

**A STUDY OF THE INTERNAL AND EXTERNAL CONSTRAINTS
AFFECTING THE BUSINESS DEVELOPMENT OF SME
IN BACLIEU PROVINCE, VIETNAM**



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IS title: A study of Internal and External Constraints Affecting the Business Development of SME in Bac Lieu Province, Vietnam

Researcher: Tang Thi Tra My, **Student ID:** 013370017

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IS Advisor: Dr. Donn Pjongluck

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Abstract

SMEs play an important role in the economy of both developed and developing country. This sector contribute in not only the growth of nation economy, but also in generating employment. For that reasons, the growth and development of SME is the essential condition for the economy of Bac Lieu province, where almost enterprises are SMEs. However, SMEs in Bac Lieu province are facing to several factors that cause the negative impact on their development. Therefore, the objectives of this research is identifying the main internal and external constraints affecting the business development of SMEs in Bac Lieu province.

Research methodology: this independent study use the qualitative research method with the conducting semi-structured interview to collect the primary data. Within 3 months, the data is collected from interviews with managers of SMEs in Bac Lieu province and representatives of organizations cooperating with Bac Lieu SMEs. Besides, the secondary data is also collected from journal articles, books, and internet source.

Research findings were raised through the procedure of analyzing, categorizing and interpreting the data collected. Accordingly, the research reveals that there are several significant internal and external factors constraining the business development of SMEs in Bac Lieu province, Vietnam. Among them, the four main constraints were identified as: lack of entrepreneurial skills, low investment in technological innovation, lack of access to finance and the impact of economic crisis.

Keywords: SMEs, Bac Lieu province, Vietnam, internal, external, constraints, business development.

**The Research has been approved by
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The Graduate School**

Title: A Study of Internal and External Constraints Affecting the Business
Development of SME in Bac Lieu province, Vietnam

Researcher: Tang Thi Tra My

The Independent Study Committee:

Advisor

.....
(Dr.Donn Pjongluck)

Committee Member

.....
(Dr.Dolly Samson)

Committee Member

.....
(Dr.James Lancaster)

.....
(Dr.Apitep Saekow)
Dean of Graduate School

February 2015

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LIST OF ABBREVIATIONS

1. ME stands for medium enterprise
2. SME stands for small and medium enterprise.
3. SE stands for small enterprise
4. LE stands for large enterprise
5. SOE stands for state-owned enterprise.
6. PCI stands for Provincial Competitiveness Index



CHAPTER 1

INTRODUCTION

1.1 Statement of the problems

SMEs (Small and Medium-sized Enterprises) play an important role in economic development and job creation in both developed and developing countries (Harvie, 2005). However, this is also a sector facilitator to obtain a number of problems related to the scale of their business: lack of resources (finance, technology, market access, market information and skilled labor) or lack of knowledge and experience, or R&D (Research and Development) expenditure and innovation (Harvie, 2010). Vietnam, in 1986 established the economic renovation termed as Doi Moi which mainly aimed to transform the centralized management based on state subsidies into a market-oriented economy and adopting the role of SMEs. It has achieved prominent economic growth and sustainable development, especially for SMEs (Tran Tien Cuong, Le Xuan Sang and Nguyen Kim Anh, 2008). Many laws and regulations were enacted to protect the rights as well as support the development of Vietnam SMEs, especially the new Enterprises Law in 2000. During the past decade, the number of SMEs has increased dramatically, rising by 21.5% in average per year (GSO, 2011) and now, it has become the major sector in the economy, accounting for more than 97% of the total number of enterprises in Vietnam (Benedikter, S.; Waibel, G.; Birtel, S.; Bui The Cuong and Tran Thanh Be, 2013). In 2013, SMEs contributed significantly to the GDP, accounting for 60% of the total GDP in Vietnam. Therefore, it can be said that SMEs play an important role in economics and economic development in Vietnam (Phan Dinh Khoi, Truong Dong Loc and Vo Thanh Danh, 2008). In addition, more than 51% of total employees in Vietnam have been used in SMEs; thus, Vietnam SMEs also contributes in generating employment, maintaining high mobility of the labor market and poverty alleviation (Tran Tien Cuong, Le Xuan Sang and Nguyen Kim Anh, 2008).

Baclieu province is located in the Mekong Delta area in southern Vietnam and is ranked third in contribution by region in Vietnam (GSO, 2011). It is famous for agriculture and fishery. Despite being a small province, Baclieu province in recent

years witnessed the economic restructuring along with the change of the general business environment in the country, leading to the considerable economic growth, especially in the SME sector. The number of SMEs experienced a rise of 28% during the period from 2011 to 2013. Until the end of 2013, Baclieu province had 1,333 SMEs, accounting for 98% of the total number of enterprises in the province, contributing to generating more than 25,000 jobs for workers and more than 65% of the total local budget revenue. Aquatic of seafood export in the first five months in 2013 leapt by 68% in comparison with the year before (Baclieu, 2014). In terms of PCI of a total of 63 provinces in Vietnam, Baclieu province is ranked fourteenth (Edmund Malesky, Dang Quang Vinh and Markus Taussig, 2013). In addition, this sector also had a remarkable achievement in poverty reduction and human development improvement. It can be said that Baclieu SMEs have a significant contribution to the development of region economy (Baclieu, 2014).

Although the increase in the number and contribution to the economic development of SMEs is remarkable, there is some evidence indicating some issues that might not be as prominent as the figures showed (Katariina Hakkala and Ari Kokko, 2007). First is the lack of managerial and marketing skills, and lack of financial resource (Tai, 2008). The number of SMEs in the provinces of Mekong Delta is large but these are small sized operations with low level technology: the registered capital is still low compared to the country's average (Phan Dinh Khoi, Truong Dong Loc and Vo Thanh Danh, 2008). Therefore, SMEs, especially SE, have to face to extremely difficulties in both the domestic and global market (Tran Tien Cuong, Le Xuan Sang and Nguyen Kim Anh, 2008).

There are many previous research projects related to SMEs and the problems of SMEs in Vietnam: Geeta Batra & Hong Tan(2003) studied about technical efficiency and policy implication. Also, Tran Tien Cuong, Le Xuan Sang and Nguyen Kim Anh(2008) assessed the characteristics, constraints and policy for development of Vietnam SMEs; Katariina Hakkala and Ari Kokko(2007) discussed about the relationship between SOEs and private sectors. Also, there is some research that supports the development of SMEs in Mekong Delta provinces such as: a study of local entrepreneurship in the Mekong Delta – rural transformation (Simon Benedikter and Gabi Waibel and Serge Birtel and Cuong The Bui and Be Thanh Tran, 2013);

Government support to SMEs in regional development (Ari Kokko and Patrik Gustavsson Tingvall, 2005). SMEs in Bac Lieu province play an important role to the local economy and make a significant contribution to regional development, but it is still a new dominance and there is no significant research related to this sector. Therefore, this research study project focused on the internal and external constraints affecting SMEs in Bac Lieu province in order to fill this gap and support to exploit the way for sustainable development of Bac Lieu SMEs.

1.2 Objectives

This research project provides an empirical testing to identify the internal and external factors that constrain the business development of SMEs in Bac Lieu province, Vietnam. More importantly, the primary data and secondary data will be analyzed to identify the main internal and external constraints that affect the development of SME in Bac Lieu province, Vietnam.

1.3 Conceptual framework

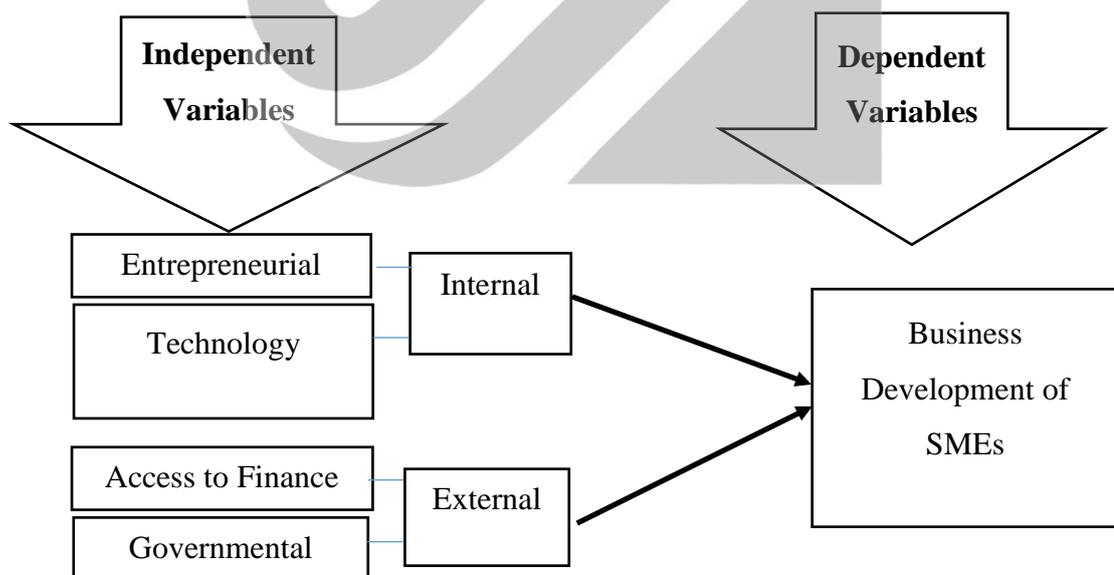


Figure 1.1 Conceptual framework

1.4 Research assumption

The constraints that affect the business development of SMEs might come from internal or external business environment related to management skills, finance,

policies and skilled labor (OECD, 1998). For Vietnam SMEs, Mai Thi Thanh Tai (2008) claimed that although there are some improvements for development of some of them, they still cope with a number of problems such as: lack of managerial and marketing skills and a lack of financial resources. Supporting this study, Katariina Hakkala and Ari Kokko(2007) argued that although there are some agencies and policies that support Vietnam SMEs, there is no official government policy or policies supporting the growth of Vietnam small enterprises. In the report of OECD (1998) and the study of Kunene(2008), the financing and entrepreneurial skills are mentioned as the most common and important factors that affect the development of SMEs. Besides this factor, according to Tran Tien Cuong, Le Xuan Sang and Nguyen Kim Anh (2008), Vietnam SMEs are characterized by the lack of technological innovation, especially advanced technology. Based on those findings and other previous studies, this research project considered four main assumptions: that two main internal constraints affecting the business development of SMEs are entrepreneurial skills and technology and innovation; that two main external constraints are government policies and access to finance. Therefore, the four assumptions are presented below:

- Entrepreneurial skill is the main internal constraint affecting the business development of Baclieu province SMEs
- Technology is the main internal constraint affecting the business development of Baclieu SMEs
- The financial accessibility is the main external constraint affecting the business development of Baclieu SMEs.
- The government policies is the main external constraint affecting the business development of Baclieu SMEs.

1.5 Scope and Limitation of Study

With the objective identifying the constraints affecting the business development of SMEs in Baclieu province, the scope of this study was concerned about the knowledge related to the business development and internal and external factors that affect the business development of SMEs. The scope also extended, by researching the aspects of finance and government policy that is related to the

development of SMEs. The data is gathered and researched in Bac Lieu province, Vietnam.

The method instruments used in this research were interviews, and particularly semi-structure interviews. Therefore, some limits were that the data collected was entirely based on the knowledge and experience of the respondents. Additionally, the data was also limited by the willingness of the respondents to participate.

1.6 Significance of the Study

With the results that were found in this study, it would be potentially very helpful for Bac Lieu SMEs to identify their internal constraints and improve the current business development situation. Additionally, it would be useful for the government and organizations that cooperate with SMEs to solve external constraints and find out the most efficient way to cooperate and support the business development of SMEs in the future. Moreover, this research thesis could also be used as relevant reference material for business development of SMEs in other situations or in other research projects.

