FACTORS AFFECTING BUSINESS PERFORMANCE: A CASE STUDY OF SMALL AND MEDIUM ENTERPRISES IN HO CHI MINH CITY

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ABSTRACT

The prolonged Covid-19 epidemic has seriously affected all aspects of life, economy, and society. In particular, the business community is being significantly affected, especially for Small and Medium Enterprises (SMEs). Many enterprises have been rapidly transforming models, reorganizing production and business to adapt to the global pandemic. Besides, SMEs manufacture and provide many different goods to meet producers' needs and consumers of domestic and export markets. Moreover, SMEs profit for themselves now, contributing added value to society, increasing Gross Domestic Product (GDP), and attracting more than 5 million employees. Therefore, the article is to identify the factors affecting the business performance of small and medium enterprises in HCMC. The author surveyed 700 leaders who are managing for many SMEs in HCMC. The article was applying Structural Equation Modeling (SEM). Finally, five factors were affecting the business performance with 1% significance. Based on the research results, the author had managerial recommendations to enhance the business performance at SMEs in HCMC.

Keywords: Business, Performance, Enterprises, SMEs, HCM, and BUH

INTRODUCTION

According to Mawali (2013), small and medium enterprises play an essential role in stabilizing and promoting economic growth. In most economies, SMEs are subcontractors to large enterprises. Subcontracting adjustments at times allow the economy to gain stability. Therefore, SMEs are considered shock absorbers for the economy in the face of significant fluctuations. With the advantage of low investment capital and a large labor force. SMEs have developed faster and faster over the years and accounted for an increasing proportion of enterprises. SMEs provide the market with rich and diverse products in all sectors of the economy, creating many choices, meeting all needs of consumers, thereby promoting economic consumption by Nguyen Van Tien & Vo Tan Phong (2021).

Besides, the contribution of SMEs to the total output of the economy is enormous. Small and medium enterprises play a massive role in the economic growth of many countries or regions, both in developed and developing countries. SMEs operating in all fields of the national economy from industrial production, construction, trade, and services meet the consumer's increasingly diverse and abundant needs. In 2020, Vietnam had more than 758,610 SMEs and accounted for over 95%. SMEs contribute up to 45% of GDP, 31% of total annual budget revenue. Besides, Ho Chi Minh City (HCMC) has more than 430,000 SMEs, accounting for 98% of the total number of businesses in operation. However, the Covid-19 epidemic occurred and quickly spread worldwide, reducing the purchasing power of the global economy. Besides, it restricts trade activities, leading to the relaxation, cancellation, and postponement of orders, causing a decrease in metal prices, exports and reducing the output and revenue of enterprises by Nguyen Van Tien & Vo Tan Phong (2021). This epidemic affected many businesses in many industries and fields, especially for small and medium enterprises in HCMC. Therefore, the article is to identify the factors affecting the business performance of small and medium enterprises in HCMC.

LITERATURE REVIEW

Business Performance (BP)

According to Pehlivan (2014), the Business performance of an enterprise is a term that is understood and approached from many different perspectives and analytical situations. Hence, it isn't easy to define accurately and completely. The business performance is the sum of all the processes that produced the possible results for the business. Business performance is understood as a lean production system, competitiveness, cost reduction, value creation and jobs, development, and long-term survival of enterprises by Sotley (2018). Five fundamental operational aspects reflect the performance of business activities: finance, marketing, management, quality of products and services, and information technology.

Business performance is a set of criteria to quantify the effectiveness and efficiency of the operational aspects of an enterprise. 03 levels test it: individual, business goals and the relationship between those evaluation criteria and the operating environment (culture, customer satisfaction, development strategy) by Carrie & Devitt (2018). This study includes financial, marketing, management, product/service quality, and technology information. Moreover, it builds the basis for translating business strategy content into execution conditions by Chan (2017). It makes the basis for translating business strategy content into execution conditions by Nguyen Van Tien & Vo Tan Phong (2021).

Marketing Competence (MAR)

According to Zhang (2015), marketing competency is an integrated process designed to apply the business's knowledge, skills, and resources to meet the business's market needs. It enables the company to increase the value of products and services and respond to competitive needs by Tamber & Harp (2014). Businesses need to collect information from many different sources about customers, competitors, and the business environment to adapt by Kotler & Armstrong (2012). Marketing capacity is demonstrated through the ability to monitor and respond to changes in the market, including customers, competitors, coordination between functional departments, adaptation to the business environment, and relationship quality by Jan, & Snape (2014). According to Creswell & Creswell (2017), businesses need to promote marketing strategies to help enterprises improve business performance even in an economic crisis. Empirical studies also completely confirm the positive relationship between marketing capacity and business performance. According to David (2012), marketing capacity positively affects the business performance of small and medium enterprises. Especially when the economy is in recession, if businesses build an effective marketing strategy, it will significantly impact the competitiveness of the SMEs by Tichardson & Stratop (2015). Because the consideration of these findings has led to the development of hypothesis H1: There is a positive relationship (+) between marketing competence and business performance of small and medium enterprises.

