

The Influence of the Factors of Managerial Competencies among SMEs in Selangor, Malaysia A Preliminary Study of Human Resources

¹Hani Abdulhafedh ThabitYahya, ²Khaled AbdelhayElsayed

¹Master of Business Administration -Human Resource Management- Limkokwing University of Creative Technology

²PhD Candidate of Peace and Conflict Studies-IKRAB Institute-UKM-Malaysia

Abstract: This paper attempts to establish a framework to understand the influence of the managerial competencies factor among SMEs in Selangor, Malaysia, by reviewing of the profiles of SMEs in Malaysia. The proposed framework focuses on the following factors: managerial competencies and organizational performance, attitude of managers, managerial competency and leadership, managerial competency and organization design and development, managerial background and competency, human resource development and managerial competency, competencies of HRD practitioners, managerial competency towards competitive strategy, personal factors affecting managerial competencies. This study has employed questionnaire survey to collect data. We have identified that the managerial competencies factors among the SMEs in Selangor, Malaysia have a great impact in motivating the managers towards the growth and development of the SMEs. The study has reviewed the significant studies related to the factors influencing the managerial competencies among SMEs in Selangor, Malaysia. The aim of this paper is to serve as a literature review on managerial competencies in the SMEs of Malaysia. This study has discussed the various managerial factors that influence the managerial competencies in an organization. The main objectives of this paper are (i) to examine the organization design, which benefits the managerial competencies, (ii) to assess the managerial background, which influences the growth and development, (iii) to evaluate the HRM development factor in increasing the managerial competencies and (iv) to investigate the managerial leadership generating the managerial competencies and the role of the personal factors, in influencing the growth and development of the SMEs in Malaysia. Ultimately, this study has concluded that, there is an urgent need to identify the influence of the managerial competencies factor among SMEs in Selangor, Malaysia.

Key words: Influence, Factor, Managerial Competencies, SMEs in Selangor, Malaysia, preliminary study, human resources.

INTRODUCTION

Managerial competencies mean task oriented or personal oriented skills. According to Dave Ulrich (1988) "People want to know what set of skills high-achieving HR people need to perform even better" (Robert J. Grossman, 2007). It is better to observe what good performers actually do to be successful, rather than making assumptions about intelligence and other underlying traits. Roe (2002) has defined competency as an ability to perform a task adequately. These definitions are multidimensional, which means that, worker oriented approach, which is common in US literatures and work oriented approach used in the UK, are combined to explain the research competencies (Van der Klink & Boon, 2002; Sandberg, 2000).

Background Of The Study:

The increasing demand of the SMEs is the most significant feature in most nations, including Malaysia. For accomplishing the vision 2020 and to become an industrialized nation, the future progress in Malaysia seems to depend greatly upon the development of SMEs. Therefore, the primary purpose of this study is to determine the extent, to which the managers of SMEs have used their competencies and their belief over the competencies in effectively performing their jobs.

Reciprocating the drastic changes in various aspects of the business world, the SMEs play an important role in developing country to a higher level. Small and medium-sized firms dominate our economies in terms of employment and number of companies, yet their full potential remains remarkably untapped. Although there is a broad assumption stating that, that generally SMEs have positive effects on the economic growth any country, however, the notion of economic imperatives for SMEs remains largely untested. Hence,

This paper attempts to look into the challenges faced by the SMEs (Schlogl, 2004). Basically, SMEs comprise three key economic sectors such as: manufacturing, services and agriculture. Based on the report by the Malaysian Department of Statistics (2003) the micro establishments constitute the largest number with more than three quarters out of the total SMEs formations in Malaysia. They are primarily represented in the services

Corresponding Author: Hani Abdulhafedh ThabitYahya, Master of Business Administration -Human Resource Management- Limkokwing University of Creative Technology

and agriculture sectors, with the proportions for 80.4 and 93.3 percent, respectively. Small companies make up to 18.4% and medium companies represent 2.2% per cent. The manufacturing sector has also displayed the same pattern, nevertheless, the percentage of micro firms was lower (55.3%), while small firms accounted to 39.5% (Normah, 2007). There are totally 523,132 establishments in Malaysia, of which 99.2% (518,996) are SMEs, while, only 0.8 percent were occupied by large companies. The main activities in the manufacturing sector consist of processing and production of raw materials. Meanwhile, the agriculture sector includes rubber, oil palm, paddy, coconuts, fruits, and vegetables. The manufacturing sector has emerged as the most important component for SMEs in Malaysia, where, the largest number consists of micro-enterprises (53.4 per cent) followed by small sized category (38.1 per cent) and lastly medium sized category (5 per cent).

In terms of distribution by industry, most of the SMEs belong to textiles and apparel and resource based industries. The SMEs play a vital role in the development of Malaysian economy. Their contributions have heavily influenced the economy as a whole. The SMEs are also important traders and service providers to the other primary industries.

Furthermore, a large number of SMEs are also producers of finished goods and services. Collectively, these SMEs have contributed to the growth of manufacturing, services and agriculture sectors, as well as the ICT services, in terms of output, value-added, employment and exports (Industrial Malaysia Plan, 2006).

The purpose of this paper is to analyze the crucial managerial factors, which affect the development of the SME's in Malaysia. In order to achieve this, we have carried out an extensive literature review, related to the problems and perspectives of management carried out in Botswana.

Managerial competence is the ability for managers and leaders, to direct work streams and define outcomes clearly. Competence refers to both, the ability (technical/certified) and the inferred ability (acceptance by those who are managed). The public and private organizations of Malaysia have put many efforts on the development of Small and Medium Enterprises (SMEs), to diversify the economy, to create jobs and alleviate poverty. However, the pace of development of SMEs is very slow and discouraging.

From the previous researches, it is evident that, a lot of factors such as, managerial factors like human resources development; organizational development, managerial background, managerial leadership and competitive strategy, personal factors, and organizational design, affect the performance of SMEs.