1.7 Definition of Terms

- **Doi Moi process:** is the name given to the economic reforms initiated in Vietnam in 1986 with the goal of creating a “socialist-oriented market economy”. The state was aiming at creating a vertically integrated economy where there was no commercial contact among individual production unit horizontally.

- **Provincial Competitiveness Index (PCI):** is an index in Vietnam that is designed to assess and rank the performance, capacity and willingness of provincial governments to develop business-friendly regulatory environments for private sector development. This is the result of a major, ongoing collaborative effort between the Vietnam Chamber of Commerce and Industry (VCCI) and the U.S. Agency for International Development (USAID)-funded Vietnam Competitiveness Initiative (VNCI).

CHAPTER 2

LITERATUREREVIEWS

2.1 SME definition

From a worldwide perspective, SMEs in different countries will have different definitions and there are no consistent criteria which are used for all countries, to define an SME (WorldBank, 2003). However, the increase in terms of the number and role of SMEs in the national economy is undeniable, not just in developed countries but also in developing countries as well.

In general, SME is identified as an extremely important sector in most countries. This sector plays an important role in creating jobs, economic growth, poverty reduction and has contributed greatly to the prosperity of a nation in a developing country (Harvie, 2010). Particularly, the SME sector is confirmed as the largest provider of employment in most countries, especially for the new job. Additionally, SMEs are the main source of technology innovation and new products. Besides this, the sector is also a part of the development of the country and provides a significant contribution to the national GDP and GNP (WorldBank, 2003).

The characteristics of SMEs are typically identified as resource limitation (including financial, human and technological), informal strategies, and flexible structure (Hudson, MA., A. Smart & Bourne M., 2001). Regarding organizational structure, Helen McGrath and Tom O'Toole (2014) considered it as a diversity, small scale, independent, and owner personality. Their organizational structure is simple and the owner-manager plays a role as a driving force, essentially in the local market, with little planning and control. SMEs' strategy options are moderately simple and narrow (Robinson Jr., R. B. & Pearce II, J. A., 1983). Compared with large enterprises, SMEs take more advantages from their characteristics such as being more flexible, having better adaptability, and are better in developing and implementing new ideas (Harrison, N. J. & T. Watson, 1998). In addition, SMEs have motivated, committed management and labor as well as the capacity to customize their products and processes (Martinso, M. & Karlberg A., 1998). In another respect, the environmental uncertainty is also considered as the main characteristic of SMEs. It is

also important to include the lack of sufficient information about changes in the environment and/or the inability to predict external changes and their impact (Ducan, 1972). When the changes occur in the environment, SMEs facilitate to cause more uncertainty than larger firms because of the limitation of acquiring market information and the level of changes (Boyton, A. C., Gales, L. M. & Blackburn, R. S., 1993).

For SMEs in the Mekong Delta, Vietnam, Phan Dinh Khoi, Truong Dong Loc and Vo Thanh Danh(2008) claimed that SMEs are characterized by three main points. Those that have the tendency of having less transparent management structure; limitation of capital and size of operation and equipment; they are less stable; and pay low wages to the workers.

2.2 The business development

Business development, in general, is an important factor which needs to be identified and analyzed to ensure sustained growth and competitiveness of a firm (Duke, 2011). Business development is defined as the ability to exploit existing business and explore new business opportunities with the goal of seeking growth (Kwaku, 2005). Supporting this idea, Joe Duke summarized that the development of business is to identify and exploit new business opportunities, while maintaining or expanding business operations that already exist. Therefore, it is considered as a process of prospection and development of a new product, service, or technologies (Duke, 2011).

In another aspect, the business development is not only the search for and development of new products, but also the business cooperation with the purpose of creating or acquired ability of an organization. This partnership was formed in the form of merger, purchase or partnership and so on, for the purpose of acquiring new capabilities, which support the growth of businesses.

Besides this, the business development is also defined as the change of a current business portfolio. It can be the expansion or reduction of the portfolio of the firm, seeking new customers or target product development in new market segments (Matthias Klmpf & Carina Loppers, 2009). In addition, Joe Duke also cited that business development is also keen on investing. It means cooperation or investment

channels or sales organization, including partners, distributors, agents or national or international branches (Duke, 2011). These changes can be seen as a process of innovation related to technologies and business, with the purpose achieving business growth (Matthias Klmpf & Carina Loppers, 2009).

In relation to the expression of the business development of an enterprise, the theory of economic development of Schumpeter (1936) is also linked to this concept. Accordingly, an enterprise will have the common behaviors such as introducing a new product, technology, services, new production methods or create new markets, new sources of supply or a new organization in the industry, seeking for opportunities to expand the flow of current income through the value creation activities (Schumpeter, 1934).

The role of business development for enterprises is extremely important. Joe Duke (2011) made a statement that the business development not only helps businesses capture new opportunities in the market but also makes it easier for the company to determine the suitability between existing assets and the need of expanding the business. To the corporation aspect, it also helps to build and manage relationships with partners and third parties (Duke, 2011).

2.3 Factors affecting the business development

The factors as market failures in capital markets, government regulations, indirect labor costs and difficulties in recruiting higher educated staff and skilled workers are considered as the main constraints that impact the development of SMEs (OECD, 1998). In general, the development of SMEs, are affected by a number of key factors, which are divided into external environmental factors and internal factors (Mugler, 2005).

2.3.1 External factors

According to Simpson (2004), the external factors, which may affect or hamper entrepreneurship at the start-up and even during the life cycle of SMEs, are elements from the macro-environment. This was supported by Morrison, who defined it as factors beyond the control of individual businesses and their arrangement,

involving political, economic, social, environmental and regulatory factors (Morrison, 2006).

Competition

SMEs, in the context of globalization, faced with increasing competition and competitors are not clear (Ligthelm A.A. & Cant M.C, 2002). Enterprises find it difficult to comply with the rules of international organizations conducted through international trade. Partly a reason for this is due to the poor quality (Lind, 2007). Therefore, the competitiveness of SMEs, in general, is low in many aspects: lack of knowledge, innovation and entrepreneurial skills and there is a need to improve and raise the quality of all of these specific factors (OSMEP, 2008). Besides this, the price competition in developing countries is more and more fierce. Many SMEs, which in countries like Thailand, China and Vietnam, are running in low-price competition (World Bank, 2009).

Economic crisis

An economic crisis seriously affects SMEs and the development of the local economy, especially in the developing countries because SMEs are the main economic sector (Cheah H-B. & Cheah M., 2005). The plunge in demand for goods and services will take place quickly and SMEs in most countries in the world are under pressure related to financial issues (OECD, 2009).

Government policies

Government policies have a significant contribution in supporting the development of SMEs (Harvie, 2005). The tax policy, investment, labor, trade, and reasonable regulations may create favorable conditions for the sustainable development of enterprises, contributing to employment generation and economic growth (Themba & G. Chamme, M. & Phambuka, C.A & Makgosa, R , 1999), and support for poverty reduction (Harvie, 2005). However, many regulations are designed to control rather than facilitate the development of enterprises (Ngo Cuong, 2005). When enacted they can cause a discouraging atmosphere of the creativity of

the company based on new technologies, or SMEs are poorly equipped to deal with the issues related to the legal and the government requirements (Kunene, 2008). For some others, regulations can cause high cost to implement so that potential entrepreneurs may be hampered to set up formally their business; also, the existing enterprises can end up out of business. Therefore, in those cases, government policies are considered the regulatory burden for the development of enterprise (Ministry of Industry and Trade, 2003).

Access to finance

Financing is seen as the main obstacle to SMEs which want to start-up or expand their business. The typical problems is lack of access to capital or limited capital that makes the negative impact on their business. Compared with large enterprises, SMEs tend to cope with a higher interest rate and credit rationing and lack of access to “good collateral”. The potential for credit rationing is defined as the degree to which credit or loans are rationed (Sjoholm, F. & S. Takii, 2003). In another aspect, lack of finance also means the situation that the enterprise has a limited timeframe but has to make a healthy turnaround (although not always a profit). This causes some pressure for entrepreneurs because of the short-term and direct decisions they would have to make (Darren Lee-Ross & Conrad Lashley, 2009).

For developing countries, the financial problems of SMEs came from the banking, capital markets or other credit providers (OECD, 1998). The ability for getting a loan of a firm depends on the net worth which includes the value of cash inflow and the liquid assets generated by that firm. The chances of getting a loan will be reduced if the firm has a lower net worth because it is usually considered as high-risk premium (Harvie C., Narjoko D. & Oum S., 2010)

2.3.2 Internal factors

Internal factors are factors related to the impact of management decisions and performance of business growth and development (Morrison, 2006). Internal factors include the available resources, personal skills and ability to pursue the

entrepreneurial function and the efficient use of resources inside the enterprise (Nieman, 2006).

Entrepreneurial skills – Management skills

Management skills are a requirement and are extremely important to the survival and growth of SMEs, involving several factors such as knowledge, behaviors, attitude and skills (Hellriegel D., Jackson S., Slocum J, Amos T., Klopper H.P., Louw L. & Oosthuizen, 2008). Besides this, it also includes the ability to identify and assess market opportunities for businesses (Kunene, 2008). Thus, the lack of management skills is a main problem in SMEs (Forsman, 2005). The findings show that most SMEs have difficulty in managing change, and even lack the new skills to adapt when changes actually occur (Winch G. & McDonald J., 1999). In SMEs, the decision making process and day-to-day operation within the firm are conducted by the chief executive who is the owner, founder, and manager as well as the controller of the business (Unaru Danladi Mohammed & Chinelo Grace Obeleagu-Nzelibe, 2014). The owner-manager often start businesses with their own knowledge, thus, they typically lack general knowledge about management, especially accounting, marketing, as well as pricing and budget control (Hyvärinen, 1993).

Technology

Technology and technological innovation are key factors for enterprises to maintain and develop competitive advantages and/or penetrate into some new markets (N. Becheikh, R. Landry & N. Amara, 2006). More and more businesses are built on quality assurance, innovative high technology or intellectual property (Nasser, 2003). Therefore, access to an appropriate technology is really necessary for an SME (SME success factor). However, the technological innovation ability of the various SMEs will vary, depending on the size, resources, regional and business environment (Burrone E. & G. S. Jaiya, 2005).

Research and Development (R&D) – Innovation

Research and development or innovation might be conducted to the product or process, or both and it can be suggested that it has been increasingly important to the

development of SMEs (Hoffman, K., M. Parejo, J. Bessant, & L. Perren, 1998). This is seen as a tool for SMEs to gain a competitive advantage in the marketplace (OECD, 1998). In other words, through the process of creating and commercializing new products, businesses can improve their technology quickly, catching up with competitors (Porter M. & Scott S., 2003). Danneels and Kleinschmidt(2001) claimed that innovative products can give SMEs great opportunities to grow and expand into new areas. SMEs have more advantages of chance for innovation than other firms of different sizes. The flexibility, simple structure, low risk and receptivity of SMEs are the essential characteristics which help them to be more innovative (Harrison, N. J. & T. Watson, 1998). However, most SMEs implement informal innovation which is innovated day-to-day within the same premises (M. H. Bala Subrahmanya, M. Mathirajan, & K. N. Krishnaswamy, 2010). They are, in general, more market-driven than research-driven, and although react quickly to new business opportunities they prefer a small incremental to radical innovation (OECD, 1998).

Skilled laborers

Another factor also contributes to the efficiency of an enterprise which includes the ability and know-how of the labor force, including education and training. The laborers, who are trained or educated, can have the ability to work more efficiently and be more creative (Geeta Batra & Hong Tan, 2003). For SMEs in developing countries, they tend to find it difficult to attract or retain skilled labor due to a number of factors such as low wages, a lack of job security and poor career prospects. Therefore, a lack of skilled labor becomes a major obstacle to the development of SMEs (McElwee, G. & L. Warren, 2000).

