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BUILDING CAPACITIES FOR AGRICULTURAL SMEs TO OVERCOME EXPORT CHALLENGES: EMPIRICAL STUDY IN DA LAT

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This paper examines challenges of agricultural SMEs in export by investigating cases studies of small and medium-sized enterprises (SMEs) in Da Lat and seeking perceptions of authorities in this city by conducting a series of individual in-depth interviews. The issue related to management capacity of Da Lat SMEs was also explored as it is considered as the key factor leading to the constraints of SMEs in agricultural export. The evaluations on the limitations and causes are then provided, based on which the solutions with regard to management capacity enhancement are offered. The paper is expected to make theoretical contribution in the development of knowledge related to human resource and supply chain management.

Keywords: Agricultural export, SMEs, Management Capacity

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1. Introduction

Limited production and technological skills, insufficient management capacity and capital, especially poor research and development abilities are typical weakness which prevent SMEs from agricultural exports. To meet higher demand on quality and appearance of products on global agricultural market, SMEs are required to make huge efforts, particularly in renewing production technology. Government agencies in Lam Dong province in general, and in Da Lat city in particular, have paid great attention to support SMEs to develop exportable agricultural export. However, in the context where a great number of SMEs develop business from farmers, with limited management capacities and weak co-operation in supply chain, they find extremely hard to complete export orders from foreign markets. This paper looks directly to such difficulties by examining case studies of SMEs in Da Lat, operat-

ing in different fields such as vegetables, coffee and flowers. Individual interviews with authorities assist the researchers to provide triangle views on the issues. Based on those investigations, the picture of challenges coping agricultural SMEs in Da Lat would be clearer, which helps stakeholders to develop more effective assistance.

2. Literature review

2.1. Agricultural exports of SMEs

Agricultural exports play an important role in economic development of developing countries, particularly in economic growth, generation of income and creation of jobs. However, agricultural exports from developing countries are still limited due to the constraints in the infrastructure, distribution and trading activities from these developing nations.

Basically, agricultural exports exert some positive impacts on developing nations as follows:

Increasing agricultural production volume; Increasing revenues for domestic agricultural enterprises as well as traders; Improving quality in all stages of production, inventory and transportations; Stipulating foreign exchange earnings; Promoting national economy.

However, agricultural exports may cause some negative impacts on developing countries, which may result in food insecurity and poverty, including: Reducing domestic food supply amid low or medium production conditions; Causing monetary crisis, reducing income of agricultural production plants, causing imbalances in the economy when the international agricultural market worsens (Kuzminov, 2017).

According to World Agriculture Towards 2030-2050 Report by the UN Food and Agriculture Organization (Alexandratos & Bruinsma, 2012), agricultural trading activities will continue their upward trend in the next 30 years. Among developing countries, some big agricultural exporters include Mexico, Arab Saudi, South Korea, Egypt, Algeria and Taiwan; some big net agricultural exporters are South American and Asian nations. In recent years, India and China have emerged as new agricultural suppliers to the world.

Bruinsma (2003) pointed out some reasons for the slowdown in the growth rate of agricultural exports, including: Agricultural products are still subject to big tariff and non-tariff barriers in trade agreements; The absorption of export markets is low, so increasing production volumes usually result in lower export prices; The essence of agricultural products has resulted in little intra-industry & intra-firm links.

Not just big-scale enterprises but many SMEs have participated in agricultural exports. Particularly, when more and more developing countries are joining global supply chains, the roles of SMEs become more important.

The Global Trade Report 2016 (WTO, 2016) identified some distinctive features in agricultural exports of SMEs. Firstly, the proportion of SMEs participating in agricultural exports remains lower than that of big enterprises. Secondly, most SMEs participate in agricultural exports indirectly rather than directly. Thirdly, thanks to revolutionary

development in information technology and e-commerce, the potential of SMEs participating in exports (especially direct exports) becomes higher. Fourthly, the high potential of SMEs amid the technological revolution has drawn more attention from the government to promote their participation in agricultural exports.

Nonetheless, the internationalization of SMEs in agricultural exports is seen unsustainable in the global supply chains. According to The Global Trade Report 2016 (WTO, 2016), SMEs are still limited in both finance and human resources. This has caused them many difficulties in competing in labor productivity and product prices. Besides, as shown in the study of Neupert *et al.* (2006), a big challenge faced by SMEs in developing countries is technical barriers related to product quality and logistics management. In particular, overcoming technical barriers when exporting agricultural products to fastidious markets like the EU, US, Japan, Australia, etc. is considered the biggest challenge to SMEs.

2.2. Challenges of SMEs in exports

In international trade, SMEs may face numerous difficulties and challenges (Fletcher 2004). Especially, the lack of management capacity in SMEs represents a big hurdle, especially when SMEs start to enter international markets (Paunović & Prebežac, 2010).