Literature Review:

Research in the 1990s and early 21st century has documented the changing nature of work, as organizations transition from an industrial to a knowledge-based economy. A number of studies have identified the various skills and competencies that are crucial for the 21st century workforce and these studies have also identified the gaps in the required skills.

A number of authors have suggested that, the forces such as, the changing nature of work and organizational pressures described above have converged in making a competency-based approach to make the human resource management more effective, particularly in getting the benefits from human capital than the traditional jobs-based approach. A competency-based approach moves the focus away from the jobs, towards individuals and their competencies. Furthermore, core competencies, or those competencies that cut across jobs, have become increasingly important, as the distinctions between individual jobs have become more blurred, the work roles have changed, and the environment has become less stable. (Cochran, Graham R, 2009)

Identifying the requisite of competencies for achieving an occupational field is a critical process in human resource management, where the task of identifying qualities defines the efficiency of 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, which correlates with the performance on the job that can be measured against well-accepted standards, and that can be improved via training and development. (Clifford S. Barber, 2004)

Of late the employment of competency systems to evaluate, reward, and promote managers has become regular practice in large organizations; however there is a lack of to prove that competency systems increase managerial effectiveness and improve organizational performance. Nevertheless, the managerial jobs have been a main focus of competency representations. Furthermore, there is evidence that, the competency systems predict managerial success as measured by 360-degree or supervisor ratings.

While, identifying successful managers, the critics question whether the competency systems should play such a role. One of the problems in this regard is that, there are many different routes to measure managerial effectiveness, so models based on a single set of competencies can be misleading. Furthermore, most of the competency systems are static and thus susceptible to changing leadership requirements, and the competency identification efforts might often produce similar competencies across organizations, which limit their ability to be a source of competitive. Moreover, competency often means "a fairly deep and enduring part of a person's personality". (Alec Levenson, 2011)

The SMEs contribute not only to generate revenue but also distribution of income. Generally large firms tend to produce a good number of high wage income earners, whereas the SMEs produce a significantly large

number of relatively low-income earners. The development of SMEs would therefore help spread income to more people. The promotion of developing SMEs should continue to be a policy priority, to narrow the gap between the urban and rural development, and to scrutinize social discriminations and rural migration.

SMEs also promote the culture of saving and investing in society. The money invested in SMEs, would probably have been allocated to other expenditures, if SMEs have not been established or sought for it. This can directly contribute to the overall savings ratio of the population of Malaysia.

The dependency of foreign markets can be ultimately minimized by enhancing the potential of SMEs poverty alleviation through financial, regulatory and managerial assistances. This will not only save foreign exchange but also reduce the impact. Therefore, the promotion of developing SMEs will have a long term effect on sustained economic independence and autonomous development.

Predominantly the literatures on managerial competencies have used the data, collected by assessment centers and external evaluators. Moreover, the internally administered competency systems seem to be used for performance management and determining rewards and promotions.

According to Lawler and McDermott (2003) only 15% of the organizations claim that, there is very minimum or lack of influence of managerial competency on the organizational performance. Advocating the competency system should enhance power by augmenting discernments of the link between effort and performance. Generally, supervisors play a role in deciding, whether the employees have demonstrated their competencies.

Research Model & Methodology:

Despite the growing popularity in the fields of social sciences, a lot of questions have been raised on and actively discussed over the legitimacy and dependability of the research tool. Generally, research is a continuous process of searching knowledge. One can also define research, as a scientific and systematic search, for acquiring relevant information on a specific topic. Research methodology is an approach to the entire process of the research study (Collis and Hussey, 2003).

This section presents the research model & methodology employed in this study including, type of research, research approach and research strategy, furthermore, the target population, sampling size and sampling method, data collection method and data analysis are also discussed in this section.

This will be discussed in terms of the aims set for this paper such as, the research design, ethical considerations, subjects, material apparatus and procedures used. However, this is not an exhaustive list of factors that motivate people to undertake research studies. Nevertheless, there are many more internal and external factors such as, directives from government, economic conditions, inquisitiveness about new things, aspiration to understand informal relationships, social thinking and awakening and motivating people to perform research operations

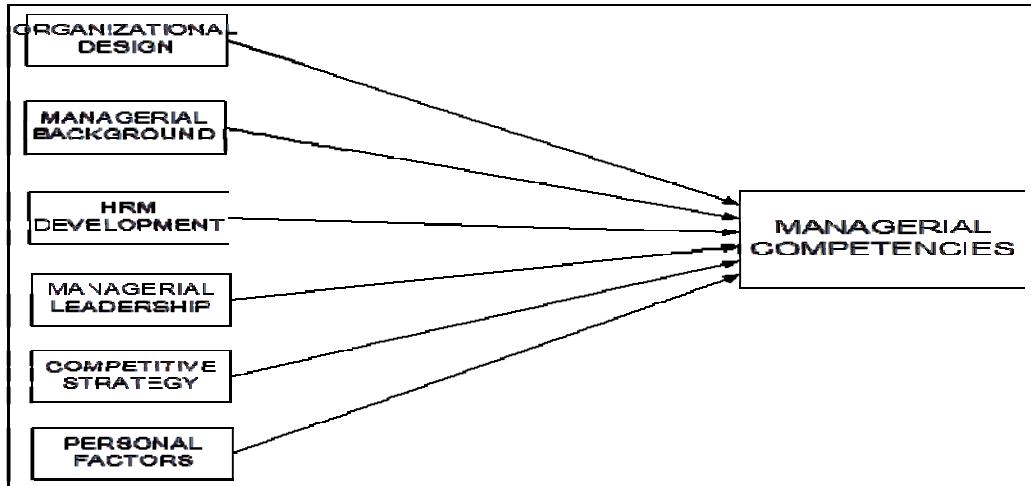
- ***Research Design:***

This research is conducted based on the research philosophy devoted to the research strategy employed and utilizing the research instruments for successfully accomplishing the goal.