2.4 SMEs in Vietnam

2.4.1 Brief history of SME development in Vietnam

The concept of SME in Vietnam has undergone numerous different definitions depending on the different stages of the development process of the country's economy. From 1998 onwards, there was no official definition of SME. It was only defined based on a number of criteria such as:

- Number of employees less than 500 people

- Fixed assets less than 10 billion VND
- Working capital or profits each month is less than 20 billion VND

In June 1998, in the Public Letter No.681/CP-KCN, it was the first time the government mentioned a definition for SME in Vietnam. Accordingly, an SME was an enterprise with a registered capital of less than VND 5 billion (equivalent to 378,000 USD at the time of this public letter) or regular workforce of less than 200 laborers (Tran Tien Cuong, Le Xuan Sang & Nguyen Kim Anh, 2008). Although this is not an official definition, it is generally considered as the initial definition of SMEs in Vietnam.

Until November 2001, taking 15 years from Doi Moi introduction, the first pro-SME development legal document was born by the Government Decree 90/2001/ND-CP with the following content: “SME is a business established with registered capital of no more than Vietnam dong (VND) 10 billion (equivalent to USD 630,000) or with a workforce of no more than 300 regular employees” (System of Legal Document, 2001). However, this definition is far too general to provide useful data for any policy formulation. It missed the definition of micro enterprises – a quite common type of business form in Vietnam at that time. Therefore, in June 2005, a further size segmentation was introduced by the agency for SME development. In this new segmentation, SME was classified into micro-enterprises (less than 10 employees), operating as small-sized enterprises (10 to 49 employees) and medium-sized enterprises (those with 50 to 299 employees), (Tran Tien Cuong, Le Xuan Sang & Nguyen Kim Anh, 2008).

In 2009, the government issued one more decree in order to categorize SMEs based on the three group sectors: (1)Agriculture, Forestry, Fishery; (2) Industry and Construction; (3) Trade and Service.

Table 2.1 Classification of Vietnam SMEs

Type	Micro Enterprises	Small-sized Enterprises	Medium-sized Enterprises		
	Number of labor	Number of labor	Capital (VND bil.)	Number of Labor	Capital (VND bil.)
Agriculture, Forestry, Fishery	< 10	10-200	< 20	200 – 300	20 - 100
Industry, Construction	< 10	10-200	< 20	200 – 300	20 – 100

Table 2.1 Classification of Vietnam SMEs (Cont.)

Type	Micro Enterprises	Small-sized Enterprises	Medium-sized Enterprises		
	Number of labor	Number of labor	Capital (VND bil.)	Number of labor	Capital (VND bil.)
Trade, Service	< 10	10-50	< 10	50 - 100	10 - 50

Source: General Statistics Office, 2011

This legal document is the latest version of SME classification and is still valid now, in February 2015.

The formation of Vietnam SME has taken place over a long time, but its development has been marked since 1975, after the end of the war for independence and peace in Vietnam. During that period, Vietnam's economy was in the stage of rebuilding and restructuring. Many SMEs were launched very quickly, but mainly in

the agricultural sector. There were two types of ownership: entire-people ownership (the state ownership) and collective ownership. The private sector was not encouraged and forced to nationalize. The state held the central position and SOEs maintained the leadership. It can be said that the economy in this period was placed under highly centralized management based on the state (McMillan J. & Woodruff C., 2002). This was judged as having been an underlying problem which inhibited the development of the private sector during a long period (Katariina Hakkala & Ari Kokko, 2007).

A significant milestone, which marked a big change for development of SMEs was the Doi Moi (Renovation) in 1986. This process was launched in the Sixth Party Congress in Vietnam. Accordingly, the government of Vietnam decided to transform from the current economic system, which was a “centralized management based on state subsidize” into a “multiple stakeholder and market-oriented” economy, including the adoption and appreciation of the role of the private sector in the economy. This change enabled the development of industry, trade and services which simultaneously led to a significant growth of private firms despite an almost total absence of a formal institution to facilitate such business (McMillan J. & Woodruff C., 2002). Subsequently, during the first half of the 1990s, several changes in the legal framework and the law which related to the rights and obligations of SME were also enacted. The Private Enterprises Law was established in 1990 with the provisions concerning the legal basis for private enterprises, and the Company Law for limited liability companies and joint stock companies. Besides this, Tax reform was implemented with the aim of introducing the special sales tax, turnover tax and profit tax. The Constitution of 1992 recognized the role of small and medium enterprises, especially in the private sector. In 1993 and 1994, Bankruptcy Laws and Domestic Investment Promotion Law were also approved in succession (Katariina Hakkala & Ari Kokko, 2007).

It took until the year 2000 to have another remarkable milestone for development of SMEs in Vietnam. The new Enterprise Law, which was approved in 1999 to replace the Company Law and Private Enterprise Law, was established. This change made a new wave of development of SMEs with emphasis on the private sector (Tran Tien Cuong, Le Xuan Sang & Nguyen Kim Anh, 2008). According to the new Enterprise Law, the business registration and certain difficult requirements were

simplified significantly. Additionally, requiring relevant agencies to process paperwork within a more reasonable timeframe came into place. Consequently, the number of business registration increased dramatically, reaching four times that of the 10-year period from 1900 to 1999 in which 99.6% of registration was for private enterprises (Tai, 2008). In the following years, many decrees and policy were enacted to support the development of SMEs in which there was an establishment of Party Plenum in 2002, with the purpose focusing on the development of private economic enterprises (Katariina Hakkala & Ari Kokko, 2007). Since then, the development of SMEs, especially in the private sector, has been continuously on the rise, as is clearly indicated in the following chart:

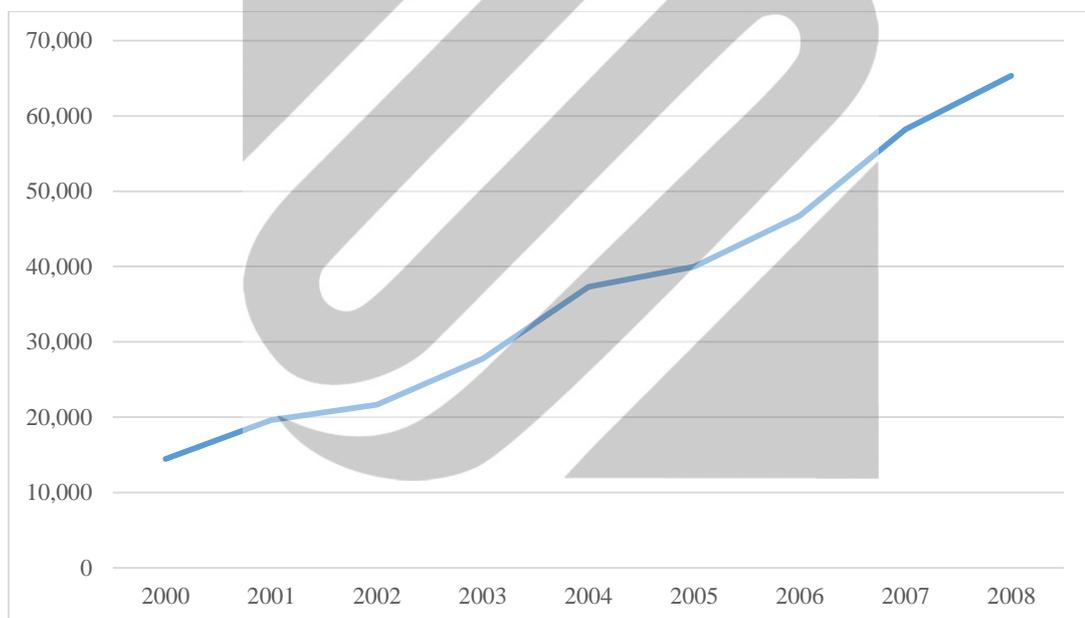


Figure 2.1 The number of registered SMEs in Vietnam from 2000 to 2008

Source: Agency For Enterprise Development, 2009

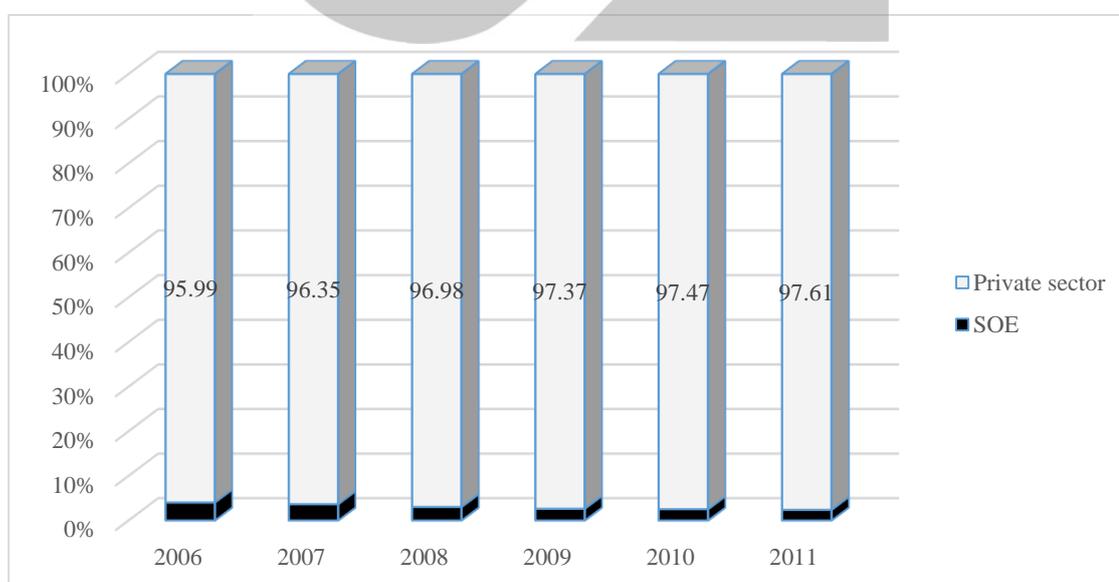
It is worth noting that the accession to the World Trade Organization (WTO) at the end of 2006 opened many opportunities for Vietnam SMEs development, i.e. there was easier access to production factors and cheaper imported inputs in the domestic market, expansion of export markets, and facilitation of the national economy to engage more in-depth in regional and global production network (Tran Tien Cuong, Le Xuan Sang & Nguyen Kim Anh, 2008).

Nowadays, SMEs in Vietnam have increasingly developed as the main sector that promotes the development of the Vietnamese economy (Tran Tien Cuong, Le Xuan Sang & Nguyen Kim Anh, 2008).

2.4.2 Characteristics of Vietnam SMEs

The SME is the main sector in the Vietnamese economy and mostly they are micro and small sized companies. According to the General Statistics Office, in 2011, there were 312,642 enterprises in total in which there were 304,903 SMEs, accounting for 97.6% of which 29.6% were SEs, remaining the highest percentage for micro enterprises, namely 67.5% (GSO, 2011).

During a ten year period, the number of SMEs in Vietnam has gradually increased, following the trend of a general decrease in the number of SOEs. In comparison with the number of SMEs in 2000, this figure in 2011 reached eight times higher, rising by 21.5% per year on average (GSO, 2011) in which non-state enterprises always accounted for the highest percentage. Especially, while the period from 2002 to 2005 witnessed the fast rise of non-state enterprises, rising from 54,400 to 103,794 enterprises, the number of state-owned enterprises decreased from 3,631 to 2,675, equivalent to 2.4% from 6.1% (Tran Tien Cuong, Le Xuan Sang & Nguyen Kim Anh, 2008).



Figures 2.2 Structure of Vietnam Economy by sector in the period 2006 - 2011 (%)

Source: General Statistics Office, 2011

Considering the business sectors which SMEs engage in, there was a noticeable increase of the number of new enterprises in two sectors: service and industry-construction. In 2011, the number of SMEs in the service sector rose 2.84 times compared with that in 2006, accounting for 68.3% of total enterprises – the highest share in the economy. SMEs of industry-construction in 2001 also had a rise of 2.33 times compared with that in 2006. The number of SMEs in this sector was responsible for 30.7% of the total number of enterprises in Vietnam (Thuy, 2011).

