

Developing an Organization Competencies Framework for SME(s) in Thailand

Pramoul Nurach, Damrong Thawesaengskulthai, Achara Chandrachai
Chulalongkorn University, Bangkok, Thailand

Employee competency is one of the important factors contributing to corporate performance. It is increasingly important and became a major focus on human resources department. Competency within the firms can be either buy or build. Current practice, multinational companies prefer to buy in competency through either buy talents from competitors or merge and/or acquisition with the aim of getting required competency in place. Buy in option might be quick option however SME(s) do not afford to follow this option therefore building competency internally is a favorable choice of option. This paper shows the results of the surveys to 770 SME(s) across three business types: manufacturing, trading and services. The results showed that SME(s) give priority and importance to planning, cultural awareness and decision-making/problem-solving competencies while stakeholder management and leadership competencies are least importance.

Keywords: competencies, corporate performance, planning competency, cultural awareness competency

Introduction

Competencies were classified into two categories: personal or corporate (Turner & Crawford, 1994). Personal competencies are possessed by individuals and include characteristics such as knowledge, skills, abilities, experience, and personality while corporate competencies belong to the organization and are embedded processes and structures that tend to reside within the organization (Turner & Crawford, 1994). In customer competency, technological competency and organizational competency are important for innovation (Boris, Gils, & Bauer, 2008). The technological competencies are measured by how many patents, copyrights, registered trademarks or registered design do the firms have as well as to measure on how many of them are new and make sure it is up to date. Customer competencies are focusing more on the cooperation to customers and partners regarding to product innovation occurred on a regular basis. The firms have to rely on customer and market research for new product so that they know what products the customer will need in the future (Boris et al., 2008). Organizational competencies can be derived from all employees within the firms such as management, project

Pramoul Nurach, Ph.D. candidate, Entrepreneurship and Innovation Management Department, Chulalongkorn University.

Damrong Thawesaengskulthai, Master, Associate Professor, Entrepreneurship and Innovation Management Department, Chulalongkorn University.

Achara Chandrachai, Ph.D. Professor Emeritus, Entrepreneurship and Innovation Management Department, Chulalongkorn University.

Correspondence concerning this paper should be addressed to Pramoul Nurach, Chulalongkorn University, Bangkok 10330, Thailand. E-mail: pramouln@microsoft.com.

team, project manager and employees. Personal competencies will create organizational ones. This paper therefore focuses on personal competencies which will drive the organizational ones and contribute to increase corporate performance.

Essential Personal Competencies Driving Organization Performance

Personal competencies consist of various competencies such as leadership competency, functional competency, stakeholder management competency, planning competency, team selection and team development competency, communication competency, decision-making and problem-solving competency and cultural awareness and skill competency (Crawford & Nahmias, 2010).

Leadership Competency

A great leader should have a set of traits, skills and behaviors (Hollenbeck, Mccall, & Silzer, 2006). The behaviors represent on how a leader present and behave to the public. As a leader, behavior is so important. With positive behavior, the leader should be able to gain the respects from most of the people. Behaviors could be judged by using the same criteria and standard across management types. However skills competency is varied by types of works and industries they are involved. For example, in labor intensive industries like manufacturing, information technology, chemical and R&D, functional skills would be more important compared to service industry management and customer management skills might be more important. It also outlines how the expected leadership behaviors change for different career paths and individual can clearly see what new behaviors will be expected if he wants to move up to a level or sideways to a different functional area (Hollenbeck, Mccall, & Silzer, 2006). Moreover, the competencies should also reflect the leadership skills that are needed to accomplish the organization's strategic objectives. For example, an operations-driven company might emphasize a different set of leadership competencies than a marketing-driven company (Hollenbeck, Mccall, & Silzer, 2006).

Functional Competency

Functional competencies are usually being the first skills set adopted. This competency is more on the job-based approach which people typically focused on developing with single job at a time (Cardy & Selvarajan, 2006). Therefore, this competency is normally developed during the first five to six years of working and normally will be having in depth knowledge during middle manager career path. Functional skills can range from product development, sales, marketing, production, warehouse, logistics, human resources to accounting.