Basically, the research design comprises: research methodology, methods, and data collection and analysis techniques based on the aims and objectives of the particular research. It gives a detailed plan of the study and will be used to guide and focus the research (Collis and Hussey, 2003). Moreover, the research designs are more focused on transforming the research question into a testing project. The best design depends on the research questions, however, each design has its own advantages and shortfalls. Generally, there are two (2) typical research designs that can be constructed by researchers such as: qualitative research and quantitative research. However, this study has employed the quantitative research design. The quantitative research is used to clarify features, count them and build up statistical models to explain what is observed (Miles, and Huberman, 1994). Basically, the quantitative researchers absolutely know what they are seeking, before they start the research (Miles, and Huberman, 1994).

Numbers and statistics are the data of quantitative research, which are collected by the methods of questionnaires or any other research tools (Miles, and Huberman, 1994). Quantitative research is more efficient than qualitative research, since the results can be used to test hypothesis (Miles, and Huberman, 1994). A research philosophy is a belief about the way, in which the data about a trend should be gathered, analyzed and used. As mentioned earlier the main objective of this study is to identify the major factors, which affect the managerial competencies in the Malaysian SMEs. This objective explains a descriptive relationship, which clarifies the features. This study has used questionnaire for quantifying the results of the research. Therefore, the research design and strategy is quantitative research.

Research Model:



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

- **Type of Research:**

Generally, researches can be classified based on their purpose or by the methods employed to carry out. In terms of purpose, the researchers can be classified as: basic research and applied research, while in terms of method, researches can be grouped as deductive research and inductive research.

This present study is a descriptive research, because it intends to profile, define, segment and estimate, predict and examine associative relationship (Du, 2006). However, the quantitative research is a process of disproving the null hypothesis. They attempt prove that, there will be no difference in response between the experimental and control groups. Whereas, empirical researches will be appropriate, when evidences are obtained and proved that, certain variables affect other variables in one way or the other. Evidences collected through experiments or empirical studies are nowadays considered as the most powerful support for a given hypothesis.

A research strategy contains objectives, derived from the research questions. Furthermore, it specifies the sources, from which the data collection is intended and also focuses on the possible constraints. There are several research strategies, including, surveys, case studies, experiments or grounded theory, (Saunders, et al., 2003). The information for this paper will be analysed using a questionnaire survey and the research design will be quantitative.

- **Research Questionnaire:**

In this method a questionnaire with a list of questions related to the field of enquiry has to be prepared with space for the answers to be filled by the respondents. The questionnaires will be handed in person or mailed to the respondents with a request for quick response within the specified time. As the questionnaire is the only media of communication between the investigator and the respondents, the questionnaire should be designed or drafted with extreme care and caution, so that all the significant and indispensable information for the enquiry may be collected without any difficulty and vagueness. The research questionnaire for this study consists of two sections, the first section focuses on the profile of the respondents and the second section focuses on the questions related to the variables of the study.

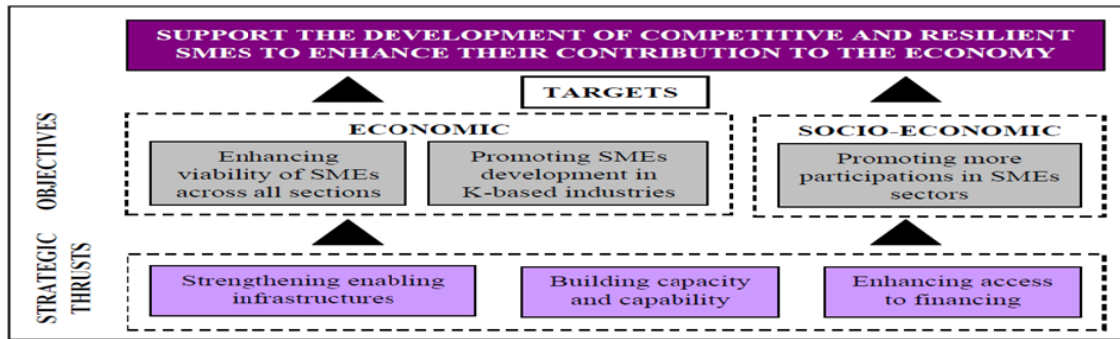
RESULTS AND DISCUSSION

- **Profile of SMEs in Malaysia:**

Small and medium sized enterprises are scattered throughout Malaysia, at 20 SMI industrial areas and SME zones and in other parts of the country. The largest concentration of SMEs is found in the Central Region (37.1%), followed by the Northern Region (19.5%), Eastern Region (16.8%), Southern Region (14.2%), with the lowest concentration in region of Sabah and Sarawak (10.4%). Respondents for this current study were drawn from the central region, which is from Kuala Lumpur and Selangor, which forms the Klang Valley. Exporters are mainly located in the manufacturing sector (57.6%), although substantial numbers of service providers also perform exporting (40.6%).

The percentage of agriculture exporters is much smaller (1.8%). Out of the 37,866 SMEs in the manufacturing sector 14% are active exporters and contribute 19% of total Malaysian exports (SME, 2006). The mission of Malaysian government in terms of developing SMEs has created a balanced economic and socio-economic growth for the nation. This thrust has been illustrated in Figure 1.3. Based on the figure it is evident

that, the main economic objectives are to enhance the viability SMEs across all sectors and to promote the development of SMEs in knowledge based industries. On the other hand, the socio-economic objectives, aim to enhance the contributions of all SMEs towards the Malaysian economy.