SMEs provide a significant contribution to the Vietnam economy. In 2011, it contributed to 30% of the total industrial output, 80% of the total retail sales and 64% of the total freight turnover. Regarding to GDP, SMEs are responsible for more than 40% of the total domestic production. This figure can rise to 60% if it also includes the contributions of collectives (Dao Duy Nhan & Dao Duy Tung, 2012).

The role of SMEs is important to not only economic development, but also to generating employment. In Southeast Asia, this proportion accounts for more than 70% of new job creation coming directly from SMEs. Particularly, the number of laborers working in SMEs was responsible for 88.6% and generated more than 500,000 places of employment on average per year, equal to 50% of the total labor market, in the period from 2006 to 2011 (GSO, 2011). Besides this, SMEs in Vietnam also contributed to maintaining high mobility of the labor market, narrowing development gaps among localities of the country and being the main source for the entire national income (Tran Tien Cuong, Le Xuan Sang & Nguyen Kim Anh, 2008).

2.5 SMEs in Bac Lieu province, Vietnam

2.5.1 Social-economic characteristics of Bac Lieu province

Bac Lieu province is located in the southwest of Vietnam. The climate is characterized by a monsoon tropical atmosphere with only two separate seasons: the rainy season and the sunny season. Besides this, the province is also a part of Mekong Delta, thus it has even, level, ground, no hills nor any mountains. A part of the province borders the sea with the coastline stretching to a total of 56kms.

Regarding the economy, Bac Lieu province actually has many advantages due to its geographical conditions and natural surroundings to develop the business related

to rice agriculture, fisheries and food processing. In the economic structure of Baclieu province, up to date, the agriculture was still the main business sector of the Baclieu economic structure. In 2008, the agriculture sector shared 52.39% of the Gross Domestic Product (GDP). However, in 2009, Baclieu performed the economic restructuring in the tendency of focusing on development and growth of industry-services and trade-services. Thus, the year 2013 witnessed an increase of two sectors, namely 25% for trade-service and 24.4% for industry-construction (T. L, 2014).

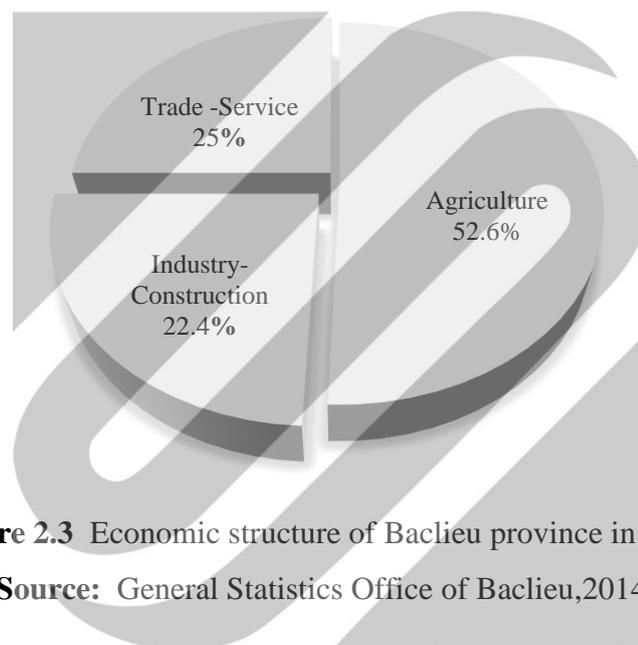


Figure 2.3 Economic structure of Baclieu province in 2013

Source: General Statistics Office of Baclieu,2014

2.5.2 SMEs in Baclieu province

SMEs in Baclieu province have a tendency of increasing in terms of quantity and changes in the economic structure over recent years.

According to the figures from the Baclieu General Statistics Office, almost all of the enterprises in Baclieu are SME. In 2014, there were 1.558 enterprises in Baclieu province, of which there were 1.544 SMEs, accounting for 99% of the total enterprises in the province. The majority still is still SE, which is responsible for 93% of the total of SMEs, remaining 7% for ME. The number of SMEs in Baclieu province has increased gradually every year. This was especially true during the period from 2011 to 2014 which witnessed a significant increase of SE, rising by 62%, from 897 enterprises in 2011 to 1,457 enterprises in 2014 (Baclieu, 2014).

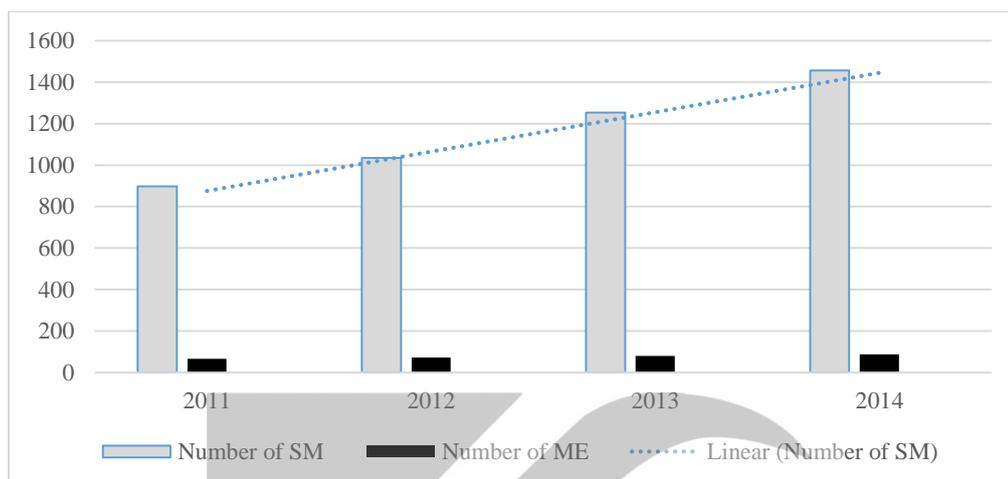


Figure 2.4 The number of SMEs in Baclieu province from 2011 to 2014

Source: General Statistics Office of Baclieu, 2014

Regarding to SMEs by the business sector, there was a movement between the year 2012 and 2014. In general, there was a trend of increase in the distribution of the Industry-Construction sector and a decrease in distribution of the Trade-Service. In 2012, the share of the trade-service was 49%, followed by industry-construction with 38% and agriculture with 13%. In 2014, although the share of trade-service was still accounting for the largest part, the figure had a slight decrease of 8%. Instead of this, there was an increase of the share of agriculture, rising from 13% to 20% (Baclieu, 2014).

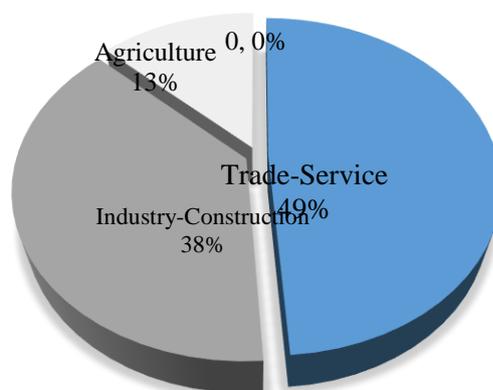


Figure 2.5 Distribution of the SMEs number by sector in 2012

Source: General Statistics Office of Baclieu, 2012

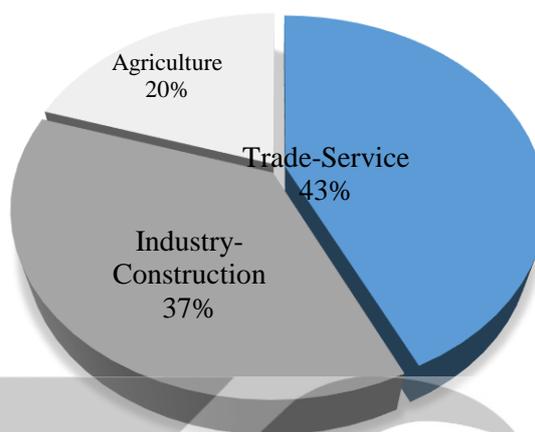


Figure 2.6 Distribution of the SMEs number by sector in 2014

Source: General Statistics Office of Baclieu, 2014

Clearly, SMEs also play the role as the main provider in generating employment. Regarding to different size, along with the increase of the number of SMEs, the number of employees in SMEs has also risen gradually during recent years. The figures are illustrated in the two charts above (Figure 2.5 and Figure 2.6). In 2014, SMEs generated jobs for more than 27,000 employees, using more than 95% of the total employees in Baclieu province. In comparison with the number of employees working in SMEs in 2011, this figure in 2014 had increased by 37%. (Baclieu, 2014). The increase of the number of employees in Baclieu SMEs is illustrated by the figure 2.7 following:

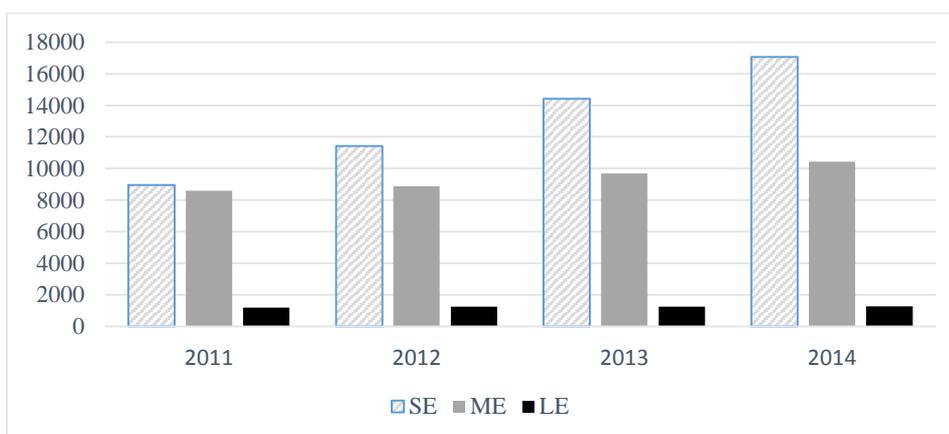


Figure 2.7 The number of employees in SMEs from 2011 to 2014

Source: General Statistics Office of Baclieu, 2014

CHAPTER 3

RESEARCH METHODOLOGY

This research study was an empirical study with the aim of reaching a conclusion about the internal and external constraints affecting the business development of SMEs in Bac Lieu province, Vietnam. Therefore, both the primary and secondary data were collected. Specifically, the secondary data were used to evaluate objectively from the relative research, database and internet resources. Primary data was collected through direct qualitative interviews held at several enterprises and agencies involved in Bac Lieu province, Vietnam.

3.1 Research Methods

There are two common types of research methods that are used to collect data: qualitative and quantitative. Quantitative research methods were defined as an empirical assessment through analysis and measurement data. In quantitative research methods, all the data collected is transferred into numbers, so that through the process of statistics the relationship of variables will be shown and will lead to reaching a conclusion. In contrast, qualitative methods are considered to be a popular method to help researchers reach the research objectives that do not depend on the numerical measurement. All collected data will be interpreted by the main researcher to extract its meaning and convert it to some useful information (Bryman A. & Bell E., 2007).

In general, there are certain differences between these two research methods. Qualitative methods are often used in cases when it is difficult to develop a detailed problem and reach an understanding of the main issues related to human motivation. Compared with quantitative methods, qualitative research methods will provide information more abundant and more specific. In some cases, qualitative methods also provide insight into the unique inside-related perceptions and ideas, leading to a new direction for the organization. Qualitative methods are much more likely to be an interpretation of the results rather than what the quantitative research results provide (William G. Zikmund, Barry J. Babin, John C. Carr & Mitch Griffin, 2013).

