market share, and growth sales but also on the relationship between management and the other employees. Furthermore, Kalleberg & Moody (1994) and d'Arcimoles (1997) point out that more investment in training will show higher profits. On contrast, Arthur (1994) shows more investments in training will cause a lower degree of turnover. Agreed with this issue, Harel & Tzafrir (1999), training practices impact positively on the perceived organizational

As in the study of McNamara (2008), there are numerous T&D benefits namely the increased job satisfaction and morale among employees, the increased employee motivation, the increased efficiencies in processes, resulting in financial gain, the increased capacity to adopt new technologies and methods, the increased innovation in strategies and products, the reduced employee turnover, the enhanced company image, and the risk management (McNamara, 2008). Also,

In achieving the organization goal, training is very important since it increases the efficiency and effectiveness of employees and adds value in the organizational performance (Kraiger, 2002). As known, the performance of employees depends on different factors but training is most important because it enhances capabilities, skills and competencies of the employees (Kraiger, 2002).

Barringer et al. (2005) points out the fast-developed organizations depend heavily on the abilities and efforts of their staff to maintain growth oriented strategies. As such, the training value is essential to turn knowledge into effective and efficient operations, completely, it sustains security and career progression in a climate conducive for success. As a result, organizations need to ensure that they have a quality workforce through continuous development and improvement programs.

Traditionally, training facilitates the strategy implementation by providing the necessary skills and the knowledge to employees required to perform their jobs (Fernald et al., 1999). Besides, as proven in the research in health sector organization, Iftikhar & Din (2009) confirm T&D increase employee performance and it is an important activity to increase the performance. More than that, Huselid (2010) points out, firstly, training programs increase the organization specificity of employee skills, which, in turn, increase employee productivity and reduces job dissatisfaction that results in employee turnover; secondly, T&D reduces the cost and risks of the recruitment, which again increases employee productivity and reduces turnover. T&D requires a certain degree of reciprocity. This is also agreed by Doyle (2009). Furthermore, organizations must therefore invest in T&D to remain relevant and productive. There are long-term and short-term benefits accruing from investing in human capital (Nda & Fard, 2013). T&D is important for effective performance of employees, improvement of their abilities to adapt to the changes and
challenges of business environment and technology and increase employees' knowledge to develop creative and problem solving skills (Falola et al., 2014).

Employee T&D has outmost importance for the sake of improving the productivity, which leads towards gaining competitive advantage (Quartey, 2012); contributes directly to the high organization achievements which shows better performance (Peteraf, 2003; Niazi, 2011; Quartey, 2012).

Kulkarni (2013) affirms training assists in boosting the excellence of work, the lives of employees as well as organizational development. Ongori & Nzozzo (2011) also states T&D is crucial in organizations in the era of competition, especially in SMEs. Currently, training is one of the most important factors in the business world to create the performance and productivity of employees (Laing, 2009). Loan-Clarke et al. (1999) note in many instances, T&D cause success and failure.

Imran & Tanveer (2015) states T&D prepares the employees to contribute more to the organization and positively impacts on employee performance. In another, Tahir et al. (2014) indicate T&D is considered as a main factor of employees’ performance and productivity. (Vathanophas & Thai-ngam, 2007).

In terms of the SMEs, training is essential and is regarded as an important component both for competitive success and business strategy (Sambrook, 2003; Vinten, 2000).

2.3  T&D IMPORTANCE IN SMES

An educated and skilled labor force is always essential to the success and growth of the small business (Cosh et al., 1998) and to gain the competitive advantage in a global economy (Huang, 2001). Therefore, T&D is an effective way to reduce the failure of SMEs (Ibrahim & Soufani, 2002; Menzies & Gasse, 1999).

Violino (2001) states T&D practice provide employees an opportunity to attain different skills which can help them to perform well in job, of which it can be in a formal or informal manner during the time of the job. There is need to understand the T&D importance since it provides the effectiveness in the individual performance, results in the organizations efficiency. In Addition, training brings an opportunity to the individual to learn new skills and techniques which make them better job performance. Besides, T&D is proven to link with improving job satisfaction and employee intention to stay. Satisfaction with T&D is a major factor in decision regarding employee careers. It is a factor that prospective employees evaluate in the job hunting process.
Salas et al., (2001) presents a deep effect of T&D on outcomes of the organization by attracting and retaining their employees. If effective training is implemented, it has a significant impact on the working, functioning and performance of employees. Also, it can also be recognized for the increasing productivity and employee retention, which is the key of success for the business. The main aim of providing training to the new employees should be their retention and satisfaction.

Research shows specific benefits that SMEs receive from T&D including the increased productivity, the reduced employee turnover, the increased efficiency resulting in financial gains, and the decreased need for supervision (Quinn et al., 1996). In another, it is vital for SMEs to have access to training and education programs on how to improve their business and managerial skills and successfully run their companies. While the majority of businesses concur that T&D should be an integral part of all businesses, the structures that are in place too often do not comply with the specific needs of SMEs (Quinn et al., 1996).

