THE COMPETITIVE CAPACITY AFFECTING THE BUSINESS PERFORMANCE: A CASE OF TOURISM ENTERPRISES IN VIETNAM

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ABSTRACT

Vietnam has identified the tourism industry as one of the key economic sectors making important contributions to the country's industrialization and modernization process. The large investment of the Government in the tourism shows the important role of the tourism in recent years. Vietnam's tourism has made remarkable progress, contributing to promoting economic growth and expanding international cooperation. Therefore, the main objective of this study is to explore factors impacting the competitive capacity and the business performance of tourist enterprises in Vietnam. The researchers surveyed 680 persons related to the tourism activities in Vietnam. The researchers applied simple random sampling technique. Testing Cronbach's Alpha, the exploratory factor analysis and Structural Equation Modelling (SEM). The paper used questionnaire on a 5-point Likert scale. Finally, key factors affecting the competitive capacity and the business performance of tourism enterprises with significance level 0.01.

Keywords: Tourism, Tourist, Capacity, Competitive and Enterprise.

INTRODUCTION

Vietnam’s economy has opened and officially fully integrated into the world economy after Vietnam became the 150th member of the World Trade Organization (WTO). This creates a great opportunity for the Vietnamese tourism industry and requires significant tourism resources to be able to survive and thrive in a tough and fierce competition environment. Therefore, improving competitiveness is an imperative (Pisit Potjanajarutit, 2018). Besides, all components of the national economy require proper and long-term strategic orientations to suit the available resources. In addition, the process of international integration has a comprehensive and strong impact on many industries and fields, especially tourism. Besides, it is bringing opportunities such as increasing the number of tourists and revenue; expand cultural exchanges; enhance learning, exchange of experience in management, tourism business... the process of international integration also brings many difficulties and challenges, requiring Vietnam's tourism industry to identify and face (Baker & Sinkula, 2009).
Vietnam needs to develop fast and sustainable tourism, to narrow the gap with countries with tourism development in the context of deep and comprehensive international integration that is an urgent requirement for the tourism industry. Therefore, Vietnam is identifying the core competitiveness factors as a basis for planning tourism development strategies and improving the competitive position of the tourism industry is necessary. Based on mentioned above things, the researchers to explore factors affecting the competitive capacity and the business performance of tourism enterprises in Vietnam. This study will contribute to opening up further studies on the competitiveness of the tourism industry. In addition, the research results help enterprises better understand the role of dynamic competitiveness and business results of enterprise so that they can take measures to nurture and develop competitive resources in enterprise. Finally, tourism industry is to create competitive advantage in the market in the context of integration.

LITERATURE REVIEW

Business Performance (BP)

Business performance is a term that indicates the level of achievement of the goals set by businesses in an industry (Mihalic, 2000). Business results are multidimensional and can include aspects such as profit margins, models and product quality and growth rates. Business results are the final results of production, business activities, financial investment activities and other activities in a certain period (Evans et al., 2003). Expression of business results is the profit (or loss) and business results of the enterprise. Business results are determined on the results of the consumption of products, goods and services: the difference between net sales of goods and services (net revenue) and cost of goods sold. Goods sold (of products, goods, services, investment property, etc.), selling expenses and administration expenses. The main business results refer to the satisfaction of the customers regarding the business goals they set out, including revenue, profit or performance goals, effectiveness (Go & Govers, 2000).

Competitive Capacity (CC)

Currently, there are many different interpretations of competitiveness, but for the sake of research, we take the concepts of (Hassan, 2000). The authors argue that competitiveness is the ability to create and maintain the highest levels of profitability and large market share in domestic and foreign markets. And the competitiveness of the industry is the competitiveness of the entire industry of a country compared to other countries (Sibel Ahmedova, 2015). This means that if the factors that make up the competitiveness of an industry are high, then that country will be highly competitive in the relevant industry. In this study, the industry is considered to be a total of businesses in the industry. Competitiveness not only reflects the competitiveness of enterprises and industries but also creates the competitiveness of a country (Hoyle David, 2007).