The research method chosen must be based on the specific context of the research (William G. Zikmund, Barry J. Babin, John C. Carr & Mitch Griffin, 2013). Due to the identification of internal and external constraints of the enterprise, it involves the perspectives, ideas and opinions, which are very difficult to measure in the quantitative approach. Besides this, Bryman and Bell (2007) also argued that the study of business and management administration should be used in qualitative methods. Therefore, with the consideration of the characteristics of the two methods and the main objective of this study, a qualitative research method was considered to be more appropriate.

3.2 Populations and the Sampling Selection

It has been previously observed that there is no close definition of the sample size in qualitative research (Baum, 2000). The sample size was determined with common characteristics such as a small number, with the purpose of researching in depth and being specific (Miles M. & Huberman A., 1994). Moreover, to seek an abundant amount of information about a particular phenomenon, the sample should be selected by purposeful reasons rather than being entirely random (Reed, 2002)

Accordingly, the sample that was chosen in this research project was based on the non-probability approach. Accordingly, the sample was not chosen through a random selection method, but the choice of participants was based on some criteria and therefore, some organizations were more expected to be selected instead of others.

To choose a sample, it was decided to be based on a number of specific criteria. Firstly, the enterprises should be chosen from both small and medium-size. According to the definition of an SME in Vietnam, as mentioned in Chapter 2, SME is identified as being based on the number of employees and its registered capital. Therefore, the sample was selected from enterprises that have a maximum of 300 employees and less than 100 billion VND. The second factor was the business sector. As mentioned above, the trade-service and industrial-construction are the two most prominent sectors in the Baclieu economic structure, with the contribution of 43% and 37% respectively. Moreover, in the Socio-economic development plan of Baclieu province in the period 2015-2020 (People's Committee of Baclieu province, 2014)

this highlights the fact that although agriculture is the main business sector of Baclieu economic structure, in the next 5-years, trade-service and industry will be the sectors that will focus on developing and expanding. Therefore, the sample will be selected in these two areas of business.

Besides this, it was also important to consider the criteria of reputation and the history of the business development of the chosen SMEs. This was done because SMEs with a positive reputation will create a high reliability and accuracy in the information and knowledge that would be provided to this researcher. In addition, selecting the people to be interviewed was also important and equal with selecting the appropriate company. It must be the right person who has central position in the company in order to have comprehensive knowledge and a full understanding of the business processes as well as the factors influencing business development in their company.

Due to having obtained a scholarship from the Vietnamese Government to fund this research project, the support from the People's Committee of Baclieu province in selecting the sample, and the companies selected for this research are the result of the contacts that were made directly through this agency.

Furthermore, to achieve a deeper understanding regarding SMEs in Baclieu and what constraints affecting their business development, several qualitative interviews and a questionnaire were also conducted with the organizations and agencies that cooperate or support the development of SMEs in Baclieu. The organization chosen is a reputable bank in Baclieu that has closely cooperated with SMEs and has had an impact on Baclieu SMEs in a financial aspect. Regarding the agency, it was considered suitable to choose the People's Committee of Baclieu province. This is the agency that directly governs SMEs in Baclieu as well as supporting their development.

Based on those criteria, the respondents to participate were as follows:

- **Dong Duong Investment & Development Joint-Stock Company:** Mr. Cao Thanh Hai – Owner-Director
- **Thanh DatPhat Co., Ltd.:** Mr. Vu Cong Dinh – Owner-Director

- **Quang Phu Seafood & Construction Joint-stock Company:** Mr. To Huy Phong – Owner-Director, Mr. Vo Van Chau Em – Chief Accountant, and Mr. Tran Thinh Luu – Manager of business planning
- **Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcom Bank) – A Branch in Baclieu:** Mr. Tran Chi Luan – Director
- **People’s Committee of Baclieu Province:** Mrs. Le Thi Ai Nam – Vice Chairwoman

3.3 Research Instrument

Due to the necessity of writing a research paper requires gathering as much information as possible, a remarkable interview was be the tool used in this study to collect information from the management of the company and related agencies. In general, a qualitative interview is less structured than a quantitative interview. Additionally, the number and the order of the questions may vary depending on the circumstances and the answers provided. Therefore, it has the advantage of some flexibility (Bryman A. & Bell E., 2007).

Specifically, the study will use semi-structured interviewing instruments. This is neither a conversation when respondents can talk freely, nor a structured questionnaire. Accordingly, it will be written in the form of a short essay-style detailed answer supplied from the respondents (William G. Zikmund, Barry J. Babin, John C. Carr & Mitch Griffin, 2013). This type of instrument facilitates the respondents to freely express and expand their opinions as well as for the interviewer to become linked to more information and more specific situations. Compared with unstructured interviewing, this tool easily gathers information in a specific way and the results are easy to interpret, but it is also more flexible than structured interviews. Therefore, the semi-structured interview was chosen as the suitable instrument for this research.

3.4 Questionnaire and Testing

The questionnaire was built based on the objectives of this research. With the aim of gathering as much information as possible from a particular situation of SMEs

in Baclieu province, the open-ended questions was the method considered to be used in order to provide more freedom to the interviewer as well as the respondents.

The questionnaire was written after a review and the questions were shared with others to collect feedback and support for the creation of a final and credible questionnaire. This is called the pre-testing. Accordingly, this process will help the researcher to determine whether the respondents have any difficulties in understanding the questions, or whether the questions are too vague, or whether the information gathered from that questionnaire is what the researcher had expected due to biased questions (William G. Zikmund, Barry J. Babin, John C. Carr & Mitch Griffin, 2013). Therefore, this process is particularly important for researchers.

For qualitative research, pre-testing the questionnaire should be done through the consideration of the experts (Bryman A. & Bell E., 2007) or those who have the same interest in the issues addressed in the research. The implementation of the pre-test does not require a statistical sample and the exact number of revision depends on the researchers and the client's judgment (William G. Zikmund, Barry J. Babin, John C. Carr & Mitch Griffin, 2013). In this research project, there were two different experts from two universities who were contacted to review the interview questions. Firstly, the questionnaires were examined and recommended by Dr. Donn Pjonluck – Lecturer and Specialist Expert in the Department of Logistics and Management at Stamford University, Bangkok. Then, a trial-interview was also conducted with Dr. Vo Hoang Khiem – Vice-Rector of Baclieu University. The two experts mainly research within SMEs and analyse the strategies for growth and development. The final effective questionnaire was completed before the interviews with companies and organizations were conducted.

3.5 Data Collection Procedures

The data collected in research can be primary or secondary data. According to Bryman and Bell (2007), the primary data is the information that is gathered by the researcher through some instruments such as interviews, questionnaire and tests. On the other hand, secondary data involves the knowledge, information or theory in literature, documents or articles. In this research, both primary and secondary data was collected.

For the primary data, qualitative interviews and open-ended questions were conducted with each firm's manager. With the support from the People's Committee of Baclieu province, the managers of SMEs in Baclieu province were contacted. All the six in-depth interviews took place at the office of the separate companies in order for the researcher to gain some personal experience and also be able to observe the business environment of their individual companies. All the material was transcribed from the interviews and was approved by the respondents in order to reduce any possible misunderstandings. There were also some further questions that had been sent to the respondents via e-mail in order to improve the understanding regarding some particular issues.

The secondary data is the information and knowledge that is collected from previous studies and academic books, scientific articles, reports and relevant internet sources. It is used to support the building of a solid theoretical framework and the appropriate methodology in this research.

3.6 Data Analysis

According to Weber (1990), the data analysis in qualitative research is a procedure that makes inferences from the text. It includes reducing and categorizing the data collected from interviews or observations into groups which have the same meaning. Marvasti(2004) supported that the data analysis in qualitative research is the reflection of the meaning of the data collected through words and must follow through three phases in the procedure: data reduction, data display, and a conclusion and verification.

Therefore, analyzing the data in this research was conducted by following that procedure. Particularly after the transcripts from the interviews had been reviewed and evaluated carefully, the data collected was suitably reduced for the researcher to be able to choose the relevant information, representing the constraints affecting the business development of Baclieu SMEs. Then, it was sorted and categorized in order to create meaningful statements and finally to reach the conclusion of the specific factors that constrain the business development of SMEs in Baclieu province.

3.7 Reliability and Validity

Reliability and validity are two very important tools to measure the objectivity of the study, which should be considered in the implementation of qualitative research.

Reliability is the instrument used to measure the accuracy and consistency of the research results over time. There are several ways to increase the reliability of the research results: rich data sources; using multiple data collection methods; different situations or different studies (Bryman A. & Bell E., 2007). In this research paper, to increase its reliability, various sources of information were used throughout the research. Moreover, the process of conducting this research is described in detail in Chapter 3 and the questionnaire for the interviews is also attached in Appendix 1.

Related to validity, it is divided into the internal and external concept. Accordingly, internal validity refers to the degree of a likely match between the observation and theoretical thoughts. It is usually a result of perception through the observation of social setting for a long time, creating an excellent fit between observations and theory. On the other hand, external validity refers to the level that the findings can be made applicable in the social setting. In this case of qualitative research, researchers often make use of small samples and use a relevant case study. In order to increase the validity of this research, the research questions were reviewed by experts who study and research in very similar fields. In addition, the interviews and analysis were reviewed by the respondents to reduce the possibility of using the researcher's own personal interpretation.

CHAPTER 4

RESEARCH FINDINGS

4.1 Findings from companies

4.1.1 Quang Phu Aquaculture & Construction Joint-stock Company

Quang Phu Company was established in 2012. The main business processes and exports frozen Black tiger and Vannamei shrimp products in various forms, such as HOSO, HLSO, PDTO/PTO, NOBASHI, Butterfly for Sushi with raw and Cooked IQF or block frozen under the EU code DL 727, ISO 22000, BRC and HACCP standard. Construction is just the new branch of business in the company. The company operates as medium-sized with 300 employees. Mr. To Huy Phong is the chairman and CEO with 20 years of working experience in aquaculture and 10 years in holding the same Chairman/CEO position.

Internal constraints:

Quang Phu company now has 300 employees, including workers and administrators. The level of education of workers is average, with 70% of college graduates and 30% of university graduates. Each year, companies have training programs or hire experts to train workers with new skills. So, according to Mr. To Huy Phong, the skilled labor is not a great problem, but how to encourage them to remain with the company was difficult. He declared that: “Almost all companies concentrate on attracting skilled or highly educated laborers, while if compared in the working conditions and wages, SMEs are always weaker than the LEs. Thus, it is difficult to keep skilled labor with us”. In addition, time spent on training and developing new skills in new employees is not short term, and causes a strong effect on the overall performance of the company.

Mr. To Huy Phong said that the most important issue of the company is to export quality products and their customers always want to see their certificates. Therefore, R&D has always been a top priority. Mostly, those innovations are incremental with the aim of improving the quality rather than research and development of a new product line. They do not mind spending money and time to

improve the quality of the products in order to meet international quality standards and attract more customers in a foreign market. So, this factor does not significantly affect the development of the company.

Another problem mentioned by Mr. To Huy Phong is the economic crisis. He noted that in the context of the world's economic instability, the monetary issue is the factor that causes the most negative effect on SMEs, especially for export enterprises. According to the fluctuation of exchange rates, the value of VND tends to increase in comparison with others, and can lead to a higher risk of reducing the value of exports and reducing the profitability of the company.

Considering the access to new technologies, Mr. Tran Thinh Luu, director of the business planning department, confirmed that this is also an important activity and is equivalent to innovation. In the past four years, the company has tried to access new technologies, but it also caused many difficulties. First, the purchase of technology still costs a lot of money. In 2012, the Quang Phu company purchased directly the new Frozen aquatic product conveyor IQF 750kg/h with the price of more than 50,000 dollars. The price was quite high; in addition, it also required a certain interval in training new skills to workers. The cost for new technology is not cheap. Therefore, Mr. To Huy Phong emphasized that although the new technology can bring great benefits to the company, it is also very difficult to ensure a balance between the cost of investment and working capital for the purchase of material inputs.

