

The Influencing Factors of Managerial Competencies among SMEs in Selangor, Malaysia: the Results of Quantitative Study

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Abstract: Global economy depends not only on large or multinational companies, instead SMEs are very crucial for the developing the economy of any country. Therefore it is essential to have healthy competency among the managers of SMEs, to sustain their positions, growth of the enterprisers, especially in achieving their business objectives. Malaysia is one of the countries, which depends on SMEs for its economical growth. Hence it is essential to investigate the managerial competencies in the SMEs. Failure to do so, will eventually affect the financial stability of countries. In this context, this paper has reviewed the quantitative studies related to the factors that influence managerial competencies among SMEs in Selangor, Malaysia. This study has examined the following six factors towards influencing the managing competencies, such as: organization design, managerial background, HRM development factor, the managerial leadership, management strategies and personal factors. The researchers have established the relationship of these factors in influencing the managerial competencies among SMEs in Malaysia. This study is aimed at identifying the most influential factor among the above six factors. Furthermore they have made extensive efforts to identify the most influential factor from the above. The researchers have employed quantitative research design as the research methodology, in addition to using the questionnaire to quantify the results of the research. This paper has concluded that, the HRM development and managerial background are the most influential factors of increasing managerial competencies in the SMEs in Selangor Malaysia.

Key words: Influence, Factor, Managerial Competencies, SMEs in Selangor, Malaysia, Quantitative Study

INTRODUCTION

Identifying the competencies requisites for achievement in an occupational field is a critical process in human resource management. The task of identifying specific qualities is considered as the exclusive feature of effective managers. The general definition for management competency used in this paper is, a cluster of related knowledge, skills, and attitudes that affects a major part of one's job (a role or responsibility), that correlates with performance on the job, that can be measured against well-accepted standards, and can be improved via training and development.

This paper recognizes the relationship between the dependent variable of managerial competencies in SMEs in Selangor Malaysia with the independent variables. It was quite difficult to find the appropriate respondents, due to lack of knowledge, related to managerial competency among the respondents. Therefore, the researchers had explained them about the objectives of the research and defined the terms managerial competency. The researchers have also discussed about the advantages of knowledge management in the organization. The data were collected from the selected 110 respondents and hypotheses were derived after the analysis of the data. So the research is partially primary and partially secondary. The data analysis was conducted with SPSS software by computing the required output.

Problem Statement:

The whole Malaysian economy depends on the SME's, however, the rate of development of this sector is very low and their contribution towards economic diversification, employment creation, income distribution and poverty alleviation is minimal. This could be attributed to several factors. The business environment in which, the SMEs are operating today is different. Considerable changes have taken place in the global economy during the past two decades. The growing intensity of international competition and globalization are affecting the growth of SMEs in developing economies.

The ability of firms to survive and grow in today's turbulent markets, depends to a large extent on their managerial capabilities and strategic awareness. Managerial competencies are very well developed in various organizations including, small medium enterprises. However, most of the managerial competencies are focused on the education and business sectors.

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The premise of the model is that, in order for the managers, to become a leaders they must first be able to manage the nine areas of SME operations. These nine clusters incorporate two of Sandwith's five domains such as: the technical and administrative domains.

As managers progress through the Management to Leadership model, they use other competencies, mainly, leadership, creativity, and interpersonal competencies, in order to move from managing the operations to leading the SME's in Malaysia. Managerial competencies are viewed as a snapshot in time. The literature must be updated periodically, in order to incorporate new roles and trends within the industry (Meyer & Semark, 1996).

Several researchers have identified different managerial problems that affect the development of SMEs. A study by Busch (1989) has identified lack of formal recruitment and hiring procedures, lack of HR development policies (extended benefits) and inability to attract and recruit suitable staff as critical factors related to HR management.

Williamsons (2000) has also acknowledged that, negligence in developing and empowering employees, lack of experienced employees in the market, lack of low cost training facilities, and inaccessible/unavailability of training facilities as important managerial factors. Yosuf and Aspinwal (2000) have studied the problems of SMEs, and found that lack of managerial skills, training, general education, and practical experience have greater impact on performance than any other factors.