Market Orientation (MO)

Market orientation is a priority business approach that identifies the needs and wants of consumers and creates products/services that meet those requirements... With a global economy and ever-expanding consumer choices, companies adopt market orientation to remain
competitive (Hughes & Morgan, 2007). Market orientation is a customer-centric approach to product design. It relates to research aimed at identifying what consumers consider to be their key needs, primary concerns or personal interests in a particular product list (Zhang & Hartley, 2018). Market orientation often includes improvements in customer service and product support to address consumer concerns. This helps ensure customer satisfaction with the entire company and promotes positive brand loyalty and word of mouth marketing. Understanding consumer trends and ideals can help product/service developers meet or even predict market needs (Karaev et al., 2007). Therefore, the following hypothesis built.

\[
\text{Hypothesis H1: Market orientation has a positive impact on the competitive capacity of the tourism enterprises in Vietnam.}
\]

\[
\text{Hypothesis H2: Market orientation has a positive impact on the business performance of the tourism enterprises in Vietnam.}
\]

Service Environment (SE)

The service environment may include a number of actions related to encouraging the provision of high quality services, creating conditions to support employees at work, and reducing public obstacles and human resource support policies (Kim & Kim, 2005). The service environment is measured with 4 variables, demonstrating the support and reward of leaders, providing the necessary resources for employees, their knowledge of providing the best quality of service for customers (Neirotti et al., 2018). Therefore, the following hypothesis built.

\[
\text{Hypothesis H3: Service environment factors have a positive impact on the competitive capacity of the tourism enterprises in Vietnam.}
\]

\[
\text{Hypothesis H4: Service environment factors have a positive impact on the business performance of the tourism enterprises in Vietnam.}
\]

Total Quality Management (TQM)

Total quality management (TQM) is a management philosophy. TQM's goal is to improve product/service quality and improve customer satisfaction at the best level. The key feature of TQM compared to previous quality management methods is to provide a comprehensive system for managing. TQM improves all aspects related to quality and mobilizing the participation of all departments and every individual to achieve the set quality goals (Mazanec et al. 2007). The basic characteristics of TQM: Quality is created by the participation of everyone and Pay attention to the relationship with other social interests. Attention to education and training. Promote self-government: quality is created from a sense of self-awareness. Management based on real events (Thomas, 2018). Develop and implement a system of policies across the company. Promote self-management and cooperation of workers. Share experiences and encourage ideas for creativity and innovation (Pfeifer, 2002). Therefore, the following hypothesis built.

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\text{Hypothesis H5: Total quality management factors have a positive impact on the competitive capacity of the tourism enterprises in Vietnam.}
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\[
\text{Hypothesis H6: Total quality management factors have a positive impact on the business performance of the tourism enterprises in Vietnam.}
\]
The competitive capacity of enterprises is the ability to maintain, expand market share and achieve high profits of enterprises (Munir et al., 2011). This is a fairly common concept nowadays, whereby competitiveness is the ability to sell goods/services and services compared to competitors and the profitability of enterprises. In addition, (Porter, 1981) also said that, to be able to compete successfully businesses must have a competitive advantage in the form of either having lower production costs or being able to differentiate products to achieve get the prices higher than average. The competitive capacity must be associated with the concept of sustainable development, efficient use of social resources (Şener et al., 2014). Therefore, the following hypothesis built.

Hypothesis H7: Competitive capacity has a positive impact on the business performance of the tourism enterprises in Vietnam.

Research model (Figure 1 (Source: Researchers proposed)) for factors affecting the competitive capacity and the business performance of the tourism enterprises in Vietnam.

FIGURE 1
RESEARCH MODEL FOR FACTORS AFFECTING THE COMPETITIVE CAPACITY AND THE BUSINESS PERFORMANCE OF THE TOURISM ENTERPRISES IN VIETNAM

METHODS OF RESEARCH

The research process (Figure 2) for factors affecting the competitive capacity and the business performance of the tourism enterprises in Vietnam.
FIGURE 2
RESEARCH PROCESSING FOR FACTORS AFFECTING THE COMPETITIVE CAPACITY AND THE BUSINESS PERFORMANCE OF THE TOURISM ENTERPRISES IN VIETNAM

Based on the theory of concepts in the preliminary model for the qualitative research built. The observed variables (the root in the qualitative study are built for potential variables). The research concepts with different socio-economic development and research contexts so that it is suitable to the context of Vietnam that has been implemented the limited data is to become available for quantity research (Hair et al., 1998). We can see three phases following:

Phase 1: The researchers applied the expert methodology and based on 30 experts’ consultation about tourism to improve the scale and design of the questionnaire. The results of surveying 30 experts who showed that all factors affecting the competitive capacity and the business performance of the tourism enterprises in Vietnam. The researchers created a list of possible factors gathered from the literature reviews as mentioned in the above studies. After phase 1, the researchers tested a reliability scale with Cronbach's Alpha coefficient and exploratory factor analysis. The researchers surveyed 100 persons related to the tourism activities in Vietnam. The research results built questionnaire for phase 2.