External constraints:

Concerning the external factors, Mr. Vo Van Chau Em, the Chief Accountant stated that financial access is the big problem that causes some influence on the development of the company. According to him, aquaculture companies always require high capital. However, the current financial institutions implement a credit crunch. In addition, there are just a few provisions to support SMEs, leading to a lack of funds for the company's development.

Competitors are also a fairly serious obstacle to the development of the company, Mr. Tran Thinh Luu, director of business planning also noted. Because the primary business of the company is seafood export, so competition is primarily in the foreign market. Mr. Tran Thinh Luu stated that today, the price competition is

increasingly fierce. Moreover, customers are increasingly concerned about the price of the product, which puts even more pressure on the company. Considering the low cost product, Mr. To Huy Phong claimed that he does not worry to any great extent because the company does not participate into a price-run, but focuses on creating high quality products. The only thing they are concerned about is the provisions of the anti-dumping. This problem has become very prominent in recent years, slowing down revenue of many companies, consuming litigation costs and affecting the credibility of Vietnam in the foreign market. One more thing, the export to different countries requires the different quality standards. The lack of any quality certification standards will cause the company to lose a significant amount of customers. Therefore, the competition is not just about price but is also about the quality. That is the reason why companies do not mind spending money on improving the quality of their products.

Concerning the government policy factors, it was noted that it is not a significant problem to the company. There are some policies to encourage and support for developing aquaculture and in being an export company. Managers of the company also receive training from a local government agency in order to improve management skills and support for the development of the company. In addition, the company also receives the support from the Vietnam Association of Seafood Exporters and Producers (VASEP) in some aspects such as legal, making international relations, holding seminars and international forums to help develop the business of the enterprise. The one problem that the company has to face related to policies is the export regulations. There are a lot of regulations for aquatic product export, regarding price and quality standards. Because of this, the company has to spend a great deal of money to improve the quality of the products as well as to take the necessary quality certificates.

To summarize, the comments about the major factors constraining the development of Quang Phu Company, Mr. To Huy Phong has selected five main factors, which he considered as being the main constraints affecting the development of his company. The results are illustrated in the Table 4.1 below:

Table 4.1 The main constraints affecting the business development of Quang Phu Aquaculture & Construction Joint-stock Company

Internal and External Constraints	
Entrepreneurial skills	X
Lack of skilled labor	
Technological innovation	X
Innovation	
Access to finance	X
Economic Crisis	X
Government policies	
Competition	X

4.1.2 Dong Duong Investment & Development Joint-stock Company

Dong Duong Company specializes in consulting, design and construction of civil works and interior decoration. The company was founded in late 2009 and began operations in 2010 with three shareholders who were also the founders of the company. The workforce is now 170 people, including 150 workers and 20 people in management. Mr. Cao Thanh Hai is chairman and director of the company with five years of experience working in this position.

Internal constraints:

Due to Dong Duong Company being established on a small scale, according to Mr. Hai, the internal difficulties are inevitable. Concerning the workforce, he said the administration department is not worried because the current number of people on the board all have a higher level of education and mostly are university graduates in construction or management. However, 150 workers are mostly with intermediate level education and limited work-based experience. In addition, attracting skilled labor is not easy, especially for SE. The issue of wages or working environment is not good enough to attract skilled labor.

Regarding innovation, Mr. Hai stated that innovation and access to new technologies are always a priority in the activities of the company. In recent years, the company has implemented a radical innovation that aims to expand business development. Accordingly, in addition to the construction, the company has implemented plans to develop a new line of business. That is the products which offer support for aquaculture. This business is in the registration procedure and will start operating in 2015. In terms of access to new technology, although the company is always trying to find information and opportunities to access new technologies through workshops and technological exhibitions, the problems still exist due to the level of money being limited. They usually maintain the current machines at a fixed period, hence it seems to be too difficult to increase the efficiency in their business.

External constraints:

Mr. Cao Thanh Hai said that there are factors from the external business environment that have caused many problems constraining the development of his company. First, he emphasizes on the access to finances. According to him, capital is the lifeblood of any company, especially SMEs. However, some provisions and requirements for bank loans reduce the accessibility of loans. Especially, the collateral loans almost failed. In addition, high interest rates coupled with the slow disbursement greatly affect the profitability and growth of the business.

Another problem is the policy of the government. He mentioned that a number of government policies were issued, but the implementation was not synchronized. The expansion or new business registration also requires more paperwork, procedures and time. This slows down the business plans, as well as increasing the costs. A particular example he gave concerns a new project in his company. As he explained, it is a project with the aim of exploiting a new speedboat route from Baclieu province to Condao island which will have a significant development of tourism in 2015. However, the government required a lot of paperwork as well as prolonging a long time for registering, which made it far too complex and it completely slowed down the schedule of the project.

One more issue mentioned by Mr. Hai is the economic crisis. The recent volatility of the Vietnam economy such as monetary tightening, the raising of oil

prices and reduction of public spending, has slowed the implementation of public work projects which his company cooperates with the local government. This had a significant impact on the ROI (return on investment) and a reduction of the corporate income.

In relation to competitors, he said that the competition exists but it is not a serious issue for the company. Due to the construction sector in the province of Bac Lieu does not have many competitors, this will allow the Dong Duong company to become a leader in the market. Additionally, the Dong Duong company already has work experience and a positive reputation from many public works and projects they cooperated with the local government.

In short, there are five main factors that Mr. Hai selected as the main constraints influencing the development of his company. The results are shown in the Table 4.2 below:

Table 4.2 The main constraints affecting the business development of Dong Duong Company

Internal and External Constraints	
Entrepreneurial skills	X
Lack of skilled labor	
Technological innovation	X
Innovation	
Access to finance	X
Economic Crisis	X
Government policies	X
Competition	

4.1.3 Thanh DatPhat Co., Ltd.

The company was founded in 2005, being a retailer of building materials and fuel. The characteristics are that it is small-sized and is operated as a family-run business. Mr. Vu Cong Dinh is the owner-manager of the company, having 10 years of relevant work experience.

Internal constraints:

According to Mr. Dinh, the company now has 12 employees. All of them are trained and are college graduates. He also said that, for small businesses, to attract or retain skilled workers is very important. However, the fact that the implementation is very difficult could well be due to the company having a simple business environment and providing limited wages. Currently, although the company does not lack any laborers, the number of skilled laborers is still very limited. This is a major obstacle to long-term development of the company. He intends to implement a training program for his employees in order to improve the quality of the laborers.

Concerning the aspect of gaining access to new technologies and innovation, Mr. Dinh stated that this is not an issue for now. He explained that he did not spend money on innovation and research and development. It is a small company and that is why the expenditure for innovation is very difficult and limited. Similarly, access to new technologies is also considered an important factor and he also participated in many exhibitions in order to gather the information of new technology. However, he did not recognize any idea of some new technology that would be suitable for his current business. The only way to improve the business performance is maintaining and upgrading the current technology, hence the efficiency has not been very high.

External constraints:

Mr. Vu Cong Dinh claimed that the external environmental factors caused considerable constraints which had an impact on the business development of the company, in which access to finance was the biggest one. He noted that at the start-up of the business, money was not problem to the company. However, to develop and expand any business, companies need loans and funding from credit institutions. The fact exists that the rate of successful access to loans is not very high. This is because the procedure for bank loans requires too much time to approve, and the the eligibility criteria is far too difficult for businesses to be able to respond to. Besides this, the economic crisis was also mentioned by Mr. Dinh as a major factor that is hampering the business development of his company. Being a petrol company, the instability of

petrol prices due to suffering from the fluctuation of the world economy in recent years greatly affected his business. The risk of declining revenue and discounts from general petroleum agents not only inhibits the development of the company, but can also cause a decline in business performance. He stated that although the Vietnamese government has taken many solutions to stabilize the price of petrol, the impact of the volatility of the world economy is great and the financial ability of small businesses is weak. The risks, thus, are still very high.

Considering the government policies, he claimed that the registration of new business areas takes a lot of time. According to the regulations, the company only offers the products or services that are stated in the business registration documents. When businesses have plans to expand the business in some other area to develop business, a company must register the whole data again, wasting a lot of money and time for the company. This situation obviously constrained the development of the business significantly.

With the question about choosing the main constraints among the factors mentioned above, Mr. Dinh picked out five constraints which are shown in the Table 4.3:

Table 4.3 The main constraints affecting the business development of Thanh DatPhat Company

Internal and External Constraints	
Entrepreneurial skills	X
Lack of skilled labor	
Technological innovation	X
Innovation	X
Access to finance	X
Economic Crisis	X
Government policies	
Competition	

4.2 Organizations

4.2.1 Joint-Stock Commercial Bank for Foreign Trade of Vietnam

JSC Bank for Foreign Trade of Vietnam, formerly known as the Bank for Foreign Trade of Vietnam, was established on 01/04/1963 from the Foreign Exchange Bureau (of the State Bank of Vietnam). Being the first state commercial bank chosen for pilot privatization by the Government, Joint Stock Commercial Bank for Foreign Trade of Vietnam officially came in to operation on 02/06/2008, after successfully implementing the equalization plan through IPO. Vietcombank (stock code: VCB) was officially listed on the Ho Chi Minh Stock Exchange (HOSE) on 30/06/2009.

The Bank for Foreign Trade of Vietnam in Baclieu province was founded in 2011. Mr. Tran Chi Luan has been the director of the branch since November 2014. This is the 75th branch of the Bank for Foreign Trade system, supplying to the market and the economic sectors in the province most of the services Vietcombank modern bank currently provides as customer services, including savings, loans, cards, credit, electronic banking.

4.2.2 People's Committee of Baclieu province

The People's Committee of Baclieu is the government agency that is responsible to abide the Constitution, Laws, Documents of government and resolutions to ensure the implementation of measures for socio-economic development, consolidation of defense, security and implementation of government policies within the province.

Regarding economic aspects, the People's Committee is responsible for the overall planning of socio-economic development, development of urban and rural areas in the jurisdiction; building and managing the long-term plans and projects to develop the economy of the province.

4.2.3 Internal Constraints

Both the respondent bank and state agencies agreed that business management skills are constraining factors that influence the development of SMEs in business Baclieu province. Mr. Luan said one of the weaknesses of the business is poor management capacity, leading to business strategy as well as the proposal does not bring high efficiency. He further declared that many business owners only trained in specialized knowledge, lack general management knowledge, especially about the production, cost control and financial system. In addition, the application of the

systematic accounting at the medium-sized enterprises, while for small businesses they still lack knowledge about cost control and financial management. This lead to a lack of transparency in the financial statement, Mr. Tran Chi Luan stated.

Access to new technology and innovation is also a factor hindering others. According to Ms. Ai Nam, most SMEs have low capital. The registered capital is primarily from real estate or assets, hence the lack of working capital is very common. As a result, they lack the funds to carry out technological innovation, or cannot afford to develop products/services that require high investments.

Attracting skilled laborers is considered as a difficult aspect for SMEs. According to Mr. Luan, employable people who are trained professionals or highly qualified would much more prefer to work in large companies than SMEs, due to low pay and poor working conditions provided in SMEs. However, Ms. Ai Nam confirmed that this is not a major obstacle. In recent years, local governments, along with center support SMEs, and the Chamber of Commerce and Industry (VCCI) organized training courses and guidance workshops in order to raise the level of the labor force in SMEs in Baclieu province. In addition, the provincial People's Committee has issued a Baclieu training scheme, with a guidance and business development team in the Baclieu province to run until 2020. This support has contributed significantly to improve the quality of labor in SMEs.

