

**INTERNAL - EXTERNAL FACTORS AFFECTING THE HUMAN RESOURCE
MANAGEMENT OF SMALL AND MEDIUM ENTERPRISES IN DONG NAI
PROVINCE**

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ABSTRACT: *In Vietnam, Small and Medium Enterprises (SMEs) now are accounting for about 98% of the total number of businesses operating in the country in which the medium-sized enterprises account for only 2.2%, small business strategy and remaining 29.6% and 68.2 % is super small. But in fact, SMEs play a very important role in the national economy. SMEs are the main source of employment and income generation for laborers, helping to mobilize social resources for development investment, poverty reduction... Every year, SMEs create over one million new employees. Employing up to 51% of social workers and contributing more than 40% of GDP to the country. In addition, the research results showed that there were 250 SMEs managers who interviewed and answered about 23 questions. The Data collected from 12/06/2016 to 15/05/2017 in Dong Nai province. The researcher had analyzed Cronbach's alpha, KMO test, the result of KMO analysis used for multiple regression analysis. The research results were processed from SPSS 20.0 software. The parameters of the model estimated by Least - Squares Method tested for the model assumption with 5% significance level. Finally, the researchers have recommendations improving the human resource management at small and medium enterprises in Dong Nai province.*

KEYWORDS: SMEs, Management, Human Resource, DNU and LHU.

INTRODUCTION

In the current integration period, the world of business and living is becoming more and more flat, not only in the economic field but also in the fields of culture, society, Politics, security, defense... Vietnam had been participating in Free Trade Agreements (FTAs), participants will be much freer in the area of equitable commitment to all parties despite the development level of each participating country. Vietnam is in the lower group. This is the most general context of Vietnam in the integration period and in that context, the role of the position of Vietnamese SMEs will be unique, so we need to understand in order to have strategies and methods of distribution.

Moreover, the country now has about 500.000 active SMEs; Dong Nai has about 12.000 enterprises. Despite their small size, these enterprises are very small and have very low development level. They are weak in capital, technology, management capacity and lack of experience in accessing information, land and market. Competition in the country is difficult, when joining FTAs, especially when the WTO Agreement goes into effect, SMEs are afraid to face strong competition from the very strong and elite companies of the countries. However, despite the inherent difficulties inherent in SMEs, it is important for SMEs not to be big, strong, but to grow fast. Asia is already, and will continue to be, the region with the

highest growth rates in the world in decades to come, despite the slowing economic growth of the Chinese economy. Vietnam is a very important geopolitical country in Asia Pacific and globally so our SMEs have a lot of growth opportunities in this integration period.

In addition, the SMEs faced with many problems such as failure to retain staff with long-term capacity of the difficulties in recruiting suitable position now... the environmental needs of staff working increasingly require to meet higher standards; cohesion between the leadership with the staff of the company to increasingly tighter. Moreover, to attract the high-quality human resources of small and medium enterprises are often more limited than large-scale enterprises than in industry? Investment Corporation specializing in Asian business leader real estate, interior decoration, the field is having trouble at present, as well as a small-scale company so working in corporate human resources job is vital to Small and Medium enterprises. The above mentioned things and combination with the practical requirements of the teaching career, the authors had boldly chosen the theme: "**INTERNAL - EXTERNAL FACTORS AFFECTING THE HUMAN RESOURCE MANAGEMENT OF SMALL AND MEDIUM ENTERPRISES IN DONG NAI PROVINCE**". This study finds out the internal - external factors affecting the human resource management of SMEs and recommendations in order to enhance the effectiveness of human resource management of SMEs in the future.

LITERATURE REVIEW

Johnason, P. (2009). Human Resource Management (HRM or HR) is the management of human resources. It is designed to maximize employee performance in service of an employer's strategic objectives. HR is primarily concerned with the management of people within organizations, focusing on policies and on systems.

Collings, D. G., & Wood, G. (2009). HR departments are responsible for overseeing employee-benefits design, employee recruitment, training and development, performance appraisal, and rewarding (e.g., managing pay and benefit systems).