Stakeholder Competency

To run the business, there are three groups of stakeholders that exert distinct pressures on organizations and are directly impacted by the performance of organizations (Hitt, Ireland, & Hoskisson, 2005). First, companies must attend to the needs of capital market stakeholders—shareholders and major suppliers of capital such as banks, second, companies must consider the needs and demands of product market stakeholders—the primary customers, suppliers, unions, and host communities with whom organizations conduct business, finally, companies must also consider the needs of organizational stakeholders, the employees and managers within the organization (Hitt, Ireland, & Hoskisson, 2005). The stakeholder management competencies have been currently in the strategic human resource management work.

Planning Competency

Planning competency is essential for middle manager position and higher. The planning activity is normally done upfront to make sure that the expected outcomes are achieved. This planning competency is more important to the large organization however for SME(s) with a lot of small initiatives and projects going on in the same time, this competency becomes so crucial to the organization's success.

Team Selection and Team Development Competency

Competency in selecting and developing the team is not easy to acquire. To achieve in acquiring this competency, the person needs to understand the following skill set (Atanasova & Senn, 2011):

- Carry the skills of understanding role and responsibility of the team;
- Able to structure the team that provide appropriate cross-geographical, functional and divisional coverage;
- Have skills in identify skill sets of people such as be able to understand background and experiences of people as well as believe in the mix of variety skills in one team. These skills might include functional skills, management skills, influence skills and etc..

Communication Competency

Communication is classified as a soft skill. Competency has at least two dimensions: domain content and cognitive processing capacity and both for practitioners and students, communication skill is identified as an important competency which will generate useful outcomes and the most two important communication types are writing and listening (Lynn & Margaret, 2010).

Decision-Making and Problem-Solving Competency

Decision-making and problem-solving competency is involved many steps of judgment and evidence in the process. Problem-solving is of special concern to professionals who are interested in helping other people deal with issues that are particularly troublesome (Krumboltz, 1995). The decision-making and problem-solving competency is possible to be trained. The training should include the ability to generate alternatives that included specific actions to be taken in relation to the problem situation and ability to apply systematic approach to solve the issues (Krumboltz, 1995).

Culture Awareness and Skills Competency

Culture is the medium through which people interpret their world and the tool individuals use to guide decision (Quist & Law, 2006). The newly published accreditation standards by the Accreditation Council for Pharmacy Education (ACPE) recognize the importance of culturally diverse populations and include content knowledge and skills in culture competence as one of the goals in many industries (Quist & Law, 2006). Especially the globalization has stimulated the needs of cultural competency to be more important. Many multinational organizations who expand their market reach to cultural sensitive countries failed to achieve their business goals. Professionals with diverse cultural background are in demand and this competency is put as a one of important competency for executive positions.

Theory and Hypothesis

From the literature review mentioned in the earlier section, many factors should be formed to be competency framework for SME(s) in Thailand. These factors are leadership competency, functional competency,

stakeholder management competency, planning competency, team selection and team development competency, communication competency, decision-making and problem-solving competency and cultural awareness and skill competency. The authors conducted a quantitative survey to verify on whether these factors are contributing to organization competency which will influence the performance of organization. Eight hypothesis are developed for verifications.

Hypothesis 1: Leadership competency influences overall organization competency which will boost corporate performance.

Hypothesis 2: Functional competency influences overall organization competency which will boost corporate performance.

Hypothesis 3: Stakeholder management competency influences overall organization competency which will boost corporate performance.

Hypothesis 4: Planning competency influences overall organization competency which will boost corporate performance.

Hypothesis 5: Team selection and team development competency influences overall organization competency which will boost corporate performance.

Hypothesis 6: Communication competency influences overall organization competency which will boost corporate performance.

Hypothesis 7: Decision-making and problem-solving competency influences overall organization competency which will boost corporate performance.

Hypothesis 8: Cultural awareness competency influences overall organization competency which will boost corporate performance.

Research Design

Research Framework

This paper attempts to analyze the relationship between observed variables and latent one through the confirmatory factors analysis (CFA). On the basis of literature review and hypothesis the theoretical framework of competency consists of eight factors (observed variables) as shown in Figure 1: leadership competency, functional competency, stakeholder management competency, planning competency, team selection and team development competency, communication competency, decision-making and problem-solving competency and cultural awareness and skill competency.