Phase 2: The researchers tested a reliability scale with Cronbach's Alpha coefficient and exploratory factor analysis. The researchers surveyed 680 persons related to the tourism activities in Vietnam. They including: 80 lecturers teaching tourism, 100 managers of tourism, 200 visitors, 150 tourist enterprises, 150 staffs working in tourism. 20 items, 655 samples processed and data collected from December 2018 to July 2019 in three cities such as Da Nang City, Ho Chi Minh City and Can Tho City. The researchers got simple random sampling technique and having 30 minutes for the survey. All data collected from the questionnaire are coded, processed by SPSS 20.0 and Amos. This method is based on the Eigenvalue, the appropriate factorial analysis and the observed variables in the whole which are correlated when Average Variance Extracted is > 50%, the KMO coefficient is within 0.5 to 1, Sig coefficient ≤ 5%, the loading factors of all observed variables are > 0.5. In addition, the researchers tested exploratory factor analyses (EFA) were performed (Hair et al., 1998).

After phase 2, the researchers continued to Confirmatory Factor Analysis (CFA): appropriate use when the researchers have some knowledge of the underlying variable structure.
In which the relationship or hypothesis (derived from theory or experiment) between the observed variable and the base factor is assumed by the researchers before conducting statistical testing. EFA’s next step is to test if there is a prior theoretical model that underlies a set of observations. CFA is also a form of SEM. When developing CFA, the observed variables are also indicator variables in the measurement model. The research results used for phase 3.

Phase 3: The researchers performed CFA and model testing with Structural Equation Modelling (SEM) analysis. Researchers can specify the number of factors required in the data and which measured variable is related to which latent variable. Confirmatory factor analysis (CFA) is a tool that is used to confirm or reject the measurement theory. The purpose of CFA helps to clarify: (1) Unilaterality, (2) Reliability of scale, (3) Convergence value, and (4) Difference value. A research model is considered relevant to market data if Chi-square testing is P-value > 5%; CMIN/df ≤ 2, some cases CMIN/df may be ≤ 3 or < 5 (Hair, Anderson, Tatham, & Black, 1998); GFI, TLI, CFI ≥ 0.9. However, according to recent researcher’ opinion, GFI is still acceptable when it is greater than 0.8; RMSEA ≤ 0.08. Apart from the above criteria, the test results must also ensure the synthetic reliability > 0.6; Average Variance Extracted must be greater than 0.5 (Hair et al., 1998).

**RESEARCH RESULTS**

The scale reliability tests for factors affecting the competitive capacity and the business performance of the tourism enterprises in Vietnam

<table>
<thead>
<tr>
<th>Items</th>
<th>Content</th>
<th>Cronbach’s Alpha if Item Deleted</th>
</tr>
</thead>
<tbody>
<tr>
<td>MO1</td>
<td>Enterprise updated information: To organize quickly collecting information of the market</td>
<td>0.950</td>
</tr>
<tr>
<td>MO2</td>
<td>Information dissemination: When the next important revenue is the dissemination of information to relevant organizations</td>
<td>0.961</td>
</tr>
<tr>
<td>MO3</td>
<td>Share information: Not only the marketing department, but the relevant departments and the entire management team of the organization must know the marketing information</td>
<td>0.966</td>
</tr>
<tr>
<td>MO4</td>
<td>Response of the organization: In a constantly changing market, adapting to market and have a competitive advantage for enterprises</td>
<td>0.947</td>
</tr>
<tr>
<td></td>
<td><strong>Cronbach’s Alpha for market orientation (MO)</strong></td>
<td><strong>0.967</strong></td>
</tr>
<tr>
<td>SE1</td>
<td>The tourism staff is knowledgeable about service provided by qualified service</td>
<td>0.810</td>
</tr>
<tr>
<td>SE2</td>
<td>The tourism staff recorded when they provide customers with the best service</td>
<td>0.821</td>
</tr>
<tr>
<td>SE3</td>
<td>The complete quality of service that our customers provide to our customers is excellent</td>
<td>0.854</td>
</tr>
<tr>
<td>SE4</td>
<td>The staffs provided tools, technology and resources to support to supply services</td>
<td>0.813</td>
</tr>
<tr>
<td></td>
<td><strong>Cronbach’s Alpha for service environment (SE)</strong></td>
<td><strong>0.862</strong></td>
</tr>
<tr>
<td>TQM1</td>
<td>Leader: Normal factors of customer management board: decision, inspection and control</td>
<td>0.968</td>
</tr>
<tr>
<td>TQM2</td>
<td>Internal/external cooperation: Integrating the internal and external factors are the key conditions in conducting TQM</td>
<td>0.976</td>
</tr>
<tr>
<td>TQM3</td>
<td>The tourism needs pay attention to customer satisfaction</td>
<td>0.976</td>
</tr>
<tr>
<td>TQM4</td>
<td>Enterprise has continuous improvement: In order to respond quickly to customers, the organization will have continuous improvement in its products and services</td>
<td>0.964</td>
</tr>
<tr>
<td>TQM5</td>
<td>Enterprise has the working process to test service quality to supply for visitors</td>
<td>0.966</td>
</tr>
<tr>
<td></td>
<td><strong>Cronbach’s Alpha for total quality management (TQM)</strong></td>
<td><strong>0.976</strong></td>
</tr>
<tr>
<td>CC1</td>
<td>Market orientation factor has a positive impact on the competitive capacity of tourism enterprises in Vietnam</td>
<td>0.941</td>
</tr>
</tbody>
</table>
Table 1 showed that all of 20 variables surveyed Corrected Item-Total Correlation greater than 0.3 and Cronbach’s Alpha if Item deleted greater than 0.6 and Cronbach’s Alpha is very reliability. Such observations make it eligible for the survey variables after testing scale. This showed that data was suitable and reliability for researching.

