Business performance and competitiveness of small and medium enterprises

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ABSTRACTS

The study aimed to show the impact of business performance on the competitiveness of SMEs in Hanoi and neighboring provinces. The study relied on a data collection tool. The questionnaire was designed based on the opinions of experts and the results of previous studies. A group of employees in SMEs in Hanoi and neighboring provinces represented the population of the study. 300 questionnaires were distributed, and 225 were retrieved, representing a 75.00% response rate. SPSS was utilized for a comparative evaluation of competitiveness in SMEs between respondents. Multiple statistical techniques were employed for data analysis, including SPSS via the descriptive statistics, reliability analysis of scales through the Cronbach alpha coefficient, EFA analysis, and correlation analysis. The study's results indicate that business performance positively affects the competitiveness of SMEs. This study offers theoretical and practical implications for improving business performance in SMEs, thereby improving competitiveness. Based on this result, the study proposes some recommendations for SMEs.

Keywords: business administration, business performance, competitiveness, small and medium enterprises, economics **JEL codes:** M10, L21, F65

1. INTRODUCTION

The creation of jobs and changes to the social labor system are the two biggest and most significant contributions made by SMEs. SMEs in Hanoi and neighboring provinces do not, however, produce much or have good business outcomes, and they continue to make a small contribution to the nation's overall economic growth.

According to Porter (1990), competitiveness is the capacity of an organization to generate, preserve, apply, and generate new competitive advantages in order to produce goods that are more productive and of higher quality than those of its rivals, increase its market share, and provide high wages for its workers.

An organization must be able to create, maintain, capitalize on, and create new competitive advantages in order to produce items that are more productive and of higher quality than those of its competitors and grow its market share. larger, in addition to producing high employee compensation and sustained business expansion (Porter, 1990).

Academic scholars and firm managers consistently show interest in the topic of business performance. Particularly in the current economic environment with so many intricate global changes, firms are utilizing digital technology and the fruits of the fourth industrial revolution, and society as a whole is undergoing digital transformation.

Additionally, business owners have demonstrated that SMEs, as a subset of entrepreneurship, have the capacity to boost the nation's economy in terms of both quantity and quality (Parmitasari & Rusnawati, 2023).

Employee comprehension of business performance will be enhanced by this research, which will also help to explain the theoretical framework on the relationship between business performance and the competitiveness of SMEs. Boost SMEs' competitiveness in developing and emerging nations like Vietnam.

2. THEORETICAL BASIS AND LITERATURE REVIEW

2.1. Business performance

According to Lin and Kuo (2007), business performance is a measure of how successfully an organization achieves its objectives. According to Gunday et al. (2011), business performance refers to the whole accomplishments of the company and is the outcome of new or improved efforts made to generate growth and profits.

Perlin et al. (2022) exploratory and descriptive with a qualitative and quantitative stage through an e-survey with 39 Brazilian companies in the industrial sector. The findings indicate that there are connections already in place between many aspects of corporate performance and mitigation strategies, particularly when it comes to innovation.

According to Yaskun et al. (2023), SMEs will benefit from a competitive advantage that will result in higher earnings, more sales, and a large client base.

2.2. Competitiveness

According to Narver & Slater (1990), market-oriented competitiveness consists of three main components. One is customer orientation, which is based on customer needs and how customers understand the business; two is competitor orientation, according to which the business needs to clearly understand the short-term, long-term competitiveness and strategies of current and future competitors in order to be able to create superior value compared to them; and three is cross-functional coordination based on the effective use of business resources to create superior value for target customers.

Market share and profit are the two metrics used to assess competitiveness, according to Porter (1990). The goals of manufacturing and business are market share and profit, which show a company's position in the market relative to its competitors. Dupeyras & MacCallum (2013) established two criteria: labor productivity and revenue per client.

According to Barney (1991), a company's differentiation-based competitive advantage will not endure for long because rivals can copy it with ease.

According to Barney (1991), a company's ability to generate value is what gives it a durable competitive edge; core competences open up new markets, boost customer benefits, and are challenging for competitors to adopt.

According to Prahalad & Hamel (2006), resources are the primary area of competition for most industries, particularly for similar businesses in the same market.

2.3. Business performance and competitiveness

Business performance is understood as the way of using resources in an enterprise to achieve the enterprise's goals in the best way (Pradabwong & colleagues, 2015). Research on the impact of business performance on the competitiveness of enterprises has not been mentioned by many studies because, normally, when considering business performance, we often measure and compare the results of revenue and costs that the enterprise spends. However, according to experts and the reality of enterprises, the effective use of resources also plays an important role in improving the competitiveness of enterprises. Therefore, this study was conducted to measure the impact of business performance on the competitiveness of enterprises.