Research Method

The authors conducted the research by surveying 770 SME(s) in Thailand. The respondents are spreading over manufacturing, service and trading companies. The questionnaires were distributed equally. Thirty percent of respondents (231 respondents) were distributed to manufacturing type of SMEs, 31 percent of respondents (239 respondents) were distributed to service type of SMEs and 300 trading companies.

The revenues of respondents are spread over from less than 50 million baht per year to more than 500 million. Forty percent of respondents (308 respondents) have less than 50 million baht of revenues per year while 18.7 percent (144 respondents) earn between 50 and 100 million baht a year. Ten percent of respondents (77 respondents) have revenues between 101 and 200 million baht per year. The last two groups are 12.6 percent (97

respondents) and 18.7 percent (144 respondents) earn 201-500 million baht and more than 500 million baht per year respectively.

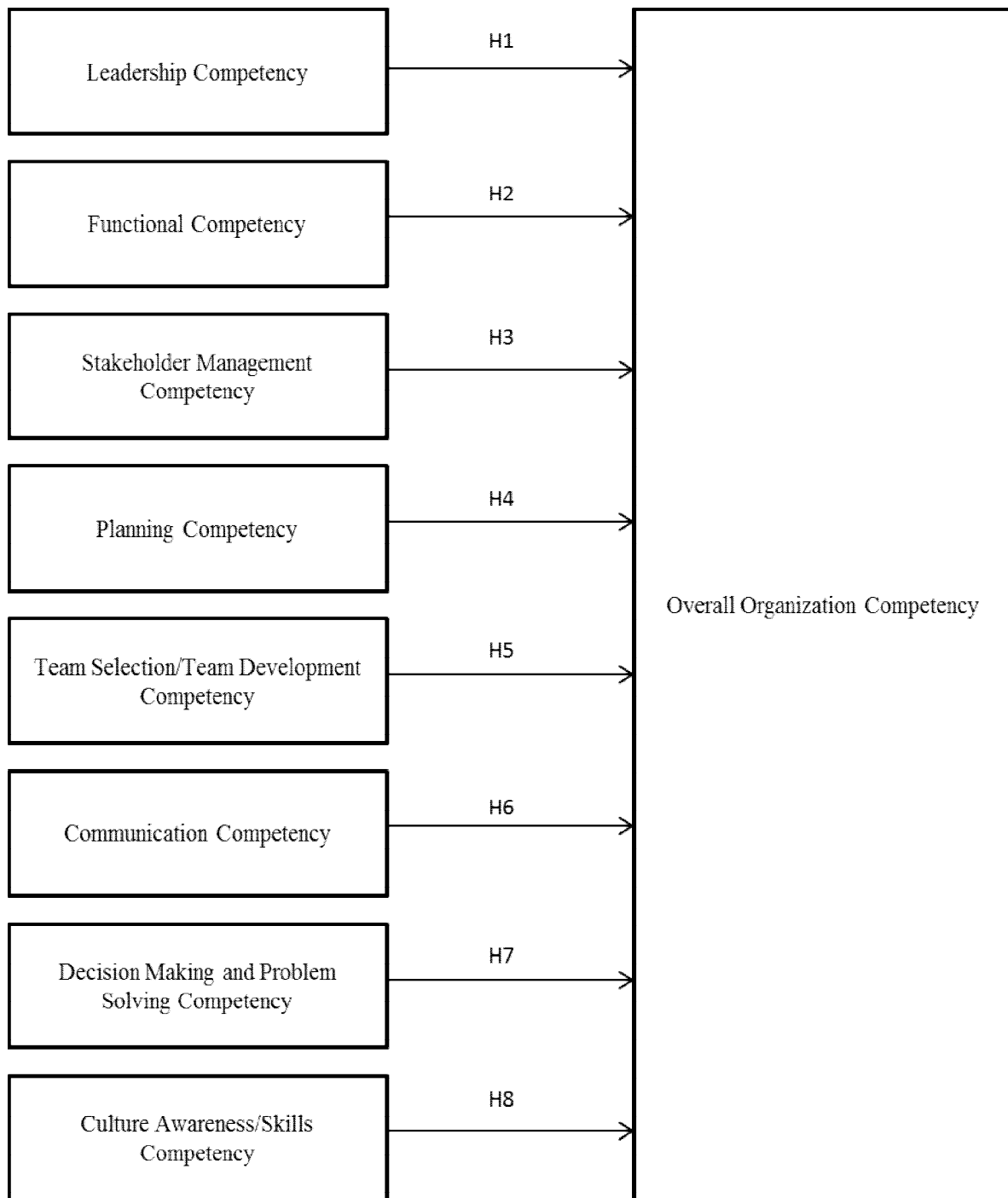


Figure 1. Competency framework derived by literature review.