To begin with, standards related to TBT or SPS measures have caused a host of obstacles to agricultural export SMEs. They face difficulties in complying with SPS and TBT standards when trying to enter developed markets. The study of Disdier *et al.* (2008) looked into the impact levels of hygiene, plant quarantine and technical requirements on tropical fruit to be exported to developed countries like the EU, US, Canada, Australia and Switzerland, then proposed solutions and policies to enable exporters to respond to these barriers.

Chemnitz (2012)'s study emphasized that agricultural trading activities are affected more considerably by quality and safety standards. These technical barriers control exporters via the imposition of principles and conditions to export, which may in turn redistribute export shares. To some producers, technical standards may open up new opportunities

when they allow companies to access new market with specific segments. At the same time, the redistribution of market shares may push some enterprises out of their traditional markets as the imposed standards may be too high for some companies to produce products to meet the required certificates in the short and long run.

The research of Chemnitz (2012) seeks to answer the questions from many researchers on whether quality and food safety standards impose burdens on exports from developing countries, and on SMEs in developing countries. It aims to answer three main research questions: (1) How are export shares of developed countries affected by quality and food safety standards; (2) How do quality and food safety standards affect small producers? (3) How does the decision-making process take place to help producers comply with technical standards? The analysis results reveal the stronger participation of the government and private sector in SPS as well as the more intense communication campaigns to raise the country's ability to comply with SPS, which has facilitated exports greatly.

Unfortunately, in their efforts to meet the technical barriers, SMEs usually face difficulties in grasping information about SPS and TBT. Theoretically, small producers may face disadvantages in complying with quality standards due to their limited resources which prevent them from gathering information about the standards and implementing them. To maintain, or even increase, the shares in the developed market, producers need information about customer demand. Research has proven the importance of vertical cooperation and direct communication between buyers and producers as the information on customer demand is rarely communicated horizontally between small producers (Chemnitz, 2012).

It is obvious that limited production and technological skills, insufficient management capacity and capital, especially poor research and development abilities are typical weaknesses which prevent SMEs from exporting their products. Agricultural exported products need to meet higher demand on quality and appearance, which means SMEs have to renew their production technology. Given their small capital, SMEs are usually reluctant to invest in

international business expansion, especially in exports; some SME managers just aim to fully exploit the domestic market (McConnell, 1979).

Research by Fliess & Busquets (2006) described difficulties SMEs must face from trade barriers. Given their features, SMEs may be negatively impacted by technical barriers in their international trading process. In addition to finance, SMEs also lack qualified human resources, especially managers with good management capacity. Issues related to international trade regulations require SMEs to have highly-professional human resources, who can help SMEs to control and inspect technical standards in international as well as local markets. Therefore, the supports from state administration agencies via information ports, seminar or research activities for SMEs are of great significance. Thanks to these information channels, SME managers may update information, learn experience, improve management capacity so as to overcome trade barriers.

2.3. Building management capacities for SMEs

SMEs always highly appreciate creativity and innovations of employees as well as managers (Ivan, 2018). Jenny (2015) and Escriba-Esteve *et al.* (2009) emphasized that the flexibility and willingness to innovations in SMEs are largely determined by managers, and this is seen in all activities and stages of the production and business process. In SMEs, as people who are responsible for making strategic decisions (Collins & Clark, 2003; Papadakis & Barwise, 2002), management capacity of leaders, together with other factors such as cooperative and supportive environment, openness to different views, have considerable impacts on business innovations in particular and business performance in general (Naranjo Valencia *et al.*, 2012). Previous studies, such as the one by Kearney *et al.* (2014), stressed that management capacity is directly linked to business performance, innovations and development of SMEs. Management capacity determines the use of resources, innovative culture and cooperation between members of the enterprises.

The research conducted by Tehseen & Ramayah (2015) on Malaysian SMEs demonstrated that management capacity affects SME success, so managers need to be equipped with sufficient capacity to manage their relationships with customers and suppliers,

thereby improving their competitiveness. The researchers used Resource-Based View (RBV) theory to argue that management capacity has great value and is an invisible force to lead SMEs towards success. Management capacity helps SMEs gain more success and drive them towards sustainable development.

Management capacity is related to the establishment and growth of business activities (Colombo & Grilli, 2005). Mitchelmore & Rowley (2010) emphasized the impacts of management capacity on business performance. For instance, adequate management capacity can bring more appropriate strategies to enterprises in the process of seeking better opportunities in business venture. Chandler & Jansen (1992) grouped management capacity into three skills of professional, leadership and conceptual skills and realized that all these groups are related to business performance. Man *et al.* (2002) identified 10 scales of management capacity such as innovation, learning, opportunities, analysis, human interaction, commitment, strategies, personal competence and operations.

In short, previous studies have demonstrated the impacts, both direct and indirect, of management capacity on business performance and successes of SMEs. Management capacity of enterprises changes depending on the specific situations of different countries and economies, so a further study on management capacity of SMEs, especially in the context of a transforming economy like Vietnam, is of great significance and can still make novel contributions.