4.2.4 External Constraints

Regarding the access to finances, all the six respondents agreed that this is one of the main external factors that either directly or indirectly hinders the development of SMEs in the Baclieu province. Mr. Luan noted that the access to finances of many SMEs that currently face many difficulties, were caused by these four main reasons:

- Lack of financial reporting transparency
- Financial imbalances
- Lack of good business development plan
- The collateral is not guaranteed

In such factors, lack of collateral and lack of good business development plans are the main and common factors that hamper SMEs to access to bank loans. Specifically, banks require the high feasibility of the development plan; additionally

SMEs must have an equity capital large enough, depending on the magnitude of the project and loans. Yet, the fact that SMEs have limited capital, consequently it is difficult to meet the requirements of the bank. Another reason mentioned by Ms. Ai Nam is the procedure for a loan. The situation is that the required documents for the bank loan is far too complex and some small businesses cannot afford or lack the sufficient knowledge about this procedure. In addition, the disbursement period lasts longer, leading to a lack of capital for business development.

Government policies and regulations do not seem to be the main obstacle for SMEs in Baclieu province. According to Mr. Luan, although in terms of administrative procedures are still difficult and complex to SMEs, some improvements are still being made. Ms. Ai Nam also explained that the issue of administrative procedures has been realized and the government is implementing improving, simplifying required documents and will shorten the time for approval. For policies to support SMEs, local authorities have also collaborated with the Center to support SMEs build support programs such as tax breaks for businesses, in particular, legal support and consulting administrative procedures for SMEs and so on.

On the other hand, the impact of the economic crisis becomes a factor, which both organizations pay particular attention to. They emphasized that the current situation of the global crisis led to the ongoing volatility of oil prices and currency exchange rates, creating the instability in the business of many enterprises, especially SMEs. Ai Nam further explained that one noticeable thing is that SMEs in the field of foreign trade and construction is responsible for the majority of the total number of SMEs in Baclieu and has contributed significantly to the local economy and regional economy. Although the Vietnamese government as well as the local government implemented solutions to control those issues, the entrepreneurial skills of SMEs, in general, is still rather weak. The ability to measure and manage the risks is still limited. Consequently, many SMEs have to face such great difficulties, which cause strong influence on business performance and profitability.

4.3 Analysis of factors constraining the SME's business development

Several factors that were studied in this research project is summarized and mentioned in previous sections. Through that data, this section will provide the analysis of those constraints and identify the main constraints affecting business development of SMEs in Bac Lieu province, Vietnam. According to the assessment of the companies studied, the internal and external factors that are causing problems for their companies are summarized in the following two tables 4.4 and 4.5:

Table 4.4 The effects of internal factors constraining development of three companies

	Dong Duong JSC	Quang Phu JSC	Tan DatPhat Co., Ltd
Entrepreneurial skills	Yes	Yes, to some extent	Yes
Lack of skilled labor	No	No	Yes, to some extent
Technology	Yes	Yes, to some extent	Yes
Innovation	No	No	Yes

(The table will be analyzed in the part 4.3.2 – Analysis of internal factors)

Table 4.5 The effects of external factors constraining development of three companies

	Dong Duong JSC	Quang Phu JSC	Tan DatPhat Co., Ltd
Government policies	Yes, to some extent	No	Yes, to some extent
Economic crisis	Yes	Yes	Yes
Access to finance	Yes	Yes, to some extent	Yes
Competition	No	Yes, to some extent	Yes, to some extent

(The table will be analyzed in the part 4.3.1 – Analysis of external factors)

4.3.1 Analysis of external factors

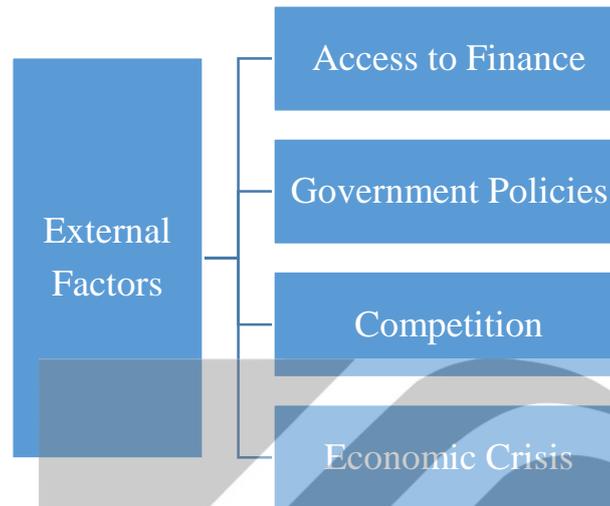


Figure 4.1 External factors affecting the business development

Access to finance

Generally, almost all SMEs have to face difficulties in access to finances with problems related to collateral and incapability (OECD). In the case of Vietnam, (rural SMEs) also argued that access to capital is a major obstacle to the development of SMEs in the Mekong Delta province. The director of VIETCOM bank explained that this problem is also occurring with SMEs in the Baclieu province. The main reason why it is so difficult for SMEs to receive loans, according to him, is that they do not have collateral, management skills or transparency in the financial statements. This leads SMEs to face very high financial risks.

In fact, all three companies studied during this research project coped with certain difficulties in applying for bank loans to expand the business. Mr. Cao Thanh Hai said at the beginning he often used his own personal funds to fill the shortfall in working capital instead of taking loans from financial institutions, mainly due to difficulty in meeting the criteria for collateral. Although in present times, the three companies received loans due to efficient business performance and having feasible development schemes, they all still agreed that the difficulty in accessing finance is a factor constraining the business development of SMEs in Baclieu province.

Government Policies

Government policies are also something to be considered as a factor and although they bring support they have also brought the main cause to inhibit the development of SMEs business (Kunene, 2008). All three companies that were studied agreed that government policy is not the main obstacle affecting the business development of the company. They all mentioned that the business owners also receive support and tax policies to encourage investment. In addition, the labor force as well as the management of the company also received training to improve their skills. However, the difficulty still exists, although mainly as a procedure that is far too complex, very costly and completely time-consuming.

Competition

In the context of globalization, market competition is increasingly fierce (Ligthelm, 2002), while the SMEs lack the capacity to compete in certain aspects such as knowledge, innovation strategy, and management skills. Therefore, it has caused many difficulties for SMEs.

The companies studied in this research claimed that the effect of competition in market is not too much. Ms. Le Thi Ai Nam explained that in general, SMEs in Bac Lieu province are still low in competitiveness due to their small-size, lack of capital and management skills. However, they have certain competitive advantages from resources of high quality material. For an aquatic product company, Mr. To Huy Phong (Quang Phu Company) also believed that aquatic product export is the strength of companies in Vietnam, especially for companies in Bac Lieu province because Bac Lieu is one of three provinces in Mekong Delta that has the most ample source of aquatic material in the country. Hence, an aquatic product company there gets more advantages of material input. The only thing they are genuinely concerned about is the provisions of the anti-dumping. Similarly, the two construction companies pointed out the source of material is the essential element making them better than other competitors.

Economic Crisis

Cheah H-B. & Cheah M. (2005) pointed out that the economic crisis is a major factor in constraining the development of a country, in which the SME sector has to suffer the most. The reason is that they are of small-size with fairly limited resources.

The respondents of all three companies made the same point that the main factor to influence the development of their company was the economic crisis. In addition, there are macroeconomic factors that cause a strong influence on the business development of the company: the instability of oil prices and currency exchange rates. Since the oil prices are constantly rising, the cost for the operation and production of SMEs has increased significantly. The Thanh DatPhat company representative emphasized that their material is not available in Baclieu province, but has to be ordered from the mines in another province. Consequently, the cost for transportation has increased, which led to a decrease in the company profit. The Quang Phu company representative also referred to the currency exchange rates as being a significant factor affecting the company's business. Mr. Tran Chi Luan noted that in the first 10 months of 2014, the Vietnam Dong currency had risen significantly against some hard currencies in the world, especially the Euro and the Japanese Yen. This is detrimental to the exporters, reducing profits and restricting export. Thus, SMEs in Baclieu province, especially export enterprises, also support this motion, which is hindering business performance.

4.3.2 Analysis of internal Factors

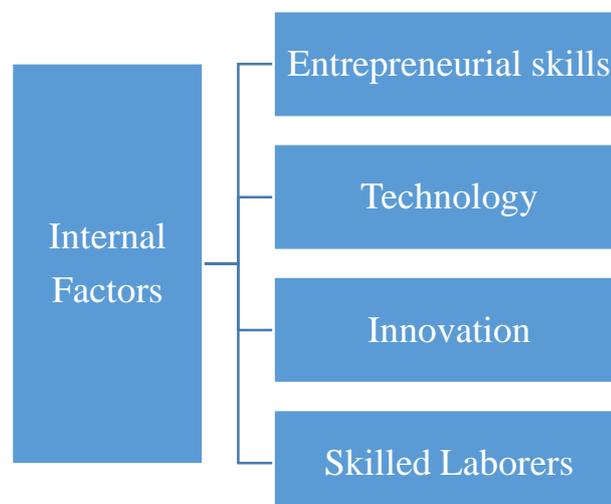


Figure 4.2 Internal factors affecting the business development

Entrepreneurial skills

The development of enterprises depends on business management skills. Poor management skills still remains a problem in SMEs (Forsman, 2005). Considering the context in Bac Lieu province, Ms. Le Thi Ai Nam (Government Agency) and Mr. Tran Chi Luan (Vietcombank) both stated that most of the SMEs in Bac Lieu were an established company before acquiring the basic management skills, which are required for the operation of a successful business. This causes difficulties in the production management, especially management costs, inventory and financial systems.

The director of Dong Duong company also realized that centralized management is an internal problem affecting the company's business. The Thanh DatPhat Company acknowledges that the problems it is facing is due to the lack of knowledge of human resources, leading human resource management to become ineffective, which can create reduced motivation among employees. For the company Quan Phu, although they are not afraid to invest in training to improve the quality of management, the situation is that some individuals engaged in participation only very grudgingly. Thus, lack of management skills is identified as the one of most challenging internal factors constraining the development of many SMEs in Bac Lieu.

Technology

Technological innovation is a prerequisite for the development of enterprises (N. Becheikh, R. Landry & N. Amara, 2006). However, SMEs tend to use the technology improvement or no improvement in technology due to limited funds (OSMEP, 2008). This issue is also seen as a problem that is happening both in Dong Duong and Thanh DatPhat companies. They acknowledged that although many try to access information on new technologies, limited funds make it difficult to apply or it is virtually impossible to acquire. Thanh DatPhat Company primarily maintains and repairs, rarely upgrades or rarely, if ever, buys any new technology. Quang Phu Company also mentioned that the company has purchased new and improved technology, but the price and the cost to train new skills for employees remains a burden for the company.

Innovation

According to Danneels and Kleinschmidt(2001) innovation can give SMEs great opportunities to grow and expand into new areas. The issue that most SMEs implement is informal innovation which is utilized day-to-day within the same premises (M. H. Bala Subrahmanya, M. Mathirajan, and K. N. Krishnaswamy, 2010). However, it seems not to be a problem to SMEs in Baclieu province.

All three companies studied in this research project claimed that they do not find any difficulty in innovation for business development. Accordingly, the Company Quang Phu invested annually in research and development to improve product quality and international standards. Two other companies used innovation towards the development of a new business line in order to expand the business. Also, according to Ms. Le Thi Ai Nam, the government does not restrict innovation, but has the policy to encourage enterprises to expand their business. Accordingly, the local government is implementing reforms of administrative procedures in order to create favorable conditions for SMEs registering their new business line.

Lack of Skilled Laborers

McElwee, G. and L. Warren(2000) claimed that a lack of skilled labor is a major obstacle to the development of SMEs. Moreover, the fact that LEs can offer better benefits than SMEs, hence attracting a highly educated workforce is a difficulty for SMEs (Holden,R., Jame, S. & Walmsley, A., 2007).

Ms. Le Thi Ai Nam said that the skilled and highly educated workforce in Baclieu province has now increased. It is not only the locals who have returned from university, but also includes the workers from other cities, thanks to the attracting talent policy of the People's Committee of the Baclieu province. However, the labor distribution is uneven. The highly-trained workers are generally concentrated in large enterprises. Mr. Luan Tran Chi (Vietcombank) added that the business performance of SMEs, in general, have been influenced due to a lack of skilled laborers. This issue is also stated by all three companies. They argued that the reason for this issue is that the preferential treatment and wages in SMEs are not as good as in a large company. However, they also said that they also receive the support from the Chamber of

Commerce and Industry Organization (VCCI), in opening the training courses to improve the quality of all the employees. Therefore, businesses and organizations agree that the lack of skilled labor is not a factor constraining the development of SMEs in Baclieu province.