Table 2 showed that extraction sums of squared loadings of Cumulative % is 84.862% (>60%) and Initial Eigenvalues is 1.252 (>1). This result is suitable for next step.
Table 3 showed that KMO coefficient is 0.879 and the level of significance (Sig) is 0.000. Result showed that there are five components. Extraction sums of squared loadings are % of Variance coefficient is 84.862 with the level of significance (Sig) is 0.000.

Table 4

<table>
<thead>
<tr>
<th>Relationships</th>
<th>Coefficient</th>
<th>Standardized Coefficient</th>
<th>S.E</th>
<th>T</th>
<th>Sig</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitive capacity &lt; Service</td>
<td>0.206</td>
<td>0.181</td>
<td>0.037</td>
<td>5.612</td>
<td>***</td>
<td>H3: Supported</td>
</tr>
<tr>
<td>Competitive capacity &lt; Total</td>
<td>0.529</td>
<td>0.574</td>
<td>0.032</td>
<td>16.61</td>
<td>***</td>
<td>H5: Supported</td>
</tr>
<tr>
<td>Competitive capacity &lt; Market</td>
<td>0.089</td>
<td>0.099</td>
<td>0.028</td>
<td>3.138</td>
<td>0.002</td>
<td>H1: Supported</td>
</tr>
<tr>
<td>Business performance &lt;</td>
<td>0.213</td>
<td>0.354</td>
<td>0.027</td>
<td>7.997</td>
<td>***</td>
<td>H7: Supported</td>
</tr>
<tr>
<td>Business performance &lt; Total</td>
<td>0.155</td>
<td>0.280</td>
<td>0.024</td>
<td>6.531</td>
<td>***</td>
<td>H6: Supported</td>
</tr>
<tr>
<td>Business performance &lt; Market</td>
<td>0.068</td>
<td>0.125</td>
<td>0.019</td>
<td>3.498</td>
<td>***</td>
<td>H2: Supported</td>
</tr>
<tr>
<td>Business performance &lt; Service</td>
<td>0.065</td>
<td>0.094</td>
<td>0.024</td>
<td>2.725</td>
<td>0.006</td>
<td>H4: Supported</td>
</tr>
</tbody>
</table>

Note: ***Significant at 1 percent (All t-tests are one-tailed)
(Source: The researchers’ collecting data, SPSS 20.0 and Amos)
Table 4 showed that column Sig<0.01 with significance level 0.01 and column Conclusion H1: supported; H2: supported; H3: supported H4: supported; H5: supported; H6: supported and H7: supported. This showed those three factors affecting the competitive capacity and four factors affecting the business performance of the tourism enterprises in Vietnam with significance level 0.01 (Figure 3 (Source: The researchers’ collecting data and Amos)).

![Diagram](image)

**FIGURE 3**
THE STRUCTURAL MODEL SHOWING THE STRUCTURAL LINKAGE BETWEEN COMPONENTS

Chi-square = 313.945; df = 150; p = 0.000; Chi-square/df = 2.093; GFI = 0.955; TLI = 0.987; CFI = 0.990; RMSEA = 0.041.