3. Research methods

This study aims to examine the challenges of agricultural SMEs in export. To gain the deeper look at the situation, 8 case studies and 5 interviews with authorities were conducted in Da Lat. Agricultural export enterprises in the research are diverse in their products and business areas, with 2 enterprises exporting vegetables, 4 exporting coffee and 2 exporting flowers. The officials in Da Lat's state agencies provided great support for the researcher to approach SMEs' owners and managers. Individual interviews were implemented in which semi-structured questions allow the researcher to investigate the perceptions of SME managers and authorities with regard to Da Lat SMEs' challenges in export.

The issue related to management capacity of Da Lat SMEs was also explored as it is seen as the key factor leading to the constraints of SMEs in agricultural export. The evaluations on the limitations and causes are then provided, based on which the solutions with regard to management capacity enhancement are offered.

4. Research results

4.1. Case studies

Case Studies of Vegetable Exports: Anh Dao Co-op; Tan Tien Co-op

- Anh Dao Co-op

Address: No. 18 Xo Viet Nghe Tinh, Ward No.8, Da Lat city

Anh Dao Co-op was established upon the issuance of Cooperative Law in 2003 with 7 members and 22 hectares of arable land. By 2019, its membership increased to 22 with 270 hectares of land and 80 households in cooperation. The cooperative has a product portfolio with 60 agricultural products, primarily vegetables. In 2018, its agricultural output reached 36,000 tons, 20% of which was exported to the two major markets of Singapore and South Korea, an export value of VND 210 billion.

- Tan Tien Co-op

Address: No. 45 Be Van Dan Street, Ward No.12, Da Lat city.

Tan Tien Co-op was founded in 2012 with 15 members to produce and trade vegetables on the arable land area of 18 hectares for cultivating vegetables inside glass houses and outside. The cooperative now has a total of 20 members and 30 hectares of land and cooperation with farming households. Its products are categorized into 2 groups: one includes products cultivated under VietGap and the other under traditional farming methods. The cooperative also applies high technology for hydroponic growing, semi-hydroponic and topography. In 2017, Tan Tien's total output of vegetables was 1,900 tons, then it increased to 2,100 tons in 2019 and is expected to reach 2,500 tons this year. The cooperative provides its products for some supermarket systems like Metro, KFC, small and medium convenience stores and wholesales markets. Its revenue topped VND 22 billion in 2019. The cooperative has ensured stable markets for its products as well as products of cooperated farming households. The

head of Tan Tien Co-op, Mai Văn Khấn, was voted the distinguished farmer of the year in 2018. At the moment, the cooperative's vegetables are only sold domestically.

Upon the investigating of these SMEs in Da Lat, it can be seen that they are facing the following problems:

- Business scales of most SMEs are small, resulting in their limited finance, human resources and technology, which in turn causes difficulties in investing in specialized technology and production process to create high-quality products.

- SMEs cannot supply enough vegetables in terms of quantity and quality to meet the demand of import countries. Semi-processing, preservation, packaging techniques of most SMEs remain backward and inadequate, so they cannot ensure supply and quality of products.

- SMEs still need to buy vegetables from other suppliers to fulfill export orders, so they cannot control product quality, which leads to lots of potential risks.

- Most vegetables of Da Lat are not exported under producer brands but via brands of intermediaries or exported as materials for bigger brands, therefore export values decline.

- Origin fraud causes obstacles to Da Lat enterprises when entering foreign markets.

- Market accessibility of many SMEs remains low, most SMEs cannot find their markets actively. Most orders come from foreign buyers who want to look for agricultural products.

- Abilities to meet technical standards, especially of fastidious markets like Australia, Japan or EU, remain low. The capacity of SMEs and support agencies are limited, the abilities to grasp information of technical standards are poor, while standards are increasingly more stringent.

- The world's agricultural markets have been saturated. Agricultural products therefore need to compete in quality and technology if they want to gain high value.

- Logistic costs in agricultural exports account for a large proportion in prices. This is because Da Lat is far from seaports, so transportation costs are higher.

- Human resources for high-quality agricultural exports are weak in both quantity and quality, especially

human resources related to management, marketing and international trade.

- Cooperatives operate on the basis of sharing capital and production factors of households with different production levels; therefore, the qualifications are not equal.

- Most of Da Lat's agricultural land has been cultivated for a long time, resulting in lower quality of cultivation soil which needs transforming and improving to meet biological and chemical standards for production.

- Most Da Lat vegetables are grown in glass houses. Over 50% of agricultural land area has been taken to build glass houses, which causes adverse impacts on the eco-system as well as the quality of agricultural products.

Case Studies of Coffee Exports: La Viet Coffee Company Ltd.; Son Farm Pacamara Company Ltd.; K'Ho Coffee

- La Viet Coffee Company Ltd.

Address: No. 95B, Hai Ba Trung, Ward No.6, Da Lat city.