4.4 Assumption discussion

The purpose of this study was to identify the main internal and external factors constraining the business development of SMEs in Baclieu province, Vietnam. Based on existing theory and relevant previous research, the project focused on four assumptions, as mentioned in Chapter 1, in order to find out the major internal and external factors. After the empirical research, collected and analyzed data, this section aims to discuss whether the assumptions are right or wrong after the experiment.

A1: Entrepreneurial skills is the main internal constraint affecting the business development of SMEs in Baclieu province, Vietnam

A2: Technology is the main internal constraint affecting the business development of SMEs in Baclieu province

Several internal factors, which are believed to hinder the development of SMEs have been identified during the study. According to the theory, it indicates that entrepreneurial skills is one of the main factors that hampers the business development of Baclieu SMEs. The experimental results show that this is indeed the main internal factor. All the respondents recognized the shortcomings of their entrepreneurial skills and determine its impact at the business development of the company. Additionally, organizations, especially government agencies, recognized this weakness and have policies to support and improve business management of the company's management. Therefore, the first assumption is correct.

For technology and the innovation factor, the main problem of the companies studied is still limited capital. Some companies mostly do not implement innovation or acquire any new technology; the other companies have implemented technological innovation, but with them in doing this, the price and additional costs remain a burden

on the company. The respondents all agreed that this is a major factor constraining business development of SMEs. Thus, the second assumption is correct.

A3: Access to finance is the main external constraint affecting the business development of SMEs in Baclieu province.

A4: Government policies is the main external constraint affecting the business development of SMEs in Baclieu province

The two assumptions above refer to the main external factors constraining business development of SMEs in Baclieu province. According to the previous studies mentioned in Chapter 2, access to finances is considered as the main constraint affecting the development of SMEs in not only the developed countries but also in the developing countries as well. Experimental data showed that all three companies are experiencing difficulties in accessing finance. Moreover, Vietcom bank also stated that SMEs in Baclieu province now do not have enough competence and financial capacity to meet the requirements for the loan. Therefore, lack of capital for business development is a common issue and is a symptom illustrating the constraints to SMEs. Hence, it can be said that the third assumption is correct.

Assumption 4 refers to the impact of government policies. According to the theory and the literature review in Chapter 2, this is the main factor directly affecting the development of SMEs in Baclieu province. However, according to the empirical results, all the companies that were studied were not worried about this factor at all. Although a number of policies and procedures cause difficulties for their business, it was still agreed that, overall, the government policies are supportive for SME development. Therefore, the forth assumption is incorrect.

CHAPTER 5

CONCLUSION, DISCUSSION AND RECOMMENDATIONS

5.1 Conclusion and Discussion

The SMEs sector in Baclieu province, for more than two decades, has been under continuous pressure of market-oriented economy and economic restructuring. However, policy reform and globalization has opened a new door for the development of this sector. The number of SMEs increased steadily each year and the contribution of this component offers considerable support in poverty reduction, job creation and economic development of the province. In 2011, the provincial gross domestic product (GDP) increased by 12% in comparison with the previous year; revenue in the budget balance was 871 billion; attracting over 25,000 employees; export turnover reached US\$284 million (increasing by US\$141.9 million over 2006); exports of major agricultural products 46.529 million (an increase of 37.889 million); aquatic products 237.471 million (an increase of 104.042 million compared to 2006).

The empirical study was conducted based on data collected through interviews with SMEs in three different business sectors of Baclieu province and the organizations cooperating with SMEs. The results have pointed out that several problems still exist constraining the business development in these sectors, including both internal factors and external factors.

Regarding internal issues, the most common difficulty is that the owner-director of most SMEs generally start their business with a lack of a certain part of management knowledge. This affects the efficiency in operating the business of a company as well as the direction and vision in developing the business. Therefore, a lack of entrepreneurial skills becomes a major factor as it hinders their business development. Besides this, the technology factors, in other words, the technological innovation is also another constraint to develop SMEs in Baclieu province. This activity has been rarely implemented, due to most SMEs having operated their business with low capital and a lack of working capital. Thus, the efficiency in business development is either not high or has even not improved at all.

In terms of external factors, the constraint, which has the strongest effect on the business development of SMEs, is access to finances, or the lack of access thereof. The main reason for this is due to the financial competency and the efficiency in business of enterprises that have not met the complicated requirements for bank loans or loans from other financial institutions. In addition, the procedure to apply for a loan is highly complex and prolongs over a long period of time. Consequently, capital shortages caused obstacles to the business development of the enterprises. Government policy, however, is not the main limiting factor. In general, several policies and regulations issued bring certain support for the development of enterprises, although, some procedures are complex but the reform is there to be implemented. Beyond bank loans, the global economic crisis factor was identified as another major obstacle hindering SMEs development. All the companies studied in this research argued that the fluctuations in the macro economy, particularly in oil prices and currency exchange rates can lower the profitability and business performance of the companies.

In short, there are several internal and external constraints that have been mentioned and analyzed throughout this empirical research. The four main constraints affecting the business development of SMEs in Baclieu province were identified as: (1) internal constraints: entrepreneurial skills and technological innovation, and (2) external constraints: access to finance and the global economic crisis. Besides this, skilled laborers and competition are also the constraints to the business development of SMEs, but only to some extent.

With those internal and external constraints as found above, it shows that SMEs in Baclieu province are experiencing unsustainable development. According to the World Commission on Environment Development – WCED, the sustainable development is defined as the ability to meet the needs of the present without compromising future generations. Specifically, Igwe PI & Igwe ID(2011) confirmed that the sustainable development of an enterprise represents a stable increase in the parameters such as revenue, profit or market share. Although SMEs in Baclieu province, in general, have experienced an increase in the number of employees and business activities (Baclieu, 2014), they still have difficulty in capital, technology, management skills, and even suffering the influence from the external business

environment such as a lack of access to finances and the fluctuation of the macro-economy. All those problems can cause a negative impact on the business development of SMEs and consequently, perhaps could lead to the unstable development in their immediate and long-term future. Furthermore, besides the impact on the future development of the SMEs it could also hinder the development of the local economy of Bac Lieu province, where SME is the primary sector and makes some essential contributions to the economy of the province. Therefore, it is recognized that there is a need to find solutions to limit the effects of those constraints to business operations of SMEs, in order to ensure the long-term and sustainable development of this sector in Bac Lieu in the future.

5.2 Recommendations for future research

This study was conducted with three SMEs in Bac Lieu province in Vietnam, during a certain period of time, in order to identify the internal and external constraints to the SME business development. In addition to interviewing enterprises, collecting assessment from the perspective of the organizations, which directly affect the business activities of SMEs, such as financial institutions and government agencies were also conducted through interviews, with the aim of achieving objectivity and accuracy for this research. The research project also carried out research covering SME firms in different sectors such as construction, manufacturing and trade, to determine specific problems of each sector. For further research, it could be undertaken to compare the problems in the region, such as between different cities in the Mekong Delta, or between SMEs in urban and rural areas within Vietnam.

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Interview 1:

Name: Ms. Le Thi Ai Nam

Title: Vice-chairwoman

Institution: People's Committee of Bac Lieu province

Date: December 5, 2014

Questions:

1. Please briefly introduce your name, title and duties
2. How has SMEs in Bac Lieu province develop during the past years?
3. What is constraints from the external business environment affecting the development of SMEs?
4. Among those constraints, which one is popular? Has the government done anything to support SMEs solve those problem by now?
5. Do you think lack of entrepreneurial skills and skilled labor are the problems SMEs in Bac Lieu have to face?
6. Does government establish any policies or regulations to support the development of SMEs in the province?
7. From your perception, does SMEs face problems with any regulations or administrative formalities?
8. Does international regulation of international organization (ex: WTO) in foreign trading cause any difficulties to Bac Lieu SMEs?
9. What do you think about the competitive power of Bac Lieu SMEs in both domestic and international market, especially in the aspect of price and quality?
10. Do you think lack of competitive power of Bac Lieu SMEs is one of constraints to their development?
11. Does economic crisis cause constraint to SMEs development?
12. In such elements in both internal and external environment, which are the main factors constraining Bac Lieu SMEs' development?

Interview 2:

Name: Mr. Tran Chi Luan

Title: Economist – Director

Institution: JSC Bank for Foreign Trade of Vietnam (Vietcombank) – the branch in Bac Lieu province.

Date: December 7, 2014

Questions:

1. Please briefly introduce your organization
2. The fact that access to finance is the major problem to SMEs in many countries, do you think it is the case in Bac Lieu province as well?
3. What is reason caused SMEs in Bac Lieu unsuccessful in access to finance?
4. Does your bank have any support or promote Bac Lieu SMEs in any way?
5. Does government has any policies affecting development of SMEs? Among them, which one as you perceive is constraints to the development of SMEs in Bac Lieu?
6. The instability from the world because uncertainty within Vietnam economy, do you think this situation constrain Bac Lieu SMEs developed?
7. Beside those external factors, are there any internal factor that you think cause problems for SMEs in Bac Lieu?
8. In such elements in both internal and external environment, which are the main factors constraining Bac Lieu SMEs' development?

Interview 3:

Representative: Mr. Cao Thanh Hai

Title: Owner-Director

Company: Dong Duong Investment & Development Joint-stock Company

Date: December 7, 2014

Interview 4:

Representatives: Mr. Vu Cong Dinh
 Title: Owner – Director
 Company: Thanh Dat Phat Co., Ltd
 Date: December 8, 2014

Interview 5:

Representatives: Mr. To Huy Phong – Owner-Director, Mr. Vo Van Chau Em
 – Chief Accountant, and Mr. Tran Thinh Luu – Manager of
 business planning
 Company: Quang Phu Seafood & Construction Join-stock Company
 Date: December 10, 2014

Questions:

1. Please brief introduce your company name and formation
2. Is your company family-run or a part of group?
3. Please briefly introduce the name, position and duties within the firm.
4. In what sector is the company operating? And what is the core product or service?
5. How many are there employees currently working in the company? What is the typical formal background of your employees (education and training)?
6. Is it difficult to find and attract personal with high education?
7. Do you find difficult keeping your staff?
8. In the past 4 years, have the company carried out any R&D of new technologies / products / services?
9. Do find it difficult to implement innovation within the company? If so, what factors make it difficult?
10. In recent years, the company has access or purchase any new technology to improve production business? If not, why?

11. Are your competitors cause difficulties to your development, especially in foreign market? What is you competitive advantages or strategy to compete with them?
12. Do you find difficult in access to finance? If so, why?
13. Are there any government policies or regulations that constrain development of your company? Do you think international regulations of international organization (like WTO) is your barriers in foreign trade?
14. Are there any organization support your company in any way?
15. The instability from the world cause uncertainty within Vietnam economy, do you think it also impact negatively development of the company?
16. Could you choose by checking the essential internal and external factors that cause the most constraint to the business development of your company?

Internal constraints	Entrepreneurial skills	
	Lack of skilled labor	
	Technological innovation	
	Innovation	
External constraints	Access to finance	
	Economic Crisis	
	Government policies	
	Competition	

BIOGRAPHY

NAME: Tang Thi Tra My

DATE OF BIRTH: 8 August 1989

EDUCATION:

2014 Stamford International University

Master of Business Administration

2011 Bac Lieu University

Bachelor of Accounting

NATIONALITY: Vietnamese

HOME ADDRESS: 14/2, Hoa Binh street, BacLieu city, Vietnam

CURRENT SCHOLARSHIP: Mekong 1000 project scholarship from
Vietnam Government

EMAIL ADDRESS: camellia8889@gmail.com