Paauwe, J., & Boon, C. (2009). HR also concerns itself with organizational change and industrial relations, that is, the balancing of organizational practices with requirements arising from collective bargaining and from governmental laws.

Klerck, G. (2009). HR is a product of the human relations movement of the early 20th century, when researchers began documenting ways of creating business value through the strategic management of the workforce. It was initially dominated by transactional work, such as payroll and benefits administration, but due to globalization, company consolidation, technological advances, and further research, HR as of 2015 focuses on strategic initiatives like mergers and acquisitions, talent management, succession planning, industrial and labor relations, and diversity and inclusion.

Human resources focuses on maximizing employee productivity. HR professionals manage the human capital of an organization and focus on implementing policies and processes. They can specialise on recruiting, training, employee-relations or benefits. Recruiting specialists find and hire top talent. Training and development professionals ensure that employees are trained and have continuous development. This is done through training programs, performance evaluations and reward programs. Employee relations deals with concerns of employees when policies are broken, such as in cases involving harassment or discrimination.

Someone in benefits develops compensation structures, family-leave programs, discounts and other benefits that employees can get. On the other side of the field are Human Resources Generalists or business partners. These human-resources professionals could work in all areas or be labor-relations representatives working with unionized employees.

Klerck, G. (2009). In startup companies, trained professionals may perform HR duties. In larger companies, an entire functional group is typically dedicated to the discipline, with staff specializing in various HR tasks and functional leadership engaging in strategic decision-making across the business. To train practitioners for the profession, institutions of higher education, professional associations, and companies have established programs of study dedicated explicitly to the duties of the function. Academic and practitioner organizations may produce field-specific publications. HR is also a field of research study that is popular within the fields of management and industrial/organizational psychology, with research articles appearing in a number of academic journals, including those mentioned later in this article.

Johnason, P. (2009). Some businesses globalize and form more diverse teams. HR departments have the role of making sure that these teams can function and that people can communicate across cultures and across borders. Due to changes in commerce, current topics in human resources include diversity and inclusion as well as using technology to advance employee engagement. In the current global work environment, most companies focus on lowering employee turnover and on retaining the talent and knowledge held by their workforce. New hiring not only entails a high cost but also increases the risk of a newcomer not being able to replace the person who worked in a position before. HR departments strive to offer benefits that will appeal to workers, thus reducing the risk of losing corporate knowledge.

RESEARCH METHOD

This study uses the method for a way of asking questions which allows the interviewee to have more control of the interview for 250 SMEs managers. The interview could be semi-structured, which uses an interview schedule to keep some control of the interview, but also allows for some flexibility in terms of the interviewee's responses. The interview could be unstructured, here the aim is to explore the interviewee's feelings about the issue being explored and the style of questioning is very informal. In addition, the formal research is done by using quantitative methods questionnaire survey of 250 SMEs managers interviewed and answered about 23 questions. The Data collected from 12/06/2016 to 15/05/2017 in Dong Nai province. The reason tested measurement models, model and test research hypotheses. Data collected were tested by the reliability index (excluding variables with correlation coefficients lower < 0.30 and variable coefficient Cronbach's alpha < 0.60), factor analysis explored (remove the variable low load factor < 0.50). The hypothesis was tested through multiple regression analysis with linear Enter method. But it is obvious that there are different types of enterprises. This also gives evidence to the fact that the results of the study can be generalized to portray the 250 SMEs managers. Multiple linear regression was used following:

Research results**Table 1: Matrix of external factors evaluation (EFE)**

No.	External Factors	Weight	Rating	Weighted score	Cronbach's alpha
EFE1	Political stability	0.11	3	0.33	0.895
EFE2	Investment policies - business law	0.11	3	0.33	
EFE3	Socio-cultural local	0.10	3	0.30	
EFE4	Labor supply	0.09	3	0.27	
EFE5	Technology	0.10	3	0.30	
EFE6	customers	0.11	3	0.33	
EFE7	The economic situation	0.11	2	0.22	0.921
EFE8	Competitors	0.09	2	0.18	
EFE9	Alternative products	0.09	2	0.18	
EFE10	High-quality labor	0.09	2	0.18	
	Total			2.62	