La Viet Coffee Company Ltd. was established in 2013, becoming a pioneer in cultivating Specialty Coffee in Da Lat and Vietnam. La Viet opened its first store (without a name) to introduce its clean coffee in No.200, Nguyen Cong Tru Street. In this store, in addition to enjoying coffee, customers are also introduced to the pure coffee production process and can witness stages of roasting and making superior coffee. Besides its production on a 20-hectare farm in Lam Ha, La Viet also accompanies the ethnic people of Chil in Dang Gia Rit B Commune and Commune 1, Dasar Town – they are the ethnic group with the long-lasting coffee cultivation practice but also the poorest area of Lac Duong.

It its first years of establishment, La Viet sought ways to export to Japan, the US, Germany as well as markets with lower demand like Cambodia, Taiwan and Myanmar. Now, with better technical capacity and financial resources, La Viet focuses on exporting to its primary market of Japan with a total volume of 50 tons/year. Japan is now the world's most fastidious and developed market for Specialty Coffee. Although it has not met the demand of the export market, La Viet does not aim to raise its pro-

ductivity because it wants to comply with all requirements that it has set.

- Son Farm Pacamara Company Ltd.

Address: 1/3 Le Hong Phong, Ward No.4, Da Lat city, Lam Dong

In 2005, Nguyen Van Son bought a lot of land on the slope 1500 metres above sea level. Accidentally, of 18,000 Arabica seedlings bought from Eakmat Institute - Buon Ma Thuot, 100 are of Pacamara variety originating from El Salvador, hybrid in 1958 between Pacas and Maragogipe. Pacamara is the top Arabica variety in the world and Pacamara seeds are usually charged very high prices in the world coffee auctions. Now his 4-hectare farm has 5,000 plants of Tybica variety, 5,000 plants of Bourbon, 2,000 plants of Caturra and 3,000 plants of Pacamara. The farm exercises a close process from identifying seedlings, caring, cultivating, semi-processing, fermenting, filtering, roasting, cupping and making coffee. In the 2018-2019 season, Son Farm Pacamara gained a yield of 3 tons of seeds/ 4 hectares – a very low yield, just 20-30% of other coffee-cultivating areas in Vietnam but its economic value was very high at nearly VND 2 billion.

- K'Ho Coffee

Address: B'N'or C, Lat commune, Lac Duong province.

K'Ho coffee was set up in 2015 by a girl from Co Ho ethnic group - Cơ Liêng Rolan and an American guy - Josh Guikema. Co Ho ethnic group reside in B'N'or C, Lat commune with a long-lasting tradition of coffee cultivation and processing.

In addition to their family's coffee farm, K'Ho coffee cooperates with 40-50 K'Ho households in the commune to plant Arabica coffee with an area of about 50 hectares to create a material region. These households practice Specialty Coffee cultivation under the organic method. This is a unique and effective cooperation model in Da Lat as well as Lam Dong province. The primary market of K'Ho coffee is Japan with purchasing power higher than the supply of the enterprise now.

Upon the investigating of these SMEs in Da Lat, some problems can be addressed as follows:

- Da Lat has 3,500 hectares for Arabica cultivation with favorable soil condition but the area for

organic and specialty coffee farming is small. There are very few brands for specialty coffee.

- Coffee production scale is not commensurate with its potential, coffee output is low and cannot meet the stringent conditions of organic farming of import markets. Brand recognition of Da Lat's specialty coffee is not high in the world market.

- It is difficult to raise coffee output. As a long-term industrial plant, coffee plants need 5 years to produce stable seeds, this will be a financially difficult time for households with limited financial capacity.

- Given specific features of products, people participating in specialty coffee exports need to have qualified understanding and skills for this kind of coffee. So, it is quite hard to draw human resources to this sector.

- The habit to use high-quality, clean and healthy products has not been developed, thus restricting the expansion of specialty coffee and discouraging investment in this sector.

Case Studies of Flower Exports: Da Lat Hasfarm Company Ltd.; Langbiang Farm Company Ltd.

- Da Lat Hasfarm Company Ltd.

Address: 450 Nguyen Tu Luc, Da Lat city

Da Lat Hasfarm was established in 1994 with an initial area of 4 hectares and 40 laborers. By now, the company has 310 hectares and 4000 workers with a total capital of USD 90 million. Da Lat Hasfarm has cooperated with 200 farming households in the region to cultivate flowers for export. Da Lat Hasfarm is voted the biggest flower cultivation and export enterprise in Southeast Asia by Forbes. Its products include flower pots, flower branches and seedling, among which the majority is flower branches. Da Lat Hasfarm exports 70% of its output to 15 markets, of which the export volume to Japan makes up 70%. Thanks to improvements in flower quality and preservation technology, 80% of Da Lat Hasfarm's export volume can now be transported by sea.

- Langbiang Farm Company Ltd.