On the contrast, according to Kitching & Blackburn (2002), SMEs are less likely to provide the formal training under a number of reasons including time-related or cost-related issues of which both elements SME’s traditionally have limited resources for. Storey (2004) identifies two main reasons for SMEs not providing T&D initiatives in their businesses. The reasons maybe come from the underestimate of the benefits bringing to the business higher cost perceptions in comparison with the effectiveness (Storey, 2004). Another reason facing SMEs with regard to the implementation and availability of T&D initiatives is that the trainee may not remain with the business for a prolonged period for the disbursement on training costs to be recouped. Nevertheless, it is renowned that the involvement of unskilled employees in SMEs remains a central challenge for the prodigious majority of SMEs (Bélanger & Hart, 2012).

2.4 IMPEERICAL EVIDENCES ON THE T&D BENEFITS

There are several studies conducted in European countries on the T&D impact on organizational performance. In the study of Aragon-Sanchez et al. (2003) on the 457 SMEs in the United Kingdom, the Netherlands, Portugal, Finland, and Spain, they concluded that T&D positively related to most dimensions of effectiveness and profitability. Falola et al. (2014) pointed out T&D affects employees’ performance and organizational effectiveness in his study which are conducted a study in the Nigerian banking industry. Also in Nigeria, Muhibat & Tiamiyu (2016) carried out a study based on the T&D effect on the organizational performance of Islamic financial institution, the result shows T&D improves employees’
performance on one hand and has a positive effect on the financial and non-financial performance of organizations on the other hand. Nda & Fard (2013) in their study states T&D ultimately upgrade not only the productivity of employees but also of the organization. In another study in Somalia, Githinji (2014) points out T&D affects positively employee performance by having a positive influence on employee engagement. The study also shows that training enhances employee enthusiasm and employee performance by influencing job satisfaction. In Ethiopia, Asfaw et al. (2015) state high-level performance are involved in T&D interventions. In Kenya, Ombui et al. (2014) indicate T&D has a highly significant relationship with employee performance.

3. **METHODOLOGY**

As of aiming to explore and present the insights of the perceptions, practices, barriers in the T&D activities in SMEs in Vietnam, particularly in the SMEs in Ben Tre province of Vietnam. Hence SMEs in Ben Tre province will be objects for the study. The data used in this study come from the 2 sources of the secondary data and the primary data.

1. Regarding the secondary data, various sources as Google Scholar, Books, ScienceDirect, Scopus, etc. have been collected and reviewed to be foundations for the study literature and then for the primary data. Then, from the analysis of the contents systematically with the purpose of bias reduction, the contents for the questionnaire and direct semi-structured talks/ interviews are created.

2. As for the primary data, it is generated from the questionnaires. There are 15 questions in the questionnaire focusing on the T&D reality/practice in the business, owners and staff perceptions/crosscheck, business (barriers) difficulties/challenges in T&D of the businesses. There are 210 businesses in many disciplines collected to be the sample for this study. The questionnaires have been delivered to businesses via tools of google docs, postal service, and direct collection.

After getting feedback/response of the questionnaires, semi-structured and direct interviews/phone talk with 50 staff and 20 business owners have been conducted with them to gain their deeper information and viewpoints upon on the study objectives. All of the interviews are done in Vietnamese language, recorded, noted and transcribed later.

- For the owner, the interviews are focused on the perceptions, understanding, feelings, barriers, and challenges they are thinking and facing.
- For the staff, the interviews are to explore on their perception/ understanding, feelings and their constructive suggestions on the T&D issues.
4. FINDINGS AND DISCUSSIONS

5.1 OVERVIEW OF SMEs IN VIETNAM AND IN BEN TRE PROVINCE

As a foundation from the promulgation of the Enterprise Law (1999), a breakthrough for the private sector’s development has been created. SME definition is stated clearly 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:

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(Source: Own, 2018)

SMEs plays a major role in Vietnam. It is accounting for 98 per cent of all enterprises, 40 percent of GDP, 33 per cent of industrial production, 30 per cent of exports and providing jobs for about 50 per cent of the country’s labor force. The number of SMEs has grown by around 100,000 in 2016, driven mostly by government reforms. However, SMEs continue to face problems such as access to finance, market access, and competition with foreign firms2&3. The number of new SME’s continues to grow at a healthy rate with approximately 14,500 new enterprises established in the first 2 months of 2017, a year on year growth of 3.9%. In this period the registered capital of these newly established firms was US$ 6.7

2 https://vietnamnews.vn/economy/467573/smes-urged-to-make-innovations.html
billion an increase of 35% against the same period as last year.\textsuperscript{4} With over 600,000 registered SME’s and growing at over 100,000 per annum. SME’s are an important sector of the economy. However, the number of firms ceasing operations or closing has not been insignificant but over the last 12-18 months the number of resuming operations has been increasing.