> *Hypothesis H1: Marketing competence (MAR) has a positive relationship with the business performance of small and medium enterprises in Ho Chi Minh City.*

Financial Competence (FC)

The leader has the financial management capacity in enterprises. According to Suselid (2016), the financial capacity of enterprises is reflected in the capital size, the ability to mobilize and use capital effectively. Therefore, effective use of money and fast capital turnover significantly reduce capital costs, reduce product and service prices, affect enterprises' competitiveness and business results. In addition, financial capacity is also a prerequisite for the business processes of enterprises by Fortuin & Stoop (2016). Businesses need to improve

financial capacity, consolidate and develop capital sources, increase their capital, expand loan capital in many other forms. At the same time, businesses need to use capital resources effectively, conduct business effectively to create credibility with customers by Tannock, & Pawar (2017). Good financial capacity increases competitiveness and is a factor that positively affects business results of enterprises by Venwick (2018). Therefore, the proposed research hypothesis is H2: There is a positive relationship (+) between financial capacity and business performance of small and medium enterprises.

Hypothesis H2: Financial competence (FC) has a positive relationship with the business performance of small and medium enterprises in Ho Chi Minh City.

Management Competence (MC)

According to Wallup (2015), enterprises need to consider the importance of corporate governance capacity, such as the management staff's capacity through the staff's qualifications, to achieve good business results. Management because it is the level of education and the knowledge that is both broad and deep, knowledgeable about the business field, and knowledgeable about the law on socio-economics by Wursoy & Swanger (2017). According to Nguyen Van Tien & Vo Tan Phong (2021), competency level of organization, enterprise management, reasonable arrangement of resources, building a management process in a scientific and highly effective manner, thereby reducing costs and improving competitiveness as well as a good business performance by Taktanir & Harris (2015). According to Trady (2017), good governance competence increases competitiveness and is a factor that positively affects the business performance of small and medium enterprises. Therefore, the proposed research hypothesis is H3: There is a positive (+) relationship between management competence and business performance of small and medium enterprises.

Hypothesis H3: Management competence (MC) has a positive relationship with the business performance of small and medium enterprises in Ho Chi Minh City.

Quality of Products and Services (QP)

According to Tuselid (2015), the quality of products and services is those products and services that businesses provide that consistently meet customers' expectations. This factor means that companies offer products and services that consistently meet customer expectations by Purnama, & Subroto (2016). The quality of the business's products and services plays an important role, and it contributes to improving the competitiveness of that enterprise. The enterprise achieves its business goals from customer satisfaction about the product or service to the repeated use of the product or service by the customer by Radocsa (2016). According to Won & An (2013), research and development of new products and services, quality control of products and services combined with the assurance of input quality, reliability, and time of service delivery are important factors affecting the business performance of enterprises by Ramanujam (2016). Therefore, the proposed research hypothesis is H4: There is a positive relationship (+) between product and service quality and business performance of small and medium enterprises.

Hypothesis H4: Quality of products and services (QP) has a positive relationship with the business performance of small and medium enterprises in Ho Chi Minh City.

Information Technology (IT)

The leader can use information technology to manage market complexity as a deliberate strategy to gain competitive advantage and enhance business performance by Kraja & Osmani (2013). Current information technology has made it less expensive to perform a variety of

service procedures. Instead of using file tags (as happened a day earlier), businesses can maintain customer records on computers, such as tracking customer tastes and preferences by Gregory & Platts (2015). Companies use their customer database to good advantage by arranging services like quick product pick-ups for frequent customers. According to Nicholas (2012), businesses that view information technology as a competitive strategy and constantly innovate information technology to meet customer requirements will increase business performance significantly. According to Schiuma (2013), enterprises investing in advanced information technology positively impact business performance. Therefore, the proposed research hypothesis is H5: There is a positive relationship (+) between information technology and business performance of small and medium enterprises.

Hypothesis H5: Information Technology (IT) has a positive relationship with the business performance of small and medium enterprises in Ho Chi Minh City.

From the theoretical basis, the author had introduced the model of factors affecting the business performance of SMEs, the study model consisting of five elements following.
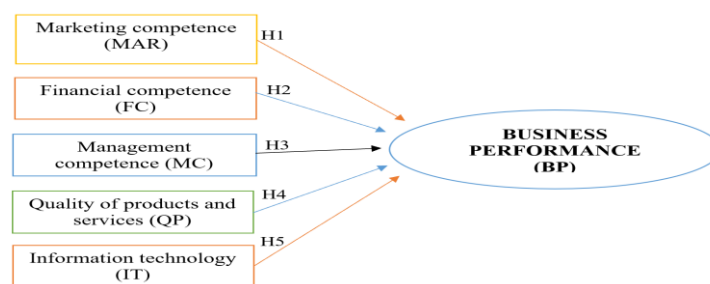
Source: The author proposed