The numbers of employees in SME respondents are also spread over the range. Forty four point nine percent (346 respondents) are having less than 50 employees while 20.0 percent (154 respondents) are having between 50-100 employees, 14.3 percent (110 respondents) are having between 101 and 200 employees, 12.7 percent (98

respondents) are having between 201 and 500 employees while more 8.1 percent (62 respondents) are having more than 500 employees.

The respondents who responded to the survey are mostly top management however it depends on the judgment of managing directors. During the face-to-face survey, managing directors assigned the responsibility to the appropriate people. Twenty percent of respondents (144 people) are managing director however the rest of respondents are dedicated by managing director to respond to the survey due to appropriateness.

Survey Results

Confirmatory Factors Analysis (CFA)

This study adopts Confirmatory Factor Analysis (CFA) by using software AMOS 18. In testing the result of AMOS, we chose maximum likelihood (ML) to prove that our model has the said relationship. The output of AMOS is shown in Figure 2.

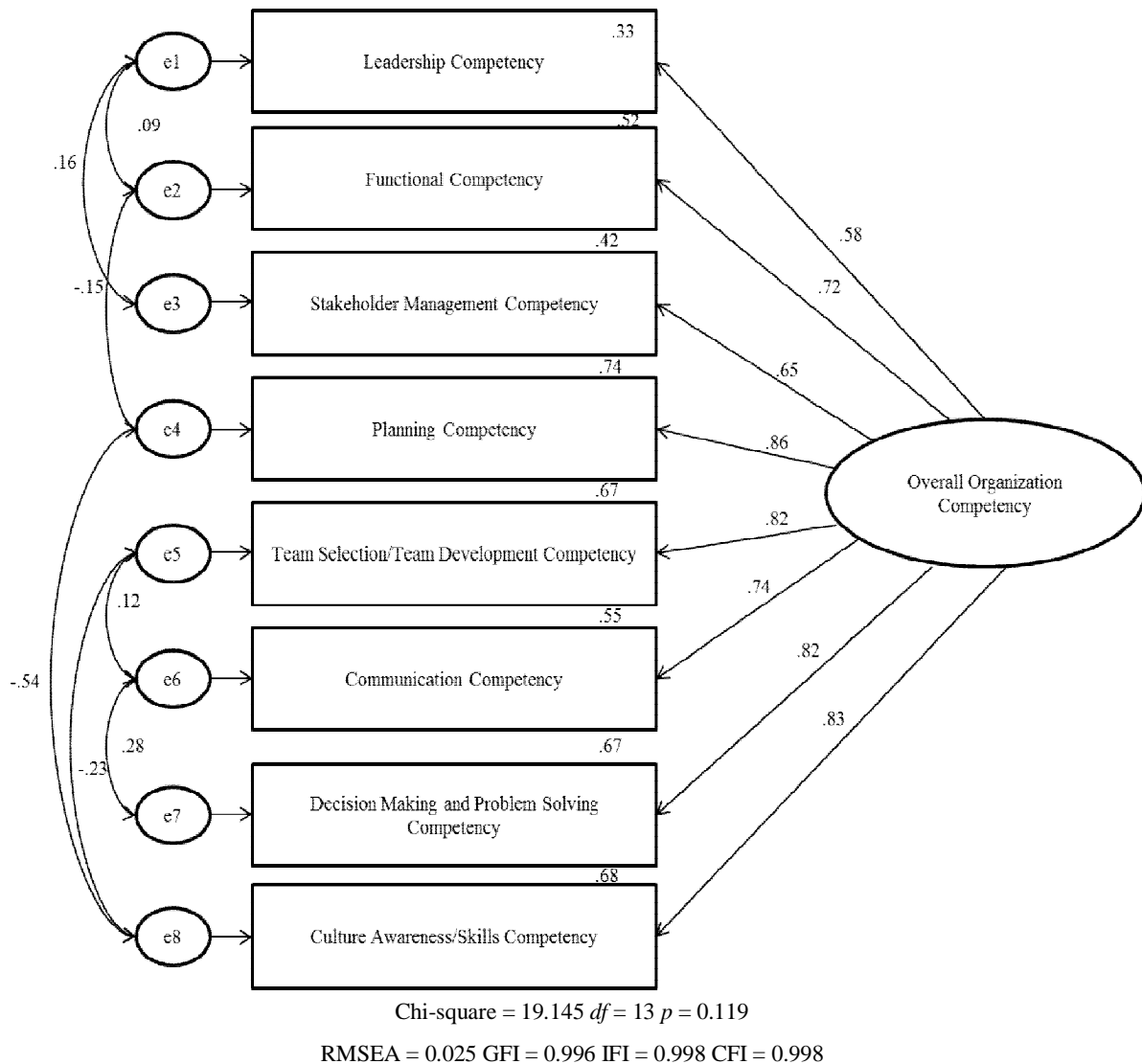


Figure 2. Competency framework for SME(s) in Thailand (the results of the surveys).

Model Fit Summary

From the output of Confirmatory Factor Analysis (CFA) by AMOS, the competency framework derived from literature review is correct and favorable:

- For SME(s) in Thailand, planning competency is the most important factor contributing to overall organization competency with the regression of 0.860 (see Table 6). With no surprise, since SME(s) are carrying employees with the large portions of high school employees background who would not be able to adopt planning skills in day to day operations. For this reason, planning skills would be the top priority for organizations to gain;

- Cultural awareness/skills competency came second from the analysis with the regression of 0.827. The cultural environment of SME(s) might not be across the countries but it is more on across the regions. As the authors mentioned earlier on the large portions of employees in SME(s) are having high school education and they are mostly coming from outside Bangkok such as Northeastern, North and South of Thailand. Cultural differences in each region which reflects to individuals make it hard for SME(s) to reach identity therefore management with cultural awareness competency is able to make use of employees' strengths;