Address: 42 Xo Viet Nghe Tinh, Ward No.7, Da Lat city.

Lang Biang Company Ltd. was established in July 2005, it has now become one of the leading

enterprises in Da Lat in supplying high-quality flowers and clean agricultural products such as vegetables and tomatoes produced under Vietgap standard and new planting techniques (hydroponics, aeroponics, etc.)

Currently, Lang Biang has suspended its flower exports because it wants to focus on developing the domestic market.

Upon the investigating of these SMEs in Da Lat, some challenges can be depicted as follows:

- Many strict technical standards are set to ensure the quality of imported flowers as well as to increase protection for domestic producers.

- Many flower households and cooperatives have not been able to participate in export activities. Just only 10% of Da Lat's flowers are exported, much lower than the potential and capacity.

- The quality of Da Lat SMEs' flowers is not high. The qualifications of cultivation, harvest and preservation are not up to standard of exported products.

- Exports of flowers in particular require high techniques in preservation and transportation conditions. The farthest export market of Vietnamese flowers is Australia, if it is farther, the transportation costs would be very high.

- Da Lat has a big flower cultivation area of up to 6,000 hectares, but mostly cultivated by farming households with small area ranging from 0.2 to 0.5 hectare. Given their limited finance and technology, they cannot invest heavily in flower production and cannot fulfill big orders.

- Flower licenses are normally very costly, so it is difficult for Da Lat flower households and small cooperatives to access them. To export flowers, households need to produce in big scale but without flower licenses, they cannot join with potential enterprises.

- Seedling enterprises are reluctant to sell varieties to enterprises in Da Lat.

- High cultivation density in Da Lat makes it hard to control chemical residues in soil, water and air.

- To cultivate high-tech flowers for exports, it is necessary to have good-quality human resources which is still a big challenge to farming households and cooperatives. Laborers with good qualifications in trade promotion, advertising, market-

ing, customs, etc. of Da Lat are weak in terms of quantity and quality.

4.2. Perceptions of authorities about challenges to agricultural exports and management capacity of Da Lat's agricultural export SMEs

In addition to case studies, the researcher also conducted in-depth interviews with state administrators at ministries, departments and agencies about agricultural exports. Interviewees have expressed their opinions and evaluations about different agricultural products such as vegetables, coffee, tea, flowers, especially about the challenges facing, the management capacity and support programs available for Da Lat SME managers.

Challenges to vegetable exports perceived by authorities

Regarded as a key agricultural product of Lam Dong, many of the vegetables of Lam Dong have been exported to foreign markets such as Malaysia, Singapore and Japan. Some SMEs have processed vegetables as dried products such as dried courgettes or passion fruit to export to European market, or applied Nano technology to export fresh lettuce to the US market.

However, one of the biggest technical barriers to Lam Dong's vegetables is the regulations on maximum residual levels of plant protection drugs, origin traceability and inspection procedures. A state administrator said: "*non-tariff barriers related to the residue of pesticides and herbicides cause difficulties for vegetable exports because the time to use products after harvest is very short*". According to state administrators, limited management capacity is the main reason why Da Lat SMEs face difficulties in management to meet the regulations on maximum residual levels of plant protection drugs in vegetables.

Well aware of this fact, some SMEs have taken their own control measures but the trouble is how to ensure the residue of pesticides equally in a big volume of vegetables to meet the quantity of export orders. Farmers – their main suppliers – still cultivate in small scales, causing difficulties in implementing production techniques systematically in bigger scales. As one state administrator emphasized: "*Vegetable production in Lam Dong is of small scale. Therefore, to meet the export demand, SMEs usually have to buy from many households,*

from cooperatives and other SMEs, so the quality is not equal. Consequently, the biggest difficulty in terms of material is to ensure the equality in quality and standard."

Another big concern is when farming households cannot control standard systematically, it may affect the residue of plant protection drugs. As a state administrator explained, *"Some SMEs and farming households are willing to ensure the residue of pesticides and herbicides but when the regulations are not implemented systematically, they can still be affected when plant protection drugs may spread through the air and water resources and influence their vegetables"*

This situation has caused some vegetables to be rejected after being exported as their quality is not equal and cannot meet the regulations on the residue of plant protection drugs. For example, batches of chili exported to Taiwan were turned down due to

Barriers related to technical standards have caused more difficulties to fresh vegetables because the conditions to ensure their quality are so harsh and their lifecycle is short. Besides, the limited number of international flights in Lam Dong has also caused difficulties to the exports of fresh vegetables. But a good point is that some big-scale cooperatives in Da Lat like Anh Dao Co-op have succeeded in connecting and exporting fresh vegetables to foreign markets.