3. METHODOLOGY

3.1. Sample Selection

This paper uses a sample of SMEs in Hanoi and neighboring provinces from 2023 to 2024. The criteria for the sample used in this paper are firms that are doing business. We narrowed down our sample to 150 SMEs.

3.2. Analysis tools

Quantitative research method through SPSS software with descriptive statistics, reliability analysis of scales through the Cronbach alpha coefficient, EFA analysis, and correlation analysis.

3.3. Research model



Figure 1: Research model

Business performance (BP): Includes 5 observed variables (BP1, BP2, BP3, BP4 and BP5) inherited from the research results of Huong et al. (2023).

Competitiveness (C): Includes 4 observed variables (C1, C2, C3, and C4) inherited from the research results of Nguyen et al. (2023).

4. RESULTS

4.1. Descriptive Statistics

Table 1 indicates that the respondents agree with the independent variables (business performance) and dependent variables (competitiveness) of SMEs in Hanoi and neighboring provinces in Vietnam, where respectively five attributes and four attributes were quite high. All nine attributes were rated at an average of 3.85 or higher.

					Std.	Skewness		Kurtosis	
					Deviatio	Statisti	Std.	Statisti	Std.
Code	Ν	Mini	Max	Mean	n	с	Error	c	Error
Business	perfor	mance (BP)						
BP1	225	1	5	3.94	0.907	-0.900	0.162	0.883	0.323
BP2	225	1	5	3.98	0.938	-0.775	0.162	0.401	0.323
BP3	225	1	5	3.97	0.896	-0.736	0.162	0.450	0.323
BP4	225	1	5	3.98	0.942	-0.828	0.162	0.477	0.323
BP5	225	1	5	3.85	0.950	-0.806	0.162	0.511	0.323
Valid	225			3.94					
Ν									
(listwis									
e)									
The com	petitive	eness of	SMEs (C	C)					
C1	225	1	5	3.97	0.886	-0.803	0.162	0.308	0.323
C2	225	1	5	4.03	0.891	-0.778	0.162	0.177	0.323
C3	225	1	5	3.96	0.870	-0.775	0.162	0.351	0.323
C4	225	1	5	4.06	0.887	-0.927	0.162	0.534	0.323
Valid	225			4.00					
Ν									
(listwis									
e)									

 Table 1. Descriptive analysis of attributes

Source: Prepared by the authors (2024) and SPSS software.

4.2. Cronbach alpha

To evaluate the internal reliability of the scales, we rely on the Cronbach alpha coefficient. The statistical results in Table 2 show that Cronbach alpha values in the range of 0.868 to 0.914 are higher than the significance level of 0.7 (Nunnally & Bernstein, 1994), confirming the reliability of the scale used in the study. All observed variables on the scales have an item-total correlation greater than 0.3. Therefore, the scales all meet the requirements, thus qualifying for exploratory factor analysis (Hoang & Chu, 2008; Hair et al., 2009; Hair et al., 2014).

Table 2. Results of Cronbach's alpha testing of attributes and item-total statistics

BP				
Cronbach's Alpha	N of Items			
.929 5				
		Scale	Corrected	Cronbach's
	Scale Mean if	Variance if	Item-Total	Alpha if Item
	Item Deleted	Item Deleted	Correlation	Deleted
BP1	15.78	11.001	0.814	0.913
BP2	15.75	10.860	0.806	0.914

DD2	15 75	11 107	0.905	0.014
BP3	15.75	11.107	0.805	0.914
BP4	15.75		0.815	0.912
BP5	15.87	10.693	0.825	0.910
С				
Cronbach's Alpha	N of Items			
.904	4			
		Scale	Corrected	Cronbach's
	Scale Mean if	Variance if	Item-Total	Alpha if Item
	Item Deleted	Item Deleted	Correlation	Deleted
C1	12.04	5.672	0.768	0.882
C2	11.99	5.531	0.805	0.868
C3	12.06	5.724	0.773	0.880
C4	11.96	5.596	0.791	0.874

Source: Prepared by the authors (2024) and SPSS software.

4.3. EFA analysis

Next, tables 3, 4, and 5 show that exploratory factor analysis (EFA) was conducted through component analysis and variance.

The results of Bartlett's test examining the hypothesis of correlation between observed variables show that the KMO index, respectively, is 0.900 and 0.844, greater than 0.5 (>0.5); the extracted variance, respectively, is 77.884% and 77.668% (>50%), which means that these 5 and 4 observed variables explain 77.884% and 77.668% of the variation in the data. Bartlett's test is statistically significant (Sig. < 0.05). Therefore, it can be concluded that the indicators in the study meet EFA analysis standards (Hoang & Chu, 2008; Hair et al., 2009; Hair et al., 2014).