Source: Adapted from SME Annual Report 2006: National SME Development Council Malaysia (NSDC, 2007, Chapter 4, p.53)

Fig. 1.3: Overview of SMEs Objectives and Strategies in Malaysia

The Malaysian government seeks to balance the economic and socio-economic development by strengthening the enabling infrastructures; building capacity and capability; and enhancing access to financing. By prioritizing the development of SMEs, the Malaysian government had aimed to increase the contributions of SMEs towards its GDP from 32% to 37% in 2006 and total exports from 19% to 22% by 2010 (NSDC, 2007).

- **Managerial Competencies And Organizational Performance:**

The Managerial skills are sets of qualities and attributes in the personality of managers that enable them to effectively manage the working force of a firm. Good managerial skills can create a world of difference in the efficiency and performance of the organization.

Researchers have found that, the traditional managerial skills would not consequently bring favorable changes at workplace; therefore managers are forced to learn some special skills, measure the behavior and attitudes of employees. Raju. R. Kamble (2011) has identified that managers might directly influence the attitude, interest, and aptitude of workers or change their behavior towards commitment to work and objectives. Organization can stand to bear the challenges of changes by only right managerial style & behavior.

- **Managerial Competency And Manager's Leadership:**

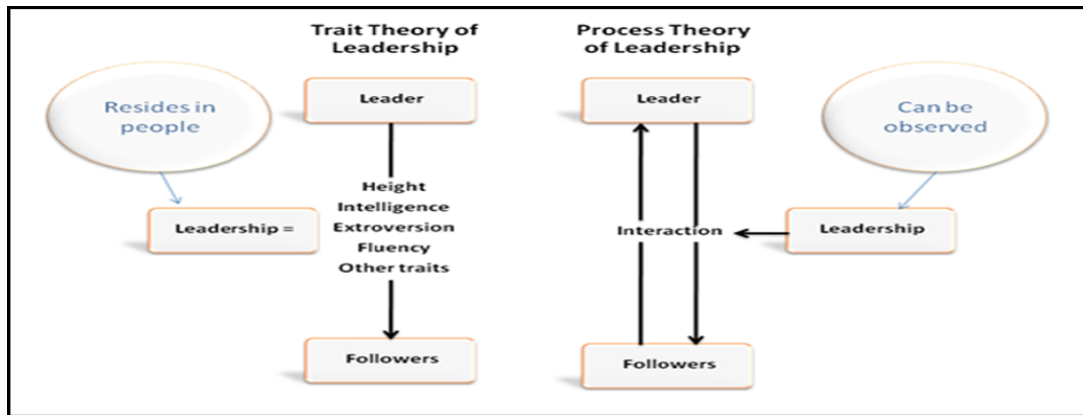
Leadership is a process, by which a person influences others to accomplish the objectives and directs the organization in a way that makes it, more consistent and rational. Leaders carry out this process by applying their leadership knowledge and skills. This is called Process Leadership. However, researchers know that individuality of leaders can influence their actions. This is called Trait Leadership. Once it was common to believe that, leaders were born rather than made. The role of the upper echelon leadership of an organization is to strategically position the organization (e.g., clearly distinguish the organization from its competitors).

In many cases, the evidence indicates that, the upper echelons significantly matter and makes all the difference, in terms of making a firm to take a leading position. In this context, Austin and Nolan (2007) have stated that the stern leadership of Louis Gerstner (CEO) and his management team has helped IBM recover from its decline.

Amy Preiss and Caroline Molina-Ray (2007) have stated that, interest in participative management began to rise in the 1980s, with the consciousness that, more effectual management practices and employee-relations programs could provide a competitive advantage to the public and private sector organizations. It is noteworthy that managers can create high-productivity workplaces by creating the sense of belongings among employees and motivating a shared desire for achieving organizational goals.

Nevertheless, the managerial success is not related to technical competence, but to the interpersonal effectiveness, which might explain why some of the progressive business organizations, include the components of counseling theory in managerial training and development programs. The first-line manager is the primary point of contact for creating positive employee relations and developing a participative, collaborative culture.

However, the first-line manager often plays a contradictory role, putting organizational goals against employee needs. First-line managers have accountability for "meeting the logic of efficiency.



not enough to just know what to do. You have to actually carry out what you know is right.” The following two factors are considered most by the informants:

Whether communication with various stakeholders could happen in a timely manner with desirable effects and whether internal and external resources could be quickly mobilized and wisely deployed. A lot of informants even assumed that for the ultimate result, whether it be an impact-felt on external stakeholders or the consequences for corporate image, the attitude of top leader might certainly matter more, than the actual incident (Elliott, D., & Smith, D, 2006). Effective managers require an interpersonal skill set such as: group facilitation, counseling, and participative goal setting.

However, business leaders have become increasingly aware that, interpersonal effectiveness of managers is as crucial as their academic degrees or technical expertise in influencing the accomplishment of organizational objectives. According to Goldsmith (2004), interpersonal competence of employees becomes more imperative, as they achieve more visible leadership status. As a leadership principle, the democracy maximizes the individual power, without excessively compromising with the freedom of others. Democratic managers are effective, especially in promoting the “feeling of community”, which is essential to organizational culture of shared purpose and mutual support (Goldsmith, 2004).

- **Managerial Competency And Organization Design And Development:**

Organizational development (OD) is based on the understanding of behavioral sciences, and is concerned with how people and organizations function, and how they can be made to function better through effective use of human and social processes. Modern changes are more radical than evolutionary, as researchers have understood the historical changes.

Changing the tastes of customers might influence the competition arising from new technology, changing cultures and processes and higher demands for efficiency, effectiveness, profitability and sustainability.