**CONCLUSIONS AND MANAGERIAL IMPLICATIONS**

**Conclusions**

Over the past time, Vietnam's tourism has continuously achieved important achievements and is one of the country's bright socio-economic highlights. In 2019, the direct contribution of the tourism industry to the country's GDP estimated at 8.39%. With this result, Vietnam's tourism industry has far exceeded its target by 2020. In addition, the researchers surveyed 680 persons related to the tourism activities in Vietnam. They including: 80 lecturers teaching tourism, 100 managers of tourism, 200 visitors, 150 tourist enterprises, 150 staffs working in tourism. 20 items and 655 samples processed and data collected from December 2018 to July 2019 in three cities such as Da Nang City, Ho Chi Minh City and Can Tho City. The researchers get simple random sampling technique. Testing Cronbach's Alpha and the exploratory factor analysis (EFA) which used for Structural Equation Modelling (SEM) technique and using partial least squares method. Persons’ responses measured through an adapted questionnaire on a 5-point Likert scale. The findings of the paper have factors affecting
the competitive capacity and the business performance of tourism enterprises in Vietnam with significance level 0.01. The researchers had managerial implications for tourism enterprise in Vietnam in the future.

**Managerial Implications**

Managerial implication for total quality management ($\beta = 0.574$) has the strongest impact on the competitive capacity and the business performance of tourism enterprises in Vietnam with significance level 0.01. The current problem of the tourism industry is the shortage of highly qualified human resources, especially senior management in tourism businesses. Therefore, in the coming time, it is necessary to consolidate and develop the network of training institutions, especially foreign languages; innovating teaching methods towards capacity building, enhancing skills and using ASEAN occupational standards in tourism training. Besides, Vietnam tourism should improve key indicators of international openness and aviation infrastructure, improve domestic and international air transport capacity. Vietnam tourism should continue to improve the business environment, improve the quality of human resources and the readiness of information technology to promote tourism activities.

Managerial implication for service environment ($\beta = 0.181$) has the second impact on the competitive capacity and the business performance of tourism enterprises in Vietnam with significance level 0.01. Besides, it is necessary to improve the quality of tourism human resources training development and improve the professionalism in tourism activities. Vietnam is in order to achieve the objectives set out in the tourism industry. Vietnam tourism must be timely solutions such as: Having visa policies to create favourable conditions for tourism development. Tourism enterprises should increase resources for promoting and supporting tourism development; ensuring a safe and safe environment for tourists. Tourism enterprises should develop new products/services, controlling tourism service quality. Vietnam continues investing in infrastructure systems, material and technical facilities in service of tourism in parallel with training and developing human resources; completing institutions, mechanisms, policies and relating to tourism. Finally, Tourism enterprises plan tourism development strategies in areas such as the quality of developing Vietnam tourism brand, marketing strategy. In addition, the tourism industry in Vietnam needs to have a cooperation and connection with all levels and sectors of local governments to participate in a drastic, strong and synchronized manner to improve the quality of the tourism environment. Vietnam should eliminate the situation of blocking, cutting down visitors, publicly posting prices, maintaining hotlines to promptly handle visitor feedbacks.

Managerial implication for market orientation ($\beta = 0.099$) has the least impact on the competitive capacity and the business performance of tourism enterprises in Vietnam with significance level 0.01. Tourism enterprises should step up the socialization work to mobilize all economic sectors, investment resources for material and technical facilities for tourism. Tourism enterprises need planning to arrange and build service establishments: motels, health care, eating and drinking, entertainment; Strict management of services and fees for tourists; improve the sense of service in tourism enterprises, avoid losing the traditional cultural value of Vietnamese people. Building a humane and sustainable tourism environment. Tourism enterprises promote communication, orientation, raise awareness of society and community about the responsibility to protect the tourism environment; enhancing propaganda, widespread and raising awareness of people of all strata to actively participate in building civilized behaviours friendly to tourists, preserving order, security, environmental sanitation. Finally, tourism enterprises should promote
tourism promotion in a professional manner aimed at the target market, taking tourism products and tourism brands as the focus; tourism promotion associated with national image promotion, consistent with the identified goals; Tourism enterprises should associate tourism promotion with trade promotion, investment promotion, diplomacy and culture.

Despite the highlighted results of this study, some limitations have taken in this research results. Therefore, the researchers had recommendations for next research. First of all, our model tested on a sample of three big Cities in Vietnam, so that the level of representativeness of the sample affected. Secondly, despite the high explanatory power of this model, it could be reinforced by adding control variables such as technology, financial, service quality... Finally, the analysis of the longitudinal databases available is to foreign tourism enterprises that should allow them to make comparisons over time as a result of eventual changes in the variables.

REFERENCES