Another challenge to Lam Dong's vegetable exports is prices. As illustrated by a state administrator: *"Vietnam offered avocado for sales to Indonesia but our prices are much higher than those of Mexico. Rivals have better advantages in production costs than in Vietnam."*

Challenges to vegetables exports perceived by authorities of Da Lat can be seen in the following table:

Table 1: Challenges to Vegetable Exports perceived by Authorities of Da Lat

Strict regulations on maximum residual levels of plant protection drugs, origin traceability and inspection procedures
Limited management capacity to meet the regulations on maximum residual levels of plant protection drugs in vegetables.
Hard to ensure the residue of pesticides equally in a big volume of vegetables to meet the quantity of export orders
Unevenness in product quality and sizes
Barriers related to technical standards and limited number of international flights in Lam Dong causes difficulties to fresh vegetables
Disadvantages in export prices

Source: Researcher

the unequal quality. One state administrator shared: *"With these batches, Vietnam had tried to ensure standard but partners found that nearby farms used plant protection drugs, thereby affecting the environment"*.

Besides ensuring the residue of plant protection drugs, another difficulty is the unevenness in vegetable sizes. As emphasized by a state administrator: *"Small-scale production results in the unevenness in sizes of vegetables of different households. Farmers only dare to grow in big scales when they receive big orders, but it is difficult to have one as markets are not stable."*

Challenges to coffee exports perceived by authorities

As coffee can be used a long time after being harvested, it is not as much affected by the use of plant protection drugs as vegetables. However, the difficulty to coffee exports is the quality of coffee after harvest. As shared by a state administrator, *"The main obstacle is customers often complain that our coffee is harvested when it is still green, not ripe enough, so its nutrients are not guaranteed"*. A reason for this is many coffee growers are afraid that coffee may be stolen if it is not harvested soon and there are not enough harvesting workers. Also, cof-

fee buyers usually lack capital because farmers usually want to receive money immediately after selling. Besides, price fluctuations cause coffee buyers reluctant because they are afraid of high risks.

Another big concern now is that a number of coffee producers turn to domestic market although they have oriented towards exports. As explained by a state administrator, *"some coffee SMEs in Da Lat have exported coffee seeds, have tried to meet standard but then turned to the domestic market. This is because the prices of raw coffee do not bring higher profits than selling domestically. Moreover, Vietnamese coffee does not have good brand in the international market, so it cannot bring high export values"*.

However, a good thing is many SMEs, especially those managed by young leaders, have been active in exporting high-quality coffee. A state administrator said: *"Being aware of the importance of exporting high-quality coffee, many SMEs, especially those with young managers, have come to Lam Dong to set up process and create high-quality coffee products. Nonetheless, this number is not big and most still do not have clear orientations."*

Challenges to coffee exports perceived by authorities of Da Lat can be seen in the following table

Table 2: Challenges to Coffee Exports perceived by Authorities of Da Lat

Early harvest resulting in low nutrients
Coffee production oriented towards exports but then turn to local market because exporting raw products does not bring high economic value and there is no brand for exports
Some coffee enterprises have joined together to export coffee in big quantity but the number is small, these enterprises do not have orientations for product standard and market development

Source: Researcher

Table 3: Challenges to Flowers Exports perceived by authorities of Da Lat

Stringent Standards
Foreign partners' regulations on using preservatives on flowers
Difficulties of SMEs to maintain good quality for flowers when not using preservatives

Source: Researcher

Challenges to flowers exports perceived by authorities

Besides vegetables and coffee, Da Lat also has advantages in some other agricultural products such as flowers. However, this product also faces many

challenges when going internationally. Foreign partners sometimes impose very stringent standards for flowers. Even an experienced enterprise like Da Lat Hasfarm also faces numerous difficulties when Australian partners forbid the use of preservatives on their flowers while these preservatives cannot be eliminated if the producer wants to ensure good quality for flowers. Or Thai partners require that Da Lat Hasfarm ensure chemicals in the coir used in the flower pots.

Challenges to flowers exports perceived by authorities of Da Lat can be seen in the following table

4.3. Perceptions of authorities about management capacity of Da Lat's agricultural export SMEs

Management capacity of Da Lat's agricultural export SME managers

To gain success in agricultural exports, Da Lat's agricultural export SMEs have been well aware of the importance of raising management capacity. At the same time, support programs from relevant agencies such as Department of Industry and Trade, Department of Science and Technology, Quality Control Agency, Agency of Measurement have been of greater help. One administrator shared: *"Previously, each SME just sent 1-2 participants to*

the training courses. But now, most have sent managers and even business owners to the courses. They are prepared to take 2-3 days off work to join the courses."