OD might be defined as a methodology or technique used to effect change in an organization or section of an organization aimed at enhancing the effectiveness of organizations. It has the following attributes:

- A planned process of change
- Applies behavioral science knowledge
- Aims at the change of organization culture
- Aims at reinforcing organization strategies, structures and processes for improving effectiveness and health of organizations
- Applies to an entire system of an organization, department or group as compared to an aspect of a system
- Targets long term institutionalization of new activities such as, operation of or autonomous work teams and other problem solving capabilities
- Encompasses strategy, structure and process changes
- A process managed by the top-down architecture

Knowledge and practices of behavioral science incorporate the concepts, such as, leadership, group dynamics, work design and approaches such as strategy, organization design and international relations (KinuthiaWamwangi, 2003). Innovation is characterized by the organizational actions of adopting and executing “newness” in arbitrary manner. Nevertheless, innovativeness reflects the degree of an organization’s inclination for involving in innovative processes. The terminological difference is, whether “innovation” to be considered as attitudinal or behavioral. However, this dissimilarity has been rather amalgamated by the feedback-loop relationship between, the innovativeness and innovation, in which the former provides attitudinal support to facilitate the latter’s action, in turning creative process into innovation results. According to Salavou (2004), the technology-related innovativeness illustrates the motivation of firms in accepting technological changes as business opportunities by employing the frequencies of adopting innovation in terms of number, time and

consistency as multi-attributes for each one-dimensional construct, organizations might be capable of exposing the enormity of the course of innovativeness for further assessing their organizational performance.

If the size of a firm expands and becomes more complex, then the need for advanced management practices possibly increases. This possibility also recommends an irrelevant association between the managerial activities and success of SMEs, as the owner/managers of small, commercial firms depend more on their traditional skills and aptitude, rather than the managerial approaches, in order to deal with the daily operational problems.

This paper involves a basic research in examining the impact of managerial competencies on the relationship between organizational design and development of SMEs in Malaysia. The proposed research topic is envisaged by an integrated study of literature related to the entrepreneurship and small business management in the field of strategic management. (Huam Hon Tat, 2010)

However, Martin and Staines (1994) have elucidated the major discussion on the nature of managerial competences in small firms as the parent literature for this paper project. An evaluation of managerial models, managerial characteristics, and managerial approach, towards competitive advantage has been found in the supporting literature for further explaining the causal relationship between managerial competencies and performance of SMEs. However, it is not conclusively suggested that, whether the managerial competencies would play the alternative role or could enforce indirect influence on the success of SMEs in Malaysia.

The idea of performance as a dependent variable is gauged by two financial indicators such as, sales growth and profitability, which distinguish the single, specific, and short-term measures of SME performance in Malaysia. Expounders of this single dimension approach to performance measures have lent their supports to the theory of goal setting, which offers one of the most recognized management theories, to elucidate the goal-performance relationship in the experimental settings (Latham and Locke, 2006).

- ***Managerial Background And Competency:***

The managerial background comprises the fundamental requirements such as general educational background, training in basic business management skills, and practical industry experience to be a professional manager. The position of managerial background as least significant is in contrast with the theory and the findings of other earlier studies. In contrast to previous studies, the influences of managerial education, training and experience on the performance of SMEs were rated low. This could be attributed to:

The focus of the sample firms in non-manufacturing sectors, where managerial background has relatively less impact on performance; and since most companies are foreign based (South Africa), the managerial leadership flows from the headquarters.

Organizational design and development covers the lack of clear division of labor, lack of open communication, lack of proper organizational structure, low level of standardization of products/service and formalization of working procedures. Even though these factors are also rated low, there is obviously a lack of enough proof to observer that, these items related to the organizational design do not decisively influence the development of SMEs in developing countries (Zealelem T. Temtime and JaloniPansiri, 2007).

Our goal is to provide proofs on the influence of managerial background in terms of managerial competence in the SMEs of Malaysia, using a setting, which focuses on mutilation of goodwill. As goodwill is highly subject to managerial discretion, Ge et al. (2010) have identified little evidence that the CFO background explains accounting choice.

The researchers have extended this literature by connecting past professional experience of executives, to financial reporting choice in an reasonably significant method. In fact, while the conception of managerial style can be subtle and hard to outline for attributes of individuals, the link between experience of managers' investment banking or auditing and the goodwill reporting choices of the firms is traceable.

It is the aim of this study to discretely appraise these competency clusters, to see how each has contributed to the overall job responsibilities of a SMEs manager. It is also significant to view them separately since the SMEs do not offer these facilities and this could influence the overall ratings of these clusters.

The reasons for managers having recreation management competencies lower than other competency skill sets might be due to the fact that, they have competent people who work and manage these operations. Another reason could be that, the managers do not have satisfactory backgrounds in this area, and do not feel contented with the lack of managing skills. and yet another reason might be that, the study did not identify the appropriate competencies utilized by managers for managing their departments. However, future research should be conducted regarding these competencies, to assess how they contribute as an significant management competency factor for managers. The managerial should be accountable for vital managerial tasks needed to manage the sports and recreation departments (Jason P. Koenigsfeld, 2007).

- ***Human Resource Development And Managerial Competency:***

Coetzee (2007) has stated that Malaysia is facing a critical gap in expertise, an ageing but highly skilled workforce, increasingly complex technology and rising consumer expectations from service providers. He suggests that, the demand for quality education and training and competent and qualified human resource

development (HRD) practitioners' increases, as the needs of people to obtain the necessary skills for career growth.

The fast rate of transformation in organizations in Malaysia has already significantly influenced the means of transforming knowledge and skills in organizations. Meyer (2007) has argued that, HRD has rapidly developed in the past decade, which has put the traditional training under threat. This has consequently increased the number of companies that consider HRD as a crucial factor, to enhance competitiveness and overall performance. Therefore, the HRD should not only be concerned with developing people, but also play a key leadership role in supporting initiatives to improve competitiveness and performance and transformation of organizations (Noe, 2008).

HRD is defined as "all the processes, systems, methods, procedures and programs an organization employs to develop its human resources in order to equip its employees to be able to contribute to organizational performance". Ulrich, Brockbank, Hohson, Sandholz and Younger (2008) have stated that the human resource function should add value and make a meaningful contribution to employees and line managers inside the company, and to customers, communities, partners, and investors outside it. In this context, it could be said that, the HRD function should add value and contribute by endowing its employees with expertise, to facilitate in improving organizational performance.