Research Questions:

1. How organizational design makes the managers to work effectively?
2. How managerial background affects the managers to lead the organizations?
3. What are the necessary HRM developments to be carried out for enhancing the efficiency of managerial leaders and augment the growth of organizations?
4. What kind of managerial leadership is required, to increase the managerial competencies in organizations?
5. How the competitive strategy as a managerial factor, affects the SMEs performance in Malaysia?
6. How personal factors can influence the managerial competencies in organizations?

Objectives:

The main objectives of this study are:

1. To examine the influence of organization design in benefiting the managerial competencies in the SMEs of Malaysia.
2. To examine the managerial background in influencing the growth and development of the SMEs in Malaysia.
3. To evaluate the impact of HRM development factor in increasing the managerial competencies in the SMEs of Malaysia.
4. To investigate the influence of managerial leadership in generating the managerial competencies in the SMEs of Malaysia.
5. To evaluate the management strategies as a factor that increases the managerial competencies and augment the growth of SMEs in Malaysia.
6. To investigate the role of the personal factors in influencing the growth and development of the SMEs in Malaysia.

Limitation Of The Study:

This paper will be conducted only within the jurisdiction of people having knowledge on the economic, environmental as well as the present condition of the SME's. Furthermore; it will focus on the kind of strategies that the Managers need possess, for the sustaining in the competitive and globalized market. Therefore, at the end of the research, results will be generated from a questionnaire survey, which will be distributed to the top-level management of the SME's in Malaysia on a convenience sampling technique.

These results will only be applicable to Malaysia and not for use in another country, as it may not serve their purpose, due to differences in mode of operations in the SME sectors and several other differential factors. Researchers will be using the empirical model to conduct the research, whereas, the previous researches were conducted through the DEA and OLS models.

Research Method:

• *Research Design:*

Research design consists of research methodology, methods, as well as data collection and analysis techniques, depending on the aims and objectives of the research. It gives a detailed plan of the study and will be used to guide and focus the research (Collis and Hussey, 2003). Research designs are concerned with turning the research question into a testing project. The best design depends on ones research questions. Every design has its positive and negative sides.

However, there are two (2) typical research designs that can be constructed by researchers, such as: qualitative research and quantitative research. For the purpose of this paper, the researcher has analyzed his study using quantitative research design. Quantitative research is used to clarify features, count them and build up statistical models to explain what is observed (Miles, and Huberman, 1994). Quantitative researchers definitely know what they are looking for before they start the research (Miles, and Huberman, 1994). The data of quantitative research is numbers and statistics which are collected by the methods of questionnaires or equipments (Miles, and Huberman, 1994). Quantitative research is more efficient than qualitative research, as the results can support testing hypothesis (Miles, and Huberman, 1994).

A research philosophy is a belief about the way in which, data about a phenomenon should be gathered, analyzed and used. The main objective of the study is to identify the major factors, which affect the managerial competencies in Malaysian organizations. This objective explains a descriptive relationship that clarifies features. In addition, the questionnaire is used to quantify the results of the research. Therefore, this study has chosen the quantitative research as design and strategy.

- **Research Hypothesis:**

After analyzing the data and literature, the researchers have tested the hypothesis, Do the facts support the hypothesis or not? This is the usual question, which should be answered, while testing hypothesis.

Hypothesis 1:

H1: There is a positive effect of organizational design in increasing the managerial competencies in the SMEs of Malaysia.

Hypothesis 2:

H1: There is a positive influence of managerial background in increasing the managerial competencies in the SMEs of Malaysia.

Hypothesis 3:

H1: There is a positive impact of HRM development in increasing the managerial competencies in the SMEs of Malaysia.

Hypothesis 4:

H1: There is a positive influence of managerial leadership in increasing the managerial competencies in the SMEs of Malaysia.

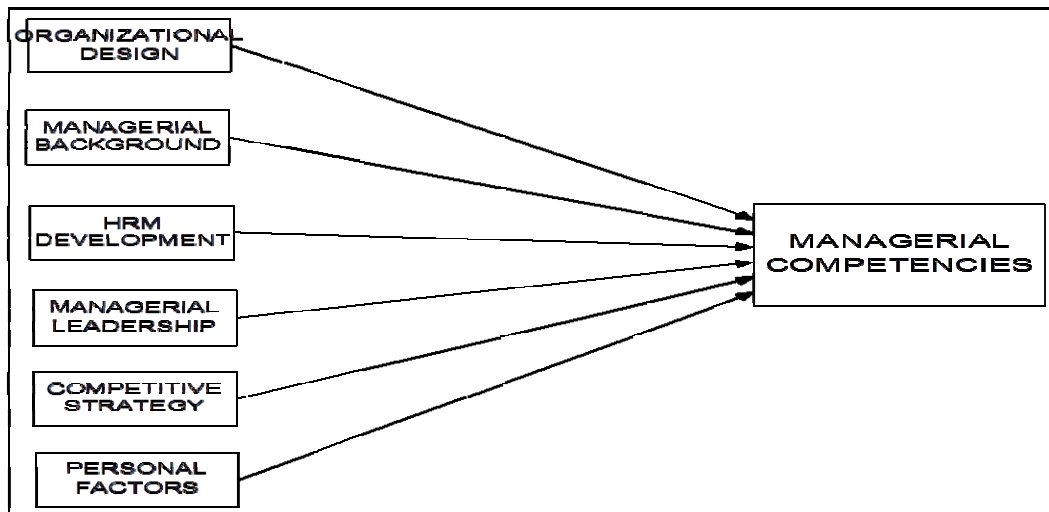
Hypothesis 5:

H1: There is a positive effect of competitive strategy in increasing the managerial competencies in the SMEs of Malaysia.

Hypothesis 6:

H1: There is a positive influence of personal factors in increasing the managerial competencies in the SMEs of Malaysia.

- **Research model:**



Source: (Zealelem T. Temtime, JaloniPansiri, 2005)
(Lee TheanChye *et al*, 2010)

• **Type of Research:**

This paper can be classified based on purpose (basic research or applied research) or by method (deductive research or inductive research). This is a descriptive research, as it profiles, defines, segments, estimates, predicts and examines associative relationship (Du, 2006). Research methodology is an approach to the entire process of the research study (Collis and Hussey, 2003). Quantitative research is a process of disproving the null hypothesis. Such a study tries to prove that, there will be no difference in response between the experimental and control groups.

Empirical research is appropriate, when proof is obtained and sought that certain variables affect other variables in some way. Evidence gathered through experiments or empirical studies, is today considered to be the most powerful support, for a given hypothesis.

A research strategy contains objectives, which are derived from the research questions. Furthermore, it specifies the sources from which the data collection is intended and considers the constraints that will be faced.

There are several research strategies available, such as surveys, case studies, experiments or grounded theory (Saunders, *et al.*, 2003). The data for this paper will be analysed using a questionnaire survey and the research design will be quantitative.

• **Research Questionnaire:**

This method consists in preparing a questionnaire related to the field of enquiry and providing space for the answers to be filled by the respondents, which is mailed to the respondents, with a request for quick response, within the specified time.

The questionnaire is the only media of communication between the investigator and the respondents, and as such the questionnaire should be meticulously designed or drafted, so that all the relevant and essential information for the enquiry may be collected without any difficulty, ambiguity and vagueness.

The questionnaire of this study is categorized in two parts: profile of the respondents and the questions related to the variables of the study. The questions combined the entire domestic as well as, global problems faced by the employees.

<i>Variables</i>	<i>Measurement Items</i>	<i>Source of Items</i>
Managerial Competencies	Organizational design	Zealelem <i>et al</i> , 2005, Lee <i>et al</i> , 2010
	Managerial background	
	HRM development	
	Managerial leadership	
	competitive strategy	
Personal factors		
Organizational Design	one man decision making	Zealelem <i>et al</i> , 2005
	lack of clear division of activities	
	formulation of working procedures	
	number of employees supervised	
	open communication	
organizational Structure		
level of standardization		
Managerial Background	strategic business skills	Zealelem <i>et al</i> , 2005
	business oriented vision and growth	
	Education level	
	skills and training	
HRM development	managerial experience	Zealelem <i>et al</i> , 2005, Lee <i>et al</i> , 2010
	experience employees	
	trained employees	
	training facilities	
	unavailability of training	
Managerial Leadership	recruitment procedures	Zealelem <i>et al</i> , 2005, Bosco, <i>et al</i> , 2010, Kroon, 2005
	families and relatives	
	employee turnover	
	external advisor	
	strategic issues	
	short term profitability	
Competitive Strategy	non financial rewards	Zealelem <i>et al</i> , 2005
	decision making patterns	
	failure and bankruptcy	
	Lack of delegation	
Personal Factors	compete with competitors	Zealelem <i>et al</i> , 2005
	Quality control system	
	competitive benchmarking	
	customer relationship management	
Age	Age	Zealelem <i>et al</i> , 2005
	Family tension	

Respondents were required to answer questions by using a five-point scale from 1 (Strongly disagree) to 5 (Strongly agree). The perceptions of respondents were measured without the use of any financial figures. These questions were developed based on the literature review (Ahmed P. K., Lim K. K., and Zairi M., 1999).

All the questions have been tested with a pilot study and therefore, face validity has been achieved. In addition, this study has also found a high degree of construct validity among all the variables under survey.

As such, the attributes and scales are deemed fit, to be included in the current study. Statistical analyses were conducted using Statistical Package for Social Science (SPSS) software. Parametric statistical tests such as, linear regression and multiple regression analyses were used to analyze the data. Also descriptive statistics of the respondents were obtained from this software.

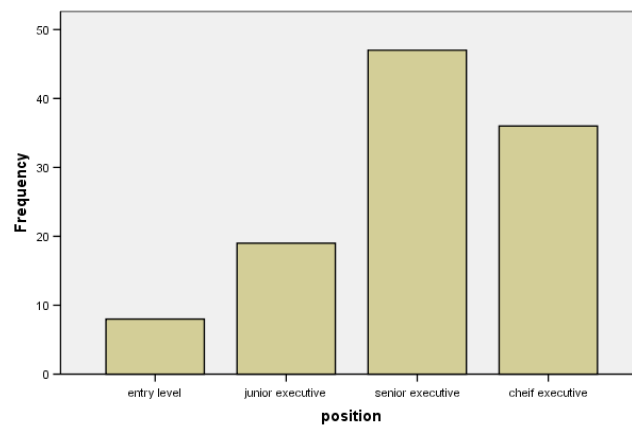
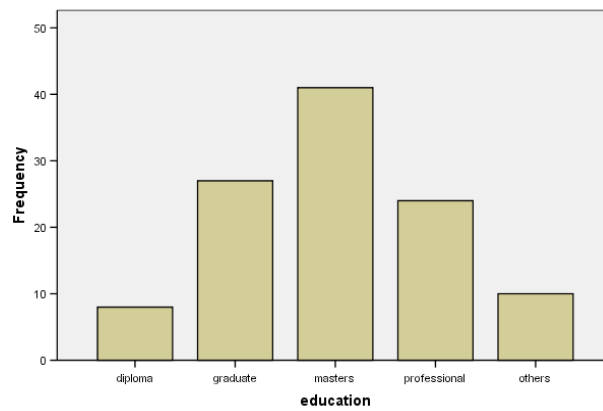
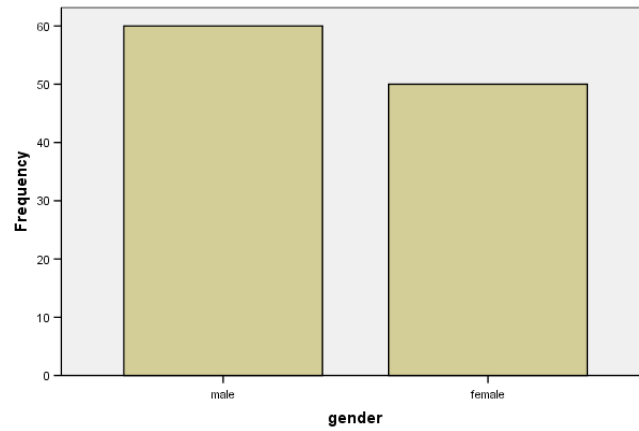
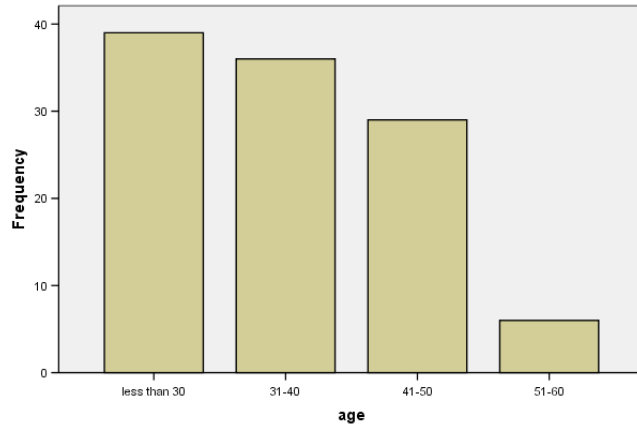
RESULTS AND DISCUSSION

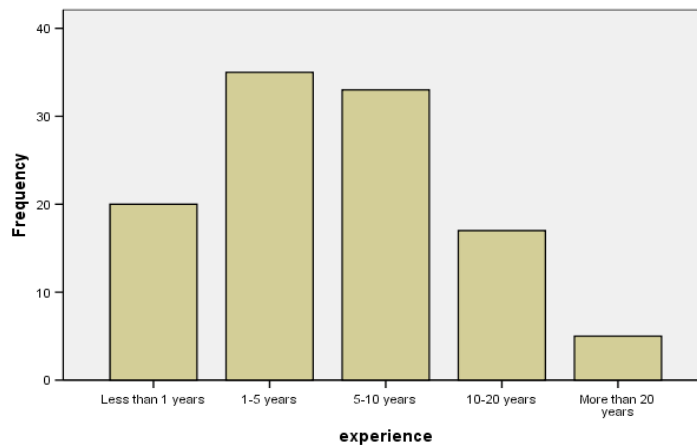
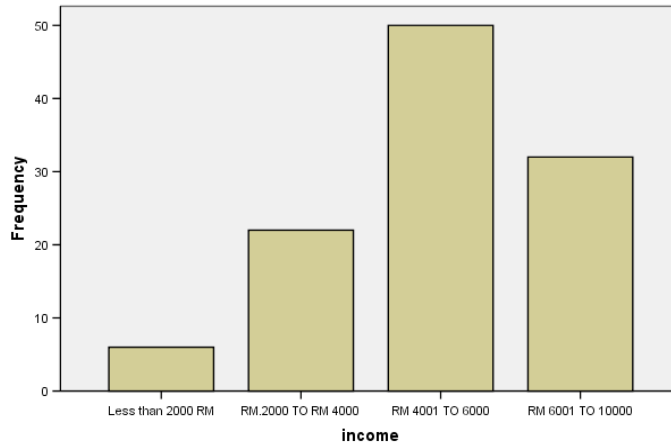
- **Description Of The Respondent’s Profile:**

Descriptive statistics are used to describe the basic features of the data in a study. They provide simple summaries about the sample and the measures. Together with simple graphics analysis, they form the basis of every quantitative analysis of data. The data was collected from the companies in Selangor Malaysia. The data collected from the respondents are described with the frequency distributions, and based on the particular variables, all the data have been represented, and then they are grouped into different categories, There was in total of 110 respondents, who were selected from different regions of Malaysia, and then the data are inserted in the software.

- **Descriptive Statistics:**

	FREQUENCY	PERCENTAGE
AGE		
21- 30 yrs	39	35.5
31 to 40	36	32.7
41 to 50	29	26.4
Above 50	6	5
GENDER		
Male	60	54.5
Female	50	45.5
EDUCATION		
Diploma	8	7.3
Graduate	27	24.5
Master	41	37.3
Professionals	24	21.8
Others	10	9.1
POSITION		
Entry level	8	7.3
Junior executive	19	17.3
Senior executive	47	42.7
Chief executive	36	32.7
Others	0	0
INCOME		
Less than RM 2000	6	5.5
RM 2001 to 4000	22	20
RM 4001 TO 6000	50	45.5
RM 6001 TO 10000	32	29.1
RM 10001 ABOVE	0	0
EXPERIENCE		
Less than 1 yr	20	18.2
1 to 5 yrs	35	31.8
6 to 10 yrs	33	30
10 to 20 yrs	17	15.5
More than 20 yrs	5	4.5





- **Reliability Test Result:**

The reliability test has the main efforts in identifying and knowing the exact result of the research, because from this test researchers can understand, whether the test is reliable or not. This result will also give us an idea, whether the test conducted was correct or not. For the reliability test there must be more than one question, so that the result could be accurate.

As an individual attempt to quantifying the constructs, which may not be directly measured, can be constructed through the multiple choice questions, to quantify the constructs of interests. A set of items, composed of approximately an equal number of favorable and unfavorable statements concerning the attitude object, is given to a group of subjects. They are asked to respond to each statement, in terms of their own degree of agreement or disagreement.

Typically, they are instructed to select one of five responses: strongly agree, agree, neutral, disagree, or strongly disagree. The specific responses to the items are combined, so that individuals with the most favorable attitudes will have the highest scores, while individuals with the least favorable (or unfavorable) attitudes will have the lowest scores. While, not all summated scales are created according to Likert's specific procedures

- **Reliability Statistics:**

It is very difficult for the reliability test to use only one measured item, because it will give negative Cronbach's Alpha. This is particularly difficult, because the single item reliabilities are very low and without reliability items, the validity of the item is very poor at best and at worst condition of the results.

Cronbach's Alpha is the test reliability technique that requires only a single test administration, to provide a unique estimate of the reliability for a given test. Cronbach's Alpha is the average value of the reliability coefficients that one could obtain for all possible combination of the items, when it splits into two half tests. Output was acquired from the SPSS for the multi item scales of the research.

Cronbach's Alpha is the most important column in the reliability test. Cronbach's alpha reliability coefficient normally ranges between 0 and 1. However, there is actually no lower limit to the coefficient. The closer Cronbach's alpha coefficient is 1.0 the greater the internal consistency of the items in the scale. George and Mallery (2003) have provided the following rules of thumb: “ $\alpha > 0.9$ – Excellent, $\alpha > 0.8$ – Good, $\alpha > 0.7$ –

Acceptable, $\alpha > 0.6$ – Questionable, $\alpha > 0.5$ – Poor and $\alpha < 0.5$ – Unacceptable” (p. 231). While, increasing the value of alpha will partially depend upon the number of items in the scale, it should be noted that, this has diminishing returns.

It should also be noted that, an alpha of 0.8 is probably a reasonable goal. It should also be noted that, while a high value for Cronbach’s alpha indicates good internal consistency of the items in the scale, it does not mean that, the scale is one-dimensional. Factor analysis is a method to determine the dimensionality of a scale, but is beyond the scope of this paper.

Variables	Items	CRONBACH’S ALPHA	Comments
Managerial Competency	6	0.697	Moderate
Managerial Background	5	0.496	Weak
HRM Development	8	0.825	Strong
Competitive Strategy	4	0.774	Strong
Personal Factors	2	0.549	Weak
Managerial Leadership	7	0.819	Strong
Organizational Design	7	0.806	Strong
TOTAL	39 items		

As shown in the above figure, the majority of the individuals have correctly reported the cronbach’s Alpha, as the measure of the internal consistency reliability. The cronbach’s Alpha measured in the research, gives the figure that have all the variables significant, which is an excellent result, according to the rule of thumb. This says that, the research is reliable and can be measured. There was a total of 6 items taken for the measuring of the test. Cronbach’s Alpha does not provide the reliability consistency for the individual items.

• **Correlation Test Result:**

Correlation analysis is used to understand how the variables are correlated with each other. For the collection of the data, the symmetric quantitative variables for the Pearson’s correlation coefficient are used. Before calculating the correlation coefficients, researchers need to screen the data for the outlier. Pearson’s correlation coefficient assumes that, each pair of the variables is the bivariate normal and it is a measure of the linear associations.

For the Pearson’s correlation coefficient to be efficient, the variables need to be linear and accurate. For example, there must be a linear relationship between the dependent and the independent variables.

The following are some of the characteristics of the correlation coefficients.

- Correlations range between -1.0 and 1.0.
- The sign of the correlation describes the direction of the relationship. A positive sign indicates that, as one variable gets larger, the other also tends to get larger, while a negative sign indicates that, as one variable gets larger the other tends to get smaller.
- The magnitude of the correlation describes the strength of the relationship. The farther that a correlation is from zero, the stronger the relationship is between the two variables.
- A zero correlation would indicate that, the two variables were not related to each other at all.
- Correlations only measure the strength of the linear relationship between the two variables.

Sometimes there will be a relationship that would be better measured by a curve of some sort rather than a straight line.

In this case, the correlation coefficient would not provide a very accurate measure of the strength of the relationship. If a line accurately describes the relationship between two variables, the ability to predict the value of one variable from the value of the other, is directly related to the correlation between them. When the points in your scatterplot are all clustered closely about a line, the correlation will be large and the accuracy of the predictions will be high. If the points tend to be widely spread the correlation will be small and the accuracy of the predictions will be low.

Correlations

		TOT_MC	TOT_OD	TOT_MB	TOT_HRM	TOT_ML	TOT_CS	TOT_PF
Pearson Correlation	TOT_MC	1.000	.795	.857	.888	.851	.759	.716
	TOT_OD	.795	1.000	.655	.674	.637	.899	.588
	TOT_MB	.857	.655	1.000	.751	.960	.575	.526
	TOT_HRM	.888	.674	.751	1.000	.742	.675	.656
	TOT_ML	.851	.637	.960	.742	1.000	.549	.561
	TOT_CS	.759	.899	.575	.675	.549	1.000	.605
	TOT_PF	.716	.588	.526	.656	.561	.605	1.000
Sig. (1-tailed)	TOT_MC	.	.000	.000	.000	.000	.000	.000
	TOT_OD	.000	.	.000	.000	.000	.000	.000
	TOT_MB	.000	.000	.	.000	.000	.000	.000
	TOT_HRM	.000	.000	.000	.	.000	.000	.000
	TOT_ML	.000	.000	.000	.000	.	.000	.000
	TOT_CS	.000	.000	.000	.000	.000	.	.000
	TOT_PF	.000	.000	.000	.000	.000	.000	.
N	TOT_MC	110	110	110	110	110	110	110
	TOT_OD	110	110	110	110	110	110	110
	TOT_MB	110	110	110	110	110	110	110
	TOT_HRM	110	110	110	110	110	110	110
	TOT_ML	110	110	110	110	110	110	110
	TOT_CS	110	110	110	110	110	110	110
	TOT_PF	110	110	110	110	110	110	110

Correlation coefficients significant at the 0.05 level are identified with a single asterisk, and those significant at the 0.01 level are identified with two asterisks. The correlation table displays Pearson’s correlation coefficients, significance value and the number of cases with non-missing values.

The value of the correlation coefficients ranges from -1 to 1. The sign of the correlation gives us the direction of the relationships (positive or negative). The absolute value of the correlation coefficient indicates the strength, with larger absolute value having strong relationships. The correlation coefficient of the main diagonal is always 1, because each variable has a perfect positive linear relationship with itself.

• **Model Specification:**

Regression techniques have long been central to the field of economic statistics. Regression analysis is the best way to know the model specification of the variables. Regression analysis is a statistical tool for the investigation of relationships between variables. There are two types of regression analysis that can be done. They are linear regression analysis and multiple regression analysis.

Linear regression is probably the most widely used, and useful, statistical technique for solving environmental problems. Linear regression models are extremely powerful, and have the power to empirically test very complicated relationships between variables. Linear regression analysis gives us the regression model with one dependent and one independent variable, whereas in the multiple-regression analysis, researchers can have one dependent variable and more than one independent variable. Regression analysis embraces a criterion that relates to the estimated noise term or “error” for each observation.

• **Coefficient Model:**

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations		
		B	Std. Error	Beta			Zero-order	Partial	Part
1	(Constant)	-.006	.130		-.045	.964			
	TOT_OD	.163	.070	.158	2.308	.023	.795	.222	.064
	TOT_MB	.223	.105	.219	2.113	.037	.857	.204	.058
	TOT_HRM	.327	.046	.357	7.172	.000	.888	.577	.198
	TOT_ML	.159	.107	.152	1.485	.141	.851	.145	.041
	TOT_CS	.086	.069	.083	1.244	.216	.759	.122	.034
	TOT_PF	.098	.028	.138	3.495	.001	.716	.326	.096

a. Dependent Variable: TOT_MC

• **Multiple Regression Analysis:**

Multiple regressions are a statistical technique that allows us to predict someone’s score on one variable on the basis of their scores on several other variables. Plainly, managerial competencies in the organizations are affected by variety of factors. Multiple regression analysis is a technique that allows additional factors to enter the analysis separately, so that the effect of each can be estimated.

When using multiple regressions in psychology, many researchers use the term “independent variables”, to identify those variables that they think will influence some other “dependent variable”. Multiple regressions are

essential when the investigator is only interested on the overall influence of the dependent variable due to the independent variables.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.960 ^a	.922	.917	.07536	.922	202.451	6	103	.000

a. Predictors: (Constant), TOT_PF, TOT_MB, TOT_CS, TOT_HRM, TOT_OD, TOT_ML

Here the dependent variable is managerial competencies and the independent variables are managerial background, competitive strategy, HRM development, Organizational development, managerial leadership and personal factors. The rules of the multiple regressions are same as the linear regression as discussed earlier.

Here the researchers have the R Square value as 0.922, which states that approximately 92.2% of the dependent variable is influenced by the independent variable, whereas the remaining 7.8% is influenced by other external factors. Also the other thing that researchers need to keep in mind in the regression analysis, is the significant level, which should be <0.05.

The significant level is also satisfied and acceptable. To confirm that our analysis is acceptable, researchers also need to see the difference between the R Square and Adjusted R Square. If there is a wide difference in their value, then the model is not acceptable. Thus overall the model is fit.

• **Hypothesis Result:**

Hypothesis	Path	Relationship	Result
H1	OD → MC	Positive	Supported
H2	MB → MC	Positive	Supported
H3	HRM → MC	Positive	Supported
H4	ML → MC	Positive	Supported
H5	CS → MC	Positive	Supported
H6	PF → MC	Positive	Supported

Here, OD = Organizational Design
 MC = Managerial Competency
 HRM = Human Resource Development
 ML = Managerial Leadership
 CS = Competitive Strategy
 PF = Personal Factors

Findings And Conclusions:

From the recent evidence it is clear that, the factors involved in the managerial competencies are very important for enhancing organizational performance of managers. The result shows that, the HRM development and managerial background have high influence on the managerial competencies in the SMEs in Selangor Malaysia.

The fact that managerial competencies do not impose moderation or interaction effect on the relationship between innovativeness, and SME performance can provide useful implications for the studies of entrepreneurship and SME management in Malaysia. This finding reveals that, the influence of innovativeness on SME sales growth and profitability cannot be monitored by the managerial factors inherent in an organization. In this respect, managerial skills such as, planning, organizing, leading, and controlling do not help expedite the process of innovation for improving sales growth and profitability among Malaysian SMEs.

From the practical point of view researchers claim that, there is a risk factor in the FDI for the investors, which can be overcome with the analysis of the economic factor and the taxation policy of the country.

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