(Source: Researchers' collecting and processing)

Table 1 showed that the company responded with a 2.62 average with external factors affecting human resource management of SMEs. The SMEs want to compete sustainable to continue to improve the weak capacity to raise good response to the environment. Besides, all of factors had Cronbach's alpha that are high 6.0. And table 1 showed that the Cronbach's alpha coefficient if the removal variables is more than 0.6. In addition, the correlation coefficient of the total variations is more than 0.3.

Table 2: Matrix of Internal factors evaluation (IFE)

No.	Internal factors	Weight	Rating	Weighted score	Cronbach's alpha
IFE1	Business efficiency	0.12	3	0.36	0.932
IFE2	Leadership capacity	0.13	3	0.39	
IFE3	Organizational Structure	0.11	3	0.33	
IFE4	Staff capacity	0.10	3	0.30	
IFE5	The training	0.11	3	0.33	
IFE6	Job Analysis	0.12	2	0.24	0.838
IFE7	Recruitment	0.12	2	0.24	
IFE8	Planning	0.10	2	0.20	
IFE9	Work Environment	0.10	2	0.20	
	Total			2.59	

(Source: Researchers' collecting and processing)

Table 2 showed that the matrix factors inside the company IFE showed competitiveness of human resources management at 2.59 this average suggests the SMEs needs to improve a lot of problems to improve the particular weaknesses is in the planning and work to help recruit

companies can improve the capacity and efficiency in human resources management. Table 2 showed there were 19 questions for 250 SMEs managers at the enterprises of mining, processing and trading constructions in Dong Nai province. 250 SMEs managers interviewed and answered but 239 samples processed lack of 11 samples. The Data collected from 12/06/2016 to 15/05/2017 in Dong Nai province. This study used scale of five level following 1: Strongly disagreement; 2: disagreement; 3: normal; 4: agreement and 5: strongly agreement. Besides, the table 2 showed that the Cronbach's alpha coefficient if the removal variables is more than 0.6. In addition, the correlation coefficient of the total variations is more than 0.3. Therefore, all of 19 items used for the next research. All of factors had Cronbach's alpha that are high 6.0.

Table 3: KMO and Bartlett's Test for factors affecting the human resource management of SMEs

KMO and Bartlett's Test							
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.				.770			
Bartlett's Test of Sphericity		Approx. Chi-Square		4033.594			
		df		171			
		Sig.		.000			

Total Variance Explained							
Com	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings ^a
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	5.401	28.425	28.425	5.401	28.425	28.425	4.828
2	4.120	21.685	50.110	4.120	21.685	50.110	4.064
3	3.065	16.129	66.239	3.065	16.129	66.239	3.452
4	1.729	9.100	75.339	1.729	9.100	75.339	3.669
5	.892	4.697	80.036				
...				
17	.091	.480	99.303				
18	.079	.414	99.717				
19	.054	.283	100.000				

(Source: The researchers' collecting data and SPSS)

Table 3 showed that Kaiser-Meyer-Olkin measure of sampling adequacy was statistically significant and high data reliability (KMO = 0.770 > 0.6). This result was very good for data analysis. Table 3 showed that Cumulative percent was statistically significant and high data reliability was 75.339 % (> 60 %). This Data is very good for the next analysis.

There is structure Matrix for factors affecting the human resource management of SMEs.