• **Competencies of HRD practitioners:**

The ASTD study has defined competencies as "clusters of skills, knowledge, abilities and behavior for job success". The Society for Human Resources Management (SHRM) has defined competencies as "attributes that are necessary for a person to possess in order to complete a particular job. These include knowledge, skills and abilities". The initial competencies refer to appropriate behaviors for training and developing professionals. These competencies include interpersonal, business and personal competencies. Table 1 reflects the required competencies that were identified in the ASTD study (Noe 2008).

Table 1: Essential competencies for HRD practitioners as identified by the ASTD (USA)

Business competencies	Interpersonal competencies	Personal competencies
<ul style="list-style-type: none"> • Analysing needs and proposing solutions • Applying business acumen • Driving results • Planning and implementing assignments • Thinking strategically 	<ul style="list-style-type: none"> • Building trust • Communicating effectively • Influencing stakeholders • Leveraging diversity • Networking and partnering 	<ul style="list-style-type: none"> • Demonstrating adaptability • Modelling personal development

Source: www.astd.org

The development of human resources of a company is a subject that, many researchers and practitioners have identified as key factor for increasing their productivity of firms, while concurrently lessening the difference between skills of workers and present and future needs of firms. An integral human resources management system with managerial competency as its core, will associate with business strategies. These kind of systems can provide a foundation for defining capabilities of organization and human resources strategies and for management development/succession, recruitment & selection, training & development, performance management, pay & reward, team building, career planning, and other agenda that are closely related with human resources management.

Human resources management is the core resource of contemporary enterprises. However, the managerial staff must be proficient with updated professional knowledge, technical and problem-solving skills, so that they can easily face the tentative environmental challenges, create the maximum added value and reach the organizational goals.

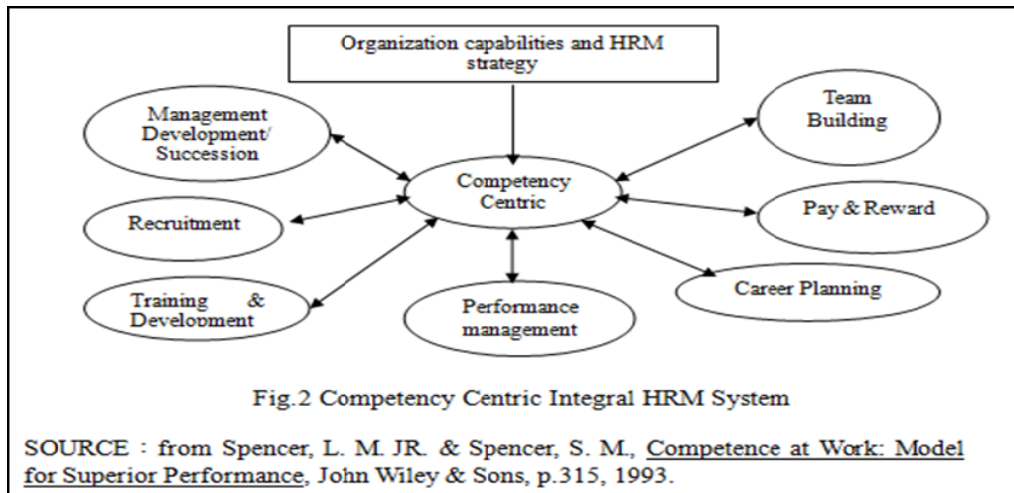


Fig. 2: Competency Centric Integral HRM System

A lot of studies have stated that the association between HRM and business strategy is progressively becoming the mainstream of essential competency centric integral. A HRM system will associate with business strategies and offer a foundation for defining organization capabilities and human resources. Strategies of management development/succession, recruitment & selection, training & development, performance management, pay & reward, team building, career planning and other agenda are closely associated with human resource management. (Spencers, 1993)

Interestingly, a lot of enterprises have realized that, a huge proportion of organizational success depends on the capability and capacity of their human resources. Consequently, their focus moves towards attracting, developing and keeping talented and loyal workers. Enterprises now focus on more open, democratic and participative management styles, which recognize, house and manage needs and expectations of employees.

Over the past two decades the human resource management and management of infrastructure have demanded that, these issues are analyzed. Within the general management theory, for accomplishing organizational success, it is essential to properly address the human aspects of management. Furthermore, managers do not essentially acquire management skills from previous experience. Hence, enhanced managerial competencies could address these predicaments and support better management performance, which in turn will enhance the effectiveness and efficiency of organizations.

- **Managerial Competency Towards Competitive Strategy:**

The competency models are being used in other areas of human resources management, to support the objectives of an organization and talents of its workers. It is noteworthy that, a competency model depicts the qualities required of an employee to be successful in a position, on a team, and within an organization, however a competence model describes, and the need of consistent performance of an individual worker to accomplish or surpass the strategic goals of the organization.

Competency models also are being used to manage the business needs and directional strategy, communicate the values and mission of a company, and reward those workers, who learn and exhibit the identified organizational competencies. Competency associated with managing people and their performance, to corporate goals, organizational strategy and success, business competitiveness, and profit. (Michelle R. Ennis, 2008)

If an organization opts to incorporate competency models throughout their human resources practices (i.e., training and development, selection, and performance and assessment activities), the frameworks of competency model developed to depict jobs or occupations and promotional opportunities should be shared with all managers and staff; participation of employees in developing a competency model, can help with providing awareness of the model and create acceptance.

However, the controversies related to the correlation of innovativeness and managerial factors to small business performance have emerged topic of discussion, especially in Malaysian SME sector. Based on the small size and less formality, the Malaysian SMEs tend to be more flexible and evolving than larger firms in the highly indecisive and intricate environment. Moreover, these attributes can efficiently improve their competitiveness in anticipating economic catastrophes, exploring new business opportunities, and altering risk activities.