However, management capacity of agricultural export SME managers in Da Lat remains limited. Many SMEs develop from family businesses and farming households, their knowledge is mostly passed from previous generations. Limited management capacity has made many agricultural export SMEs reluctant to exports. A state administrator said: *"When small, SMEs mostly target neighboring markets. Only when they want to earn added values and promote their product images do they plan to export their products."*

Most agricultural SME managers in Lam Dong rarely have opportunities to contact and work with foreigners, so their skills for agricultural exports remain poor. Particularly, weak English proficiency is also a big obstacle to their first step to the international market. These barriers make them unwilling to seek and part with foreign customers; then even when they receive orders, they do not have sufficient skills for fulfillment. As one state administrator emphasized, *"although Department of Industry and Trade has provided many supports on e-commerce and export regulations, the capacity of SMEs in performing customs procedures or negotiating with foreign partners remains poor."*

Many SME managers are weak even in basic skills such as finding information about customers and export markets. Weak capacity keeps them focusing on small-scale production rather than trying to find markets for their products. As a state administrator highlighted, *"many SMEs just pay attention to production but not to marketing, advertising and promotion."*

Many SMEs even fall in passive situations when receiving orders from foreign partners. They struggle to prepare things to fulfill orders and, in many cases, they miss the opportunities. As one state administrator illustrated, *"recently, some agricultural SMEs have been recommended to orders from foreign partners from South Korea or the US but due to their poor skills and lack of qualified human resources, they have faced difficulties in satisfying demand of partners, as well as in preparing necessary documents for exports"*. Or as another state administrator added: *"Many SMEs do not actively test their products, prepare CO or other necessary documents until their partners set standard on products."*

Even when they can produce products up to export standard, a lack of capacity also puts Da Lat's agricultural export SMEs in a disadvantage like losing brands or exporting via intermediaries. As a state administrator explained, *"as most agricultural export SMEs in Lam Dong develop from farmers, lack conditions to understand foreign markets and become accustomed to export procedures and documents, which forces them to choose to export via intermediaries."*

According to experts interviewed, a major cause of Da Lat's SMEs is most of them lack human resources to perform tasks related to e-commerce and international trading. This is also a weakness of Da Lat as it has failed to attract high-qualified workforce, especially to develop managers who are able to implement or participate in international trade promotion.

Particularly, limited export capacity has caused Da Lat's SMEs to have disadvantages when participating in negotiations, especially on technical standards. As one state administrator said, *"a lack of business skills sometimes causes multiple difficulties for SMEs. Partners deliberately cause trouble in some standards, and when one standard cannot be reached, others will be affected. Many SME managers cannot understand the interactions between these standards."*

Although many support programs have been launched by the authorities, a high number of SMEs in Da Lat still do not have abilities to apply the lessons in reality. Others are not patient enough to implement these programs. As a state administrator said, *"some SMEs have gained adequate understanding on state regulations but most others still have limited awareness or not enough patience to follow the regulations. Some SMEs do not take them seriously."*

Limitations in export management capacity of agricultural SMEs in Da Lat can be seen in the following table

5. Discussion and recommendations

5.1. Discussion

Based on the investigation of case studies and authorities' perceptions, limitations of Da Lat SMEs in agricultural exports which have reduced their economic values can be seen as follows:

Table 4: *Limitations in Export Management Capacity of Da Lat's Agricultural SMEs*

Most SMEs grow from family businesses, so they do not have opportunities to contact foreign partners and practice international export skills
Many SMEs in Lam Dong do not have enough qualified human resources to do business internationally. The abilities to attract high-qualified human resources of Lam Dong remain poor.
Most SME managers do not have good English skills
Most SME managers are limited in their skills to find information and expanding business partners.
Most SME managers are limited in their skills to implement international trade, trade promotion, product advertising, international mark, international customs and international negotiations.
Most SME managers have limited knowledge of technical standards, so they are usually in disadvantages when negotiating for standards.
SMEs are passive in implementing international trade affairs and only take tasks when they receive orders.
Many SMEs do not have good knowledge of regulations and standards
Many SMEs are impatient, unrealistic and passive in implementing support programs from the Government.

Source: Researcher

- Small production scales of agricultural products for exports make it difficult to meet the market demand and satisfy requirements from large orders.
- Investment in high-tech agricultural production is inadequate, so the proportion of agricultural products meeting export standard remains low.
- Prices of Da Lat's agricultural products are quite high, which may reduce their competitiveness in the market. Most fresh agricultural products must be transported by air.
- Most Da Lat's agricultural products are exported via brands and labels of importers or foreign enterprises. This has reduced export sustainability as well as economic values.
- Most SMEs have difficulties in accessing licenses. This has caused difficulties in accessing fastidious markets with stringent technical barriers.
- Most SMEs have difficulties in accessing export markets, most orders that SMEs receive are those foreign importers actively contact to place. This has put SMEs in passive situations when trying to meet customer demand.
- Da Lat's agricultural products have not been exported effectively to high-ranking markets like Japan or the EU.