Table 4: Structure Matrix for factors affecting the human resource management of SMEs

Code	Component			
	X1	X2	X3	X4
EFE5	.923			
EFE3	.874			
EFE4	.818			
EFE1	.790			
EFE2	.774			
EFE6	.645			
IFE4		.943		
IFE1		.919		
IFE3		.896		
IFE5		.874		
IFE2		.812		
EFE7			.936	
EFE9			.924	
EFE10			.877	
EFE8			.855	
IFE8				.963
IFE6				.826
IFE9				.779
IFE7				.576

(Source: The researchers' collecting data and SPSS)

Table 4 showed that structure matrix for the factors affecting the human resource management of SMEs that had 4 components following: **X1**: Opportunities are from EFE1 to EFE6; **X2**: Strengths are from IFE1 to IFE5; **X3**: Threats are from EFE7 to EFE10 and **X4**: Weaknesses are from IFE6 to IFE9.

Table 5: KMO and Bartlett's Test for the human resource management of SMEs**KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.723
Bartlett's Test of Sphericity	Approx. Chi-Square
	202.158
	df
	6
	Sig.
	.000

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.230	55.744	55.744	2.230	55.744	55.744
2	.709	17.714	73.459			
3	.646	16.142	89.601			
4	.416	10.399	100.000			

Extraction Method: Principal Component Analysis.

Component Matrix^a

Code	Component
	1
HRM 1	.826
HRM 2	.747
HRM 3	.725
HRM 4	.681

(Source: The researchers' collecting data and SPSS)

Table 5 showed that Kaiser-Meyer-Olkin measure of sampling adequacy was statistically significant and high data reliability (KMO = 0.723 > 0.6). This result was very good for data analysis. Table 5 showed that Cumulative percent was statistically significant and high data reliability was 55.744 % (> 50 %). This Data is very good for the next analysis.

We have regression analysis for factors affecting the human resource management of SMEs.

Table 5 showed that structure matrix for the human resource management of SMEs that had 1 component following: Y: the human resource management of SMEs.

Table 6: Regression Model for factors affecting the human resource management of SMEs

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.679 ^a	.462	.452	.42413	1.925

a. Predictors: (Constant), X4, X2, X3, X1

b. Dependent Variable: Y

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	36.091	4	9.023	50.158	.000 ^b
	Residual	42.094	234	.180		
	Total	78.185	238			

a. Dependent Variable: Y

b. Predictors: (Constant), X4, X2, X3, X1

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error				Tolerance	VIF
			Beta				

(Constant)	1.030	.167		6.161	.000		
X1	.171	.039	.241	4.379	.000	.760	1.316
X2	.227	.027	.415	8.559	.000	.979	1.022
X3	.167	.024	.346	7.096	.000	.968	1.033
X4	.131	.035	.209	3.758	.000	.747	1.339

a. Dependent Variable: Y

(Source: The researchers' collecting data and SPSS)

Table 6 showed that adjusted R square was statistically significant and high data reliability. In addition, adjusted R square reached 45.2 percent. The results showed that all t value > 2 (**Sig** < 0.00) was statistically significant and high data reliability. Besides, the regression coefficients were positive. This showed that the effects of independent variables in the same direction with the human resource management of SMEs with significance level of 5 percent. Multicollinearity (MC): Variance Inflation Factor (VIF) and tolerance are two measures that can guide a researcher in identifying MC. Before developing the concepts, it should be noted that the variance of the OLS estimator for a typical regression coefficient shown to be the following $VIF < 10$ ($1 < VIF < 10$). This showed that there was not Multicollinearity. The factors of X1, X2, X3 and X4 affecting the human resource management of SMEs with significance level of 5 percent.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The research results showed that there were 250 SMEs managers who interviewed and answered about 23 questions. The Data collected from 12/06/2016 to 15/05/2017 in Dong Nai province. The researcher had analyzed EFE, IFE, Cronbach's alpha, KMO test, the result of KMO analysis used for multiple regression analysis. The research results were processed from SPSS 20.0 software. The parameters of the model estimated by Least - Squares Method tested for the model assumption with 5% significance level. Finally, the researchers have the factors of X1, X2, X3 and X4 affecting the human resource management of SMEs with significance level of 5 percent and recommendations improving the human resource management at small and medium enterprises in Dong Nai province following.