These statistics demonstrate that research data analysis for factor discovery is appropriate. Through the quality assurance of the scale and the test of the EFA model, we have identified five components of the business performance and four components of the competitiveness of SMEs (Hoang & Chu, 2008; Hair et al., 2014).

BP	KMO and Bartlett's Test					
Kaiser-Meyer-Olkin Measu	.900					
Bartlett's Test of Sphericity Approx. Chi-Square		847.677				
	Df	10				
	Sig.	.000				
С	KMO and Bartlett	's Test				
Kaiser-Meyer-Olkin Measu	re of Sampling Adequacy.	.844				
Bartlett's Test of Sphericity	Approx. Chi-Square	561.179				
	Df	6				
	Sig.	.000				

Source: Prepared by the authors (2024) and SPSS software.

	Initial Ei	igenvalues		Extraction Sums of Squared Loadings			
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	
BP							
1	3.894	77.884	77.884	3.894	77.884	77.884	
2	0.340	6.809	84.693				
3	0.281	5.614	90.307				
4	0.257	5.138	95.445				
5	0.228	4.555	100.000				
С				•			
1	3.107	77.668	77.668	3.107	77.668	77.668	
2	0.339	8.467	86.136				
3	0.311	7.785	93.920				
4	0.243	6.080	100.000				

Extraction Method: Principal Component Analysis.

Source: Prepared by the authors (2024) and SPSS software.

Table 5: Component Matrix^a

	Component
BP	1
BP5	0.891
BP4	0.884
BP1	0.883
BP3	0.877
BP2	0.877
С	Component
	1
C2	0.895
C4	0.885
C3	0.874
C1	0.871

Source: Prepared by the authors (2024) and SPSS software.

4.4. Correlation Analysis

The results of the correlation matrix are indicated in Table 6. The correlation coefficients of business performance with the competitiveness of SMEs are greater than 0, reflecting a positive relationship. In addition, the values of sig. are smaller than 0.05, which means that all variables are interrelated (Hair, Black, Babin, & Anderson, 2009).

Thus, there is basis to conclude about the influence of business performance on the competitiveness of SMEs. However, to increase reliability, future research should expand on independent variables that affect SMEs' competitiveness in addition to business performance. In addition, future studies should also expand the sample size and spatial scope to increase the reliability of the research results.

			Business
		Competitiveness	performance
Competitiveness	Pearson Correlation	1	0.667**
	Sig. (2-tailed)		0.000
	Ν	225	225
Business	Pearson Correlation	0.667**	1
performance	Sig. (2-tailed)	0.000	
	Ν	225	225

Table 6: Correlations

Source: Prepared by the authors (2024) and SPSS software.

5. DISCUSSION AND IMPLICATIONS

The most significant facet of globalization is economic globalization. The international economy is rapidly becoming more globalized, which presents both opportunities and challenges for Vietnam in general, Hanoi in particular, and the surrounding provinces in particular. The market's escalating level of competition is one of those difficulties. Small and medium-sized businesses must so increase their competitiveness in order to thrive.

An essential component of small and medium-sized businesses are their human resources. Consequently, SMEs should increase the amount and caliber of their yearly training in order to enhance the caliber of their people resources. SMEs should create training programs that foster innovation and learning capacities while broadening the range of skills held by staff members. This is especially important when it comes to skills related to digital transformation and the implementation of advances made possible by the fourth industrial revolution. Additionally, strategies for building human resources and putting special orders for training facilities should be in place for small and medium-sized businesses. When creating and overseeing training programs, colleges, businesses, and training specialists should work closely together. Furthermore, it is imperative for small and medium-sized businesses to establish suitable and efficient employee welfare, bonus, and wage policies.

Small and medium-sized businesses should raise the bar for science and technology at every level—from team structure to manufacturing lines, product technology, and the process of distribution and consumption. Put your attention on using technological and scientific advancements in company and production. Establish the enterprise's place in the value chain, then choose and design the strategy, goals, and orientation for technology development. In order to strengthen their managerial abilities and technological application capabilities, businesses must also encourage specialization and aggressively engage in global supply chains.

Small and medium-sized businesses should concentrate on ways to improve their firms' capacity for digital transformation. These include, but are not limited to, educating leaders, businesses, and staff members about the needs for digital transformation and progressively fulfilling the requirements for digitalization across the board for the enterprise system. Businesses must also guarantee the management system's continuity. Small and medium-sized businesses should streamline the system, divide up the work, and improve departmental collaboration before considering any conversion solutions.

One of the solutions to improve business performance is to increase revenue; therefore, firms need to continuously introduce new product lines to the market that are more effective and target customer tastes, which will increase the size of the target market (Jajja et al., 2017). In addition, the frequent introduction of new products also increases repeat purchases by customers and leads to increased market share (Prajogo & Sohal, 2003). New product lines can help to attract new customers, and new markets can significantly increase sales and profits (Lau, 2011).

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