FIGURE 1
A RESEARCH MODEL FOR FACTORS AFFECTING BUSINESS PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN HO CHI MINH CITY
METHODS

The author conducted two phases in the research process: qualitative and quantitative, detailed in 10 steps, as shown in figure 2.
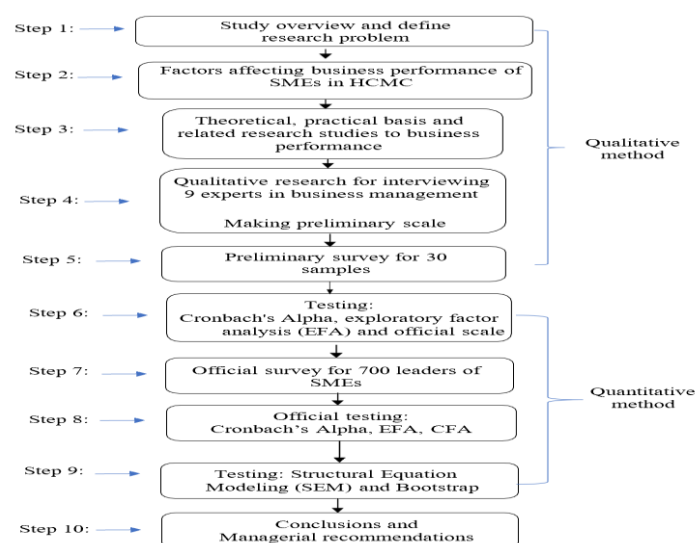
Source: The author proposed

FIGURE 2
A RESEARCH PROCESS FOR FACTORS AFFECTING BUSINESS PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN HO CHI MINH CITY

Step 1: The author referred to the study overview and defined the research problem from the research problem by Hair, Anderson, Tatham, and Black, (2010).

Step 2: The author synthesized theories related to factors affecting the business performance of SMEs in HCMC.

Step 3: The author synthesized theoretical, practical basis and related research studies to business performance. Based on theoretical synthesis and review of related previous studies.

Step 4: The author applied qualitative research for interviewing nine experts in business management. The authors build the factors affecting the business performance of SMEs in HCMC to serve as data for discussion in the interviews with nine experts and making a preliminary scale.

Step 5: The author applied the preliminary survey for 30 samples. The author used a qualitative method through interviews with 30 leaders who are knowledgeable in business management, specifically managers of SMEs who were assessed as having the ability to do resources, knowledge, and many years of experience in business management.

Step 6: The author had tested: Cronbach's Alpha, Exploratory Factor Analysis (EFA), an official scale. The author used a preliminary scale to survey leaders at SMEs in HCMC randomly. A sample of 30 to perform the reliability testing reliability of the scale to build an official ranking for the official survey for quantitative research.

Step 7: The author had the official survey for 700 leaders of SMEs. The official survey was conducted by sending survey questionnaires with distributed 700 questionnaires and 640 votes collected. The author obtained 640 suitable responses and included them in the formal data analysis by Hair, Anderson, Tatham & Black (2010).

Step 8: The author had the official testing: Cronbach's Alpha, EFA, CFA. The author collected and processed by SPSS 20.0 software to test the scale, explicitly trying Cronbach's alpha. This step helps the preliminary scale to remove variables with a total correlation coefficient <0.3. And analyze exploratory factor analysis EFA to remove variables with low factor load (<0.4) and Confirmatory Factor Analysis (CFA) by Hair, Anderson, Tatham & Black (2010).

Step 9: The author had tested: Structural Equation Modeling (SEM) and Bootstrap for the official survey questionnaire and conduct the survey. The authors screened the survey results and performed Confirmatory Factor Analysis (CFA) to test the appropriateness of the scale.

Step 10: The author had conclusions and managerial recommendations.

FINDINGS AND DISCUSSION

The Findings of the Research

Testing Cronbach's Alpha for the Business Performance of Small and Medium Enterprises in Ho Chi Minh City

Table 1 TESTING OF CRONBACH'S ALPHA FOR BUSINESS PERFORMANCE (BP)		
Code	**Business performance (BP)**	**Cronbach's Alpha if Item Deleted**
BP1	Our business receives positive information feedback from customers through increased satisfaction	0.944
BP2	Our business achieves the target of market growth part as planned	0.898
BP3	In general, our business achieves sales and profit targets the level of products and services increases year by year	0.946
Cronbach's alpha: 0.952		

Source: Data processed by SPSS 20.0

Table 1 showed that Cronbach's alpha for Business Performance (BP) is 0.952. Specifically, Cronbach's Alpha values of the Business Performance (BP) of alpha if item deleted BP1=0.944, BP2=0.898, and BP3=0.946. This result is very consistent with the actual survey data in Ho Chi Minh City.