- Decision-making and problem-solving competency is a must for management positions and it came third with the regression of 0.819 (see Table 6). Especially for the dynamics and competitive environment, this competency play a more vital role in organization. Manufacturing companies have to run and operate production lines in almost full time and sometimes non-stop operations requirements are in place. Solving problem in production lines is required to be quick and correct;

- The result of team selection and development came on forth rank with the regression of 0.818 (see Table 6). In SME(s), there are varieties of people with different backgrounds and it is necessary for the firm to have great skills in team selection and development. Forming the wrong team can cause the projects or operations to the failure;

- Communication competency is the fifth important factor among eight with the regression of 0.740 (see Table 6). Communication competency included oral, writing and listening skills. Especially with the group of not well educated employees, listening skills might become the most important skill followed by oral and writing;

- Functional competency came in sixth rank. Normally this competency is acquired by on the job training. With low ability to pay attractive compensation, SME(s) have hard time to attract top talent. Companies usually seek for employees who are in average standard and improve their skills by learning on doing;

- Stakeholder management and leadership competencies are less important in SME(s) point of view. Their ranks are at seventh and eighth with the regression of 0.647 and 0.577 (see Table 6) consecutively. By no surprise that these two factors are two least important ones. Most of SME(s) are still run by family members therefore they are less involved with stakeholder management and all executive positions are given to family members with regardless of knowledge and skills. At present this situation might slightly change. A few large family businesses in Thailand now hire professionals to be either internal consultants or mentor to their family members with the hope that these family members can improve and be able to perform at the end;

- *P*-value (see Table 1) is equal to 0.119 (more than 0.05) which implies that this model is goodness of fit;

- GFI (see Table 2) = 0.996, IFI (see Table 3) = 0.998, CFI (see Table 3) = 0.998 (higher than 0.90) which imply that this model is good;

- RMSEA (see Table 4) = 0.025 is a good value;
- CMIN/DF (see Table 1) = 23 is a good value.