Recommendations

Recommendations for completing training and human resource development

SMEs should identify training needs, plan training for long-term development goals of the company: To identify training needs, based on the following factors: (1) Analysis of specific tasks as well as production and business plans of the company in the next year as output, revenue targets, profit targets on product quality. (2) Analysis of the labor needs of the company in terms of quantity and quality in the coming years. (3) Analysis of the company's performance that based on criteria such as performance of equipment, labor productivity, output and product quality, some malfunctions. (4) Analysis of the qualifications and capabilities of individuals through job analysis and performance evaluation results of individual work. (5) Compare current capacity of staff to produce business requirements and

labor needs of the company. Since then, the company can determine the amount and form of training to meet the labor requirements for the production and business goals. (6) To diversify forms of training: training mode of Small and Medium enterprises covers only workplace mentoring, hiring teachers, external experts on teaching. To improve the training efficiency, the company needed to diversify the forms of training. (7) Organizing seminars at the company for analysis and some additional experience, practical knowledge, new knowledge helps employees to update their knowledge and information to raise the level. The workshops provide an opportunity to exchange directly between employees and between employees and management staff, thereby creating friendly relations, harmony, helping each other in their work. (8) Evaluation of training: Evaluation after training plays an important role, to help determine the degree of achievement of learning objectives as well as employees learn from experience in organizing training courses for create more effective next.

Recommendations for maintaining complete work of human resources

SMEs should be evaluation of job performance: Analysis of the company work taken seriously and fairly. Assessment results are the basis for considering a raise or bonus for each employee. To promote the strengths of this work, in addition to evaluating the results of work for each employee is required to evaluate the results of work done under the departments. There is such a spirit will strive to work and improve solidarity between workers in the parts together. Carry out cross-sections for the assessment fairer.

Recommendations for salaries and remuneration

SMEs should have salary policy, flexible reward for excellent employees: wages policy, the bonus calculated according to location work and achievements of staff, thus ensuring fairness. To further promote, implement Companies need the flexibility to work at increased salary, bonus, which is the case for achieving above the national staff, outstanding achievement, it can increase the salary or reward before time. This will encourage spiritual vigor of staff work. Besides, SMEs should develop policies for the welfare of low-income workers: A further strength of the company is good and welfare regimes. Therefore, companies need to maintain and promote labor absorption. Regularly monitor interest income and actual living standards of employee families, especially those of unskilled workers, in order to have reasonable adjustments, to help staff motivation. There is salary regime for employees with seniority: Currently, the Company paid staff job placement. Position complex work paid a higher salary, so ensure fairness in calculating salaries. Therefore, the company should consider increasing salaries, bonuses and allowances for employees who worked for many years, so new there are encouraging teamwork and long-term commitment to the company. Finally, SMEs should be allowance for self-education expenses for employees: In addition, the Company shall adjust allowances to suit the situation of current inflation and tuition assistance policy for employee self-sufficiency improving attendance at a university, college, vocational. This will motivate employees voluntarily improve their learning and motivation to make positive employees, long-term commitment to the company.

Recommendations for improving the quality of job environment

SMEs should continue building confidence in business: Employee Confidence in business when they do it is a very important thing to fully exploit the potential of their ability to produce economic activity's business units. Standing on the corner of the employees, with each business, each stage works for units that they also have their own needs that they can

provide outside sources of economic assistance. Besides, SMEs should continue developing standards of behavior and attitudes of officials and employees: The behavior, this attitude based on general legal principles and ethics of society, need to have a consensus across the enterprise and is widely accepted staff, see it as the benchmark, measure. These standards cover the legal aspects, but the extent was effective formation and consolidation of deep belief in the high growth of the money unit.

Finally, the above-mentioned things, the next research should survey more than 250 SMEs managers in other provinces of Vietnam. This helps the data that is more significant. Because the study topic is very wide as the human resource management of SMEs is a big area.

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