Consequently, most of the Malaysian SMEs (if not all) have survived and sustained from the huge recession in 1997 and their excruciating experience have provided a platform for upgrading the business skills, incorporating the MNC-SME ties, evenly allocating the national income, and renovating the economic system. (Schaper&Volery 2004)

According to Martin and Staines (1994) the major discussion on the nature of managerial competences in small firms has been initiated as the parent literature for the project. An evaluation to managerial models, managerial characteristics, and managerial approach, to competitive advantage has been found in the supporting literature, which further explains the causal relationship between managerial competencies and performance of SME.

- ***Personal Factors Affecting Managerial Competencies:***

The performance capability of managers has very crucial consequence on the functionality of the business. The lack of education and professional training are the reasons of a lot of managerial problems in SMEs. Nowadays, owners/managers of small firms must be accustomed with many management aspects such as, finance, personnel, sales, production, etc.

Many studies have identified that, the entrepreneurs perform badly in many areas of management such as, bookkeeping, marketing, costing, warehousing, stock control, production scheduling, and quality control. The owner/managers in some cases either do not understand financial statements or do not use them for planning purposes. Some owner/managers still do not distinguish the personal expenditure and business expenses, and have no precise awareness of their production costs (Zealeam T. Temtime and JaloniPansiri, 2007).

Nowadays global competition has made strategic planning, competitive strategy, performance benchmarking and information gathering and processing basic requirements for the survival of firms. Monk (2000) identified exaggeration on short-term profitability; rigid decision-making patterns and poor use of external advisors are the major threats to SMEs. He has also noted that family commitment and personal problems put needless pressure on owner/managers, whose managerial philosophy is directly associated with personal characteristics. Peterson et al. (1983) and Small bone (1990) have indicated that, centralized one-man decision/making, lack of designation, and the practice of having more importance in dealing with urgent problems in the workplace or in business than strategic issues are among the major factors that affect small firms.

Business information minimizes information irregularity. If an entrepreneur has spent time developing a widespread and a business plan at an early stage of the project, the risk perception should be minimized and the possibility of getting the capital should increase.

The elevated the degree of managerial competency demonstrated by the owners of a new firm will enhance the feasibility and endurance of the new SME. Networking in a small firm context as an activity, in which the business-oriented SME owner builds and manages personal relationships with specific individuals in their surroundings Atieno (2009).

OlawaleOlufunsoFatoki (2011) has also pointed out that, by utilizing network relationships as a business strategy, a new SME can access to imperative resources, capabilities and information resulting in entrepreneurial opportunity. The lack of networking impacts the authenticity of the new SME. The new SMEs get more trade credit from their suppliers when they have long-term business or personal associations with suppliers, have regular communications with suppliers, or are in the same networks with suppliers (OlawaleOlufunsoFatoki, 2011).

Management literatures offer some awareness into the factors that influence the performance consequences for organizations. In particular, the literatures discuss how managers might outline organization performance, from their behavior to personal traits. Researches have considered characteristics of managers such as, differences in gender as a factor that influences management styles and leads to unstable performance results. Researchers have identified that, masculine and feminine genders manage differently, leading to different influences on performance outcomes (Meier, O□Toole and Goerdel 2006).

Researchers have investigated the means that makes male and female management different, suggesting that, the use of female emotional labor allows women to influence an organization and its performance outcomes differently (Hsieh and Guy 2009). These studies have identified a link between emotional labor and performance outcomes, indicating that personal characteristics of managers can influence the success of organizations.

Personal motivation characteristics, skill, and talent have also been studied as factors to study the personal abilities of managers and their effect on organizational performance. Researchers have identified that managerial quality, as evaluated by any additional compensation apart from a basic salary of managers, has positive effects for organizational performance outcomes. Level of education and job experience of managers, are described as managerial qualifications, they also constructively impact the outcomes of organizations. The literatures on leadership consider the features such as, talent and skill and strategies and actions possessed by managers' influence the outcomes of organizations. These studies seek the ability of individuals to guide an

organization and the particular actions and policies implemented, which can affect influence the outcomes of organizations (K. Jurée Capers, 2011).

PlamenPenchev and AnttiSalopaju (2011), have argued that, the latter three terms are seen as substitutes for each other, and overall these foundational, individual, and managerial competencies are probably associated to the enterprise, and in turn to its values and competencies. Consequently, the essential competencies of organizations have to be identified for the purpose of matching the consequent competencies required by the workforce and managers, and the managerial skills respectively, to be developed in such a way that, they will reveal the current and the future requirements and core competencies of the organizations.

The researchers have summarized that, the entrepreneurial competencies can be defined as superior characteristics, which represent the total ability of the entrepreneurs to successfully perform their role, and as comprising knowledge, expertise and personality characters, which are in turn impacted by the education, training, family background, experience, and other demographic aspects of the entrepreneurs.

Conclusion:

This paper had concluded that there is an urgent need to identify the influencing factors of managerial competencies among SMEs in Selangor, Malaysia.