Table 1

CMIN

Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	23	19.145	13	0.119	1.473
Saturated model	36	0.000	0		
Independence model	8	3,585.361	28	0.000	128.049

Table 2

RMR, GFI

Model	RMR	GFI	AGFI	PGFI
Default model	0.011	0.994	0.983	0.359
Saturated model	0.000	1.000		
Independence model	0.462	0.306	0.108	0.238

Table 3

Baseline Comparisons

Model	NFI Delta 1	RFI rho 1	IFI Delta 2	TLI rho 2	CFI
Default model	0.995	0.988	0.998	0.996	0.998
Saturated model	1.000		1.000		1.000
Independence model	0.000	0.000	0.000	0.000	0.000

Table 4

RMSEA

Model	RMSEA	LO 90	HI 90	PCLOSE
Default model	0.025	0.000	0.047	0.972
Independence model	0.406	0.395	0.418	0.000

Table 5

AIC

Model	AIC	BCC	BIC	CAIC
Default model	65.145	65.690	172.012	195.012
Saturated model	72.000	72.853	239.270	275.270
Independence model	3,601.361	3,601.551	3,638.532	3,646.532

Table 6

Standardized Regression Weights

			Estimate
Leadership Competency	<---	Overall Organization Competency	0.577
Functional Competency	<---	Overall Organization Competency	0.719
Stakeholder Management Competency	<---	Overall Organization Competency	0.647
Planning Competency	<---	Overall Organization Competency	0.860
Team Selection/Team Development Competency	<---	Overall Organization Competency	0.818
Communication Competency	<---	Overall Organization Competency	0.740
Decision-making/Problem-solving Competency	<---	Overall Organization Competency	0.819
Cultural Awareness/Skills Competency	<---	Overall Organization Competency	0.827

Streamline the goodness of fit index: AIC = 65.145, CAIC = 195.012 (see Table 5), Goodness of fit index has basically reached the accessible range, indicating the high availability of this model. The results can be used to validate the research hypothesis and therefore supporting all hypotheses (H1, H2, H3, H4, H5, H6, H7, and H8).

Conclusion

Eight factors contributing to overall organization culture are derived from literature review. The analysis of 770 questionnaires showed the results in accordance to the review. Since SME(s) in Thailand by nature are still family businesses with the head of family is sitting on Managing Director position while family members are assigned to be top management. With this reason, stakeholder management and leadership competencies are not considered to be among the top priorities for SME(s) in Thailand.

Planning, cultural awareness and decision-making/problem-solving competencies are among the top three most importance. With no surprise, SME(s) carry the majority of low educated staffs with varieties of background and birthplaces. Most of them are working in the production lines, the middle and top managers need to have strong knowledge and skills in planning to ensure the quality and on-time productions outputs. To deal with production employees, managers must carry cultural awareness skills so that they can cover varieties background staffs and can unite them to be one entity. The authors have long time experiences working in SME(s) and faced many problems and issues. In nature, SME(s) do not do not follow any working standards and normally do not believe in good documentation. These lead to many issues and finally end up with chaos. Problem-solving skills are a must to have among managers. They should be able to adopt systematic approach in solving problems and make quick decision.

References

- Boris, L., Gils, A. V., & Bauer, E. (2008). *Crafting firm competencies to improve innovative performance*. Retrieved from <http://www.elsevier.com/locate/emj>
- Cardy, R. L., & Selvarajan, T. T. (2006). Competencies: Alternative frameworks for competitive advantage. *Business Horizons*, 49, 235-245.
- Crawford, L., & Nahmias, A. H. (2010). Competencies for managing change. *International Journal of Project Management*, 28, 405-412.
- Hitt, M., Ireland, D., & Hoskisson, R. (2005). *Strategic management: Competiveness and globalization: Concepts* (6th ed.). Thompson/Southwestern.
- Hollenbeck, G. P., Mccall, M. W., & Silzer, R. F. (2006). Leadership competency models. *The Leadership Quarterly*, 17, 398-413.
- Krumboltz, J. D. (1965). Behavioral counseling: Rationale and research. *Personnel and Guidance Journal*, 44, 383-387.
- Lynn, J., & Margaret, B. (2010). Identifying competencies for communication practice: A needs assessment for curriculum development and selection in New Zealand. *Public Relations Review*, 36, 202-205.
- Quist, R. M., & Law, A. V. (2006). Cultural competency: Agenda for cultural competency using literature and evidence. *Research in Social and Administrative Pharmacy*, 2, 420-438.
- Turner, D., & Crawford, M. (1994). Managing current and future competitive performers: The role of competency. *Strategic Management*, 241-254.