- Expanding production areas and increasing production output of specialty products are hard.
 - Many SMEs do not really care about trade promotion activities and they do not receive adequate supports from authorities.
 - Human resources participating in agricultural exports of Da Lat's SMEs are insufficient and unqualified in comparison with the demand.
- There are several factors that affect sustainable agricultural exports of Da Lat's SMEs:
- Most Da Lat's agricultural production activities are performed by farming households who do not have enough capacity to apply modern technology as well as control product quality. It is also not effective to collect agricultural products from households for exports.
 - Da Lat's arable land tends to decline, production linkages between households are not effective, so production scales of most SMEs are small.
 - Da Lat's agricultural export SMEs are most agricultural cooperatives and small-scale enterprises with poor financial capacity, technology, human resources and labor qualifications, so they can hardly meet the high demand of export activities.

- Licenses of plant varieties are very expensive, so with small scales, limited financial capacity, limited access to information and inadequate supports from the authorities, violations to vegetable and flower licenses are very common. Therefore, many partners with licenses are unwilling to sell licenses to Da Lat's SMEs.

- High-quality labor market for Da Lat's agriculture is facing fierce competition from service sector, which results in increasing labor costs and lack of laborers in both quantity and quality.

- Human resources in marketing, trade promotion, market research, etc. are limited. This is due to inadequate awareness of business owners of the importance of human resources in these areas.

- Inconvenient geographical location, poor after-harvest technology and specific features of agricultural products have made it impossible for most SMEs to transport products by sea, so logistic costs of agricultural exports are very high, which in turn reduces competitiveness of Da Lat's agricultural products.

5.2. Recommendations on building management capacity for Da Lat's agricultural SMEs

In the study of Alison et al. (2014) on agricultural SMEs in developing countries, the consistent access to stable and high-value markets is one of the most daunting challenges faced by SMEs. This challenge affects not only agricultural SMEs but also relevant stakeholders such as farmers and providers. Lack of understanding on export markets, including the needs of the markets, the requirements related to quality standards pushes SMEs and farmers in difficult situations when their products can not be exported or at lowest price. When it comes to the reasons leading to this challenge, besides poor infrastructure and information about the markets, the inconsistent quality standards and poor marketing capabilities and skills were strongly addressed. In particularly, agricultural SMEs often lack the production, processing and packing technologies to meet the standards of international markets. These are also the challenges of agricultural SMEs in Da Lat.

To assist agricultural SMEs in general and Da Lat SMEs in particular overcome technical barriers and export their agricultural products successfully, support programs provided should focus on raising business owners and farmers' awareness of changing business models towards exporting high-quality products. More specifically, it is necessary to change cultivation methods such as not using chemical fertilizers like NPK, and orient farmers towards cultivation standards such as VIETGAP, GLOBAL GAP.

Support programs should be implemented via practice activities with specific targets. For example, there could be the instruction for the team leader of how to change a production method, like how to dry coffee seeds, then that leader may instruct other members of the team.

Support organizations can invite experts to train SME managers on skills related to international marketing and trading or to introduce them on international trade agreements. The training courses may specialize in technical standards, especially technical standards for some particular agricultural products, in some particular markets or the preparations for certificate of origin. Departments such as the Centre for Industrial Promotion and Consultancy, the Department of Industry and Trade should organize short-term training courses to help SMEs update new regulations as well as improve management capacity for SME managers.

Instructions on how to use integrated software to manage quality standards for particular products should be provided to SMEs. This could be the guidance for SMEs to use origin traceability stamps on products. Using an integrated application on smartphones, SMEs can keep track of production diary in different stages from processing to consumption to get information on the dates of harvest or fertilizer.

In addition to raising awareness of SMEs via the training courses, support programs to connect SMEs together are of great significance. They could be programs launched by Quality Control Agency to link SMEs, to build supply chains to ensure stan-

dards like VIETGAP or GLOBAL GAP or the supports from Lam Dong's Department of Industry and Trade to connect Lam Dong's SMEs with supermarket chains in the foreign markets.

6. Conclusions

The paper has depicted challenges faced by agricultural SMEs of Da Lat in their export. Their limited management capacities have been emphasized as the key factor hindering their international market expansion. The research outcomes are expected to be helpful materials for SMEs and supportive agencies to develop appropriate strategies and action plans to assist agricultural export SMEs to gain better performance in global supply chain. ♦

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Summary

Nghiên cứu này tìm hiểu những thách thức của các doanh nghiệp nhỏ và vừa (DNNVV) trong xuất khẩu thông qua điều tra những trường hợp điển hình các DNNVV (Case-studies) và phỏng vấn sâu các cán bộ quản lý nhà nước tại thành phố Đà Lạt. Bài báo tập trung đi sâu hơn vào vấn đề liên quan tới năng lực quản trị, yếu tố được coi là một trong những hạn chế cản trở quá trình xuất khẩu nông sản của các DNNVV Đà Lạt. Trên cơ sở đánh giá những hạn chế và nguyên nhân, bài báo đề xuất một số giải pháp nhằm nâng cao năng lực quản trị cho các DNNVV. Nghiên cứu này được mong đợi có thể mang lại những đóng góp trong việc phát triển các lý thuyết liên quan tới quản trị nguồn nhân lực và quản lý chuỗi cung ứng.

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