In term of SMEs in Ben Tre provinces, by the end of 2015, the province had 2,929 enterprises, accounting for 0.43% of the population, the average investment rate was about 4.88 billion VND/enterprise; Small and super small businesses accounted for a large proportion of 96.5 \%.\textsuperscript{5} In order to ensure unity and create favorable conditions for SMEs in the process of investment, production, and business in the province, and to maximize resources in supporting SME development, the People’s Committee of Ben Tre province has issued Decision No. 15/2013/QD-UBND promulgating the Coordination Regulation to support SMEs development in Ben Tre province.

5.2 FINDINGS FROM THE OWNERS/MANAGERS

The very first question is concerning how the owners/managers of the businesses understand T&D, 92 percent of them show their limited understandings. They express various ideas on T&D because, as for them, their businesses are operated and managed in a family style. Therefore, the so-called T&D is somewhat for the institutions/ colleges or universities and they don’t bear much attention. They also express that they understand the global and competitive environment, but, they are in small-sized enterprises, it is not much influenced by their business. Furthermore, SMEs’ owners pay much their attention to routine operation activities. This is occurring with SMEs not only in Ben Tre province but in Vietnam as well.

Then, after small explanations and verbal talks on T&D definitions and its benefits provided to them, most of them agree that they don’t have exact notions and right perceptions. However, they bear in their minds there is very essential and necessary to train and develop the employees in their business. Due to the family-styled operation and small/medium size, 96\% of the surveyed SMEs run their businesses without any T&D activities. Also, 95\% of them point out that they are lack of financial resource to support and

\textsuperscript{5} http://dost-bentre.gov.vn/TinTuc/NoiDung.aspx?tintuc=7763
aid to their employees for T&D. 90% of them are afraid that after T&D process, the employees will quit their jobs even though there is an agreement for this matter. Most of them only send employees to pursue the courses which are stipulated or charged free provided by the public organizations. Most of T&D activities are reserved for the top managers who are also the owners. On the contrast, some businesses state that in the provincial area, there are rare training providers and they cannot send their employees to be followed.

Also, they agree T&D will bring them the corporate image enhancement, sales and service turnover increase, qualified human resources attraction, competitive improvements and of course, the customer satisfaction is also gone up. As per their viewpoints, financial issues, as well as their knowledge, are limited. Also, most of their customers are from the local; therefore, it is not necessary to think about these activities and issues.

5.3 FINDINGS FROM THE EMPLOYEES/STAFF

As same as the results surveyed from the businesses owners/managers, 98% of the staffs own their limited understanding or concept on what “T&D” is. This is caused by many reasons:

- First, most of staff and customers are the local inhabitants. They act and serve with the typical locality behavior (familiar with the family-style behavior). Also, they don’t think that they need the T&D activities or they are not in need of further studies or development.
- Secondly, as per their viewpoints, they need to follow the long-term courses like bachelor degree or post-graduate degree, not for the short course like.

As a consequence, the staffs are not strongly putting their concerns into the T&D. However, if there are any available training courses, they are willing to follow. Besides, with similarity result of the survey, 96% of employees states if the T&D activities exist in their businesses, they will bring a lot of benefits like corporate image enhancement, sales and service turnover increase, qualified human resources attraction, competitive improvements and of course, the customer satisfaction, etc.

5. CONCLUSIONS AND RECOMMENDATIONS

5.1 Recommendations

With the result of the above-stated analysis, to enhance T&D activities in SMEs in Ben Tre Province, some recommendations are formulated
To the related authorities as institutions, training providers, etc., related authorities should support and provide training programs to SMEs. This should be not only a short term but also the long-term activities of which help SMEs’ increase and update their skills. Besides, the local authorities should help SMEs widen the activities of human resource development. As known, human resource plays a vital role in all organizations. The quality of human resources directly affects product competitiveness, business image – development, etc.

To the SMEs’ owners/ managers, SMEs’ owners/ managers should pay concerns to improve their understandings and knowledge in human resource T&D issues by self-learning or study at the training centers/ university, etc. The SMEs owners/manager should invest in T&D because it will bring a lot of benefits to their businesses.

To the staff/employees, at present, there are many tools and methods for improving their knowledge and skills to adapt with the world, especially in the process of the fourth industrial revolution integration, employees can search a suitable course in the internet and self-study.

5.2 Conclusion

T&D is defined as an organized and crucial activity in any organization. brings many benefits to businesses in general and to SMEs in particular such as improvement of performance; capacity; productivity; and consistency. In an SME improvement in an employee/employer’s performance; capacity; productivity and consistency can translate in sustainability, business growth, and progress, reduction in supervision and cost, improved quality of services and products, elimination of employee weaknesses, etc. The findings of this study are shown the T&D practice in SMEs in Ben Tre Province Vietnam. Aiming to enhance its development and practice into businesses, some above-mentioned recommendations as guidelines should be applied. On the other hand, since the study is conducted in Ben Tre province, therefore, this makes some limitations. The first limitation is on the sample which is collected by the convenience method. As a consequence, it is not a representative for the whole. Same or further researches for each industry/sector can be done to cover this limitation.

6. REFERENCES


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