REFERENCES

- Alec Levenson, 2011. Measuring the Impact of A Managerial Competency System: Does Identifying And Rewarding Potential Leaders Improve Organizational Performance? Center for Effective Organizations
- Amy Preiss and Caroline Molina-Ray, 2007. Leadership training For Managers, *Journal of Leadership Studies*, 1: 1.
- Atieno, R, 2009. Linkages, access to finance and the performance of small-scale enterprises in Kenya. *J. Account. Bus. Res.*, 3(1): 33-48.
- Clifford, S. Barber, 2004. Competency requirements for managerial development in manufacturing, assembly, and/or material processing functions, *Journal of Management Development*, 23(6): 596-607.
- Cochran, Graham, R., 2009. Ohio State University Extension Competency Study: Developing a Competency Model for a 21st Century Extension Organization, Permalink: http://rave.ohiolink.edu/etdc/view?acc_num=osu1243620503
- Coetzee, M (ed). 2007. Practicing, education, training and development in South African organizations. Cape Town: Juta: 1-2.
- Du ,X.K., 2006. *Business Research Methods* (7th Ed), Beijing: Engineer Manufacturing Publishing.
- Elliott, D., & D. Smith, 2006. Cultural readjustment after crisis: Regulation and learning from crisis within the UK soccer industry. *Journal of Management Studies*, 43(2): 289-317.
- EF Steyn, 2006. Managerial competencies among first-line news managers in South Africa's mainstream media: A newsroom management framework <http://dspace.nwu.ac.za/handle/10394/7>
- Ge, W., D. Matsumoto, and J. Zhang, 2010. Do CFOs have styles of their own? An empirical investigation of the effect of individual CFOs on financial reporting practices. Working paper, University of Washington.
- Goldsmith, 2004. Nice guys can finish first. *Fast Company*, 88: 123.
- Hsieh, C.W. and Mary E. Guy, 2009. "Performance Outcomes: The Relationship between Managing the „Heart□ and Managing Client Satisfaction. *Review of Public Personnel Administration* 29(March):41-57.
- Huam Hon Tat, 2010. Are Managerial Competencies a Blessing to the Performance of Innovative SMEs in Malaysia? *Int. Journal of Economics and Management*, 4(1): 120-136.
- Jason, P., Koenigsfeld, 2007. Developing an Industry Specific Managerial Competency Model for Private Club Managers in the United States Based On Important and Frequently Used Management Competencies http://etd.auburn.edu/etd/bitstream/handle/10415/114/Koenigsfeld_Jason_42.pdf?sequence=1
- Jurée Capers, K., 2011. how Good is Your Network? The Effect of Network Quality on Organizational Outcomes, Prepared for the Public Management Research Association Conference 2011, Syracuse, NY
- KinuthiaWamwangi, 2003. Organizational Development as a Framework for Creating Anti-Poverty Strategies and Action Including Gender Mainstreaming, Municipal Development Partnership, Global Distance Learning Centre, Tanzania
- Lawler, III, E.E., & M. McDermott, 2003. Current performance management practices: Examining the varying impacts. *World at Work Journal*, 12(2): 49-60.
- Leedy, P.D., & Ormrod J.E., 2005. *Practical research: Planning and design* (8th Ed.). Upper Saddle River, NJ: Prentice Hall.
- Martin, G. and H. Staines, 1994. Managerial Competences in Small Firms, *Journal of Management Development*, 13(7): 23-34.
- Meier, K.J. and J.O. Laurence □Toole Jr., and Holly T. Goerdel, 2006. "Management Activity and Program Performance: Gender as Management Capital." *Public Administration Review.*, 1: 24-36.

- Michelle, R. Ennis, 2008. The Role of the Employment and Training Administration, http://www.careeronestop.org/competencymodel/info_documents/OPDRLiteratureReview.pdf
- Miles, M.B. and A.M. Huberman, 1994. *Qualitative data analysis: an expanded sourcebook*, Beverly Hills: Sage Publications.
- Monk, Richard, 2000. "Why Small Businesses Fail?" *CMA Management*, 74(6): 12-14.
- Noe, R.A., 2008. *Employee training and development*. New York: McGrawHill: 2.
- Normah MohdAris, 2007. SMEs: Building Blocks for Economic Growth. Paper presented in National Statistics Conference 4-5 September 2006. Department of Statistics.
- NSDC. 2007, *SME Annual Report 2006*, Putrajaya, Malaysia: National SME, Development Council Malaysia
- Olawale Olufunso Fatoki, 2011. Constraints to credit access by new SMEs in South Africa: A supply-side analysis, *African Journal of Business Management.*, 5(4): 1413-1425.
- Peterson, R.A., G. Kozmetsky, and N.M. Ridgway, 1983. "Perceived Causes of Small Business Failures: A Research Note", *American Journal of Small Business*, 8: 15-19.
- Raju, R. Kamble, 2011. Managerial Skills for Organizational Performance: An Analytical Study, *Indian streams research journal*, 1(1,1): 23-27
- Robert, J. Grossman, 2007. New Competencies for HR, *Society for Human Resource Management*, 52: 6.
- Roe, R.A., 2002. Competencies – een sleutel tot integratie in theorie en praktijk van de A&O psychologie. *Gedrag en Organisatie*, 15(4): 203-221.
- Schaper, M. and T. Volery, 2004. *Entrepreneurship and Small Business: A Pacific Rim Perspective*. John Wiley, Queensland
- Schlogl, H., 2004. Small and medium enterprises: Seizing the potential. *Organizational for Economic Cooperation and Development*, 243: 46-48.
- Smallbone, D., 1990. "Success and Failure in New Business Start-ups", *International Small Business Journal*, 8(2): 34-47.
- SME, 2006. *SME Annual Report 2005: Optimizing Strategic Values*, Bank Negara Malaysia, Kuala Lumpur, Malaysia
- Trochim, W.M.K., 2006. 'Research Methods Knowledge Base'. Online accessed 29th November, 2010. Available from URL: <http://www.socialresearchmethods.net/kb/scallik.php>
- Ulrich, D., W. Brockbank, D. Hohnson, K. Sandholtz, & J. Younger, 2008. *HR competencies: mastery at the intersection of people and business*. Michigan: Society for Human Resource Management: 1.
- Van der Klink, M. & J. Boon, 2002. The investigation of competencies within professional domains. *Human resource development international*, 5(4): 411-424.
- Zelealem, T. Temtime and Jaloni Pansiri, 2007. Perceived managerial problems in SMEs: evidence from Botswana, *Development and Learning in Organizations*, 20(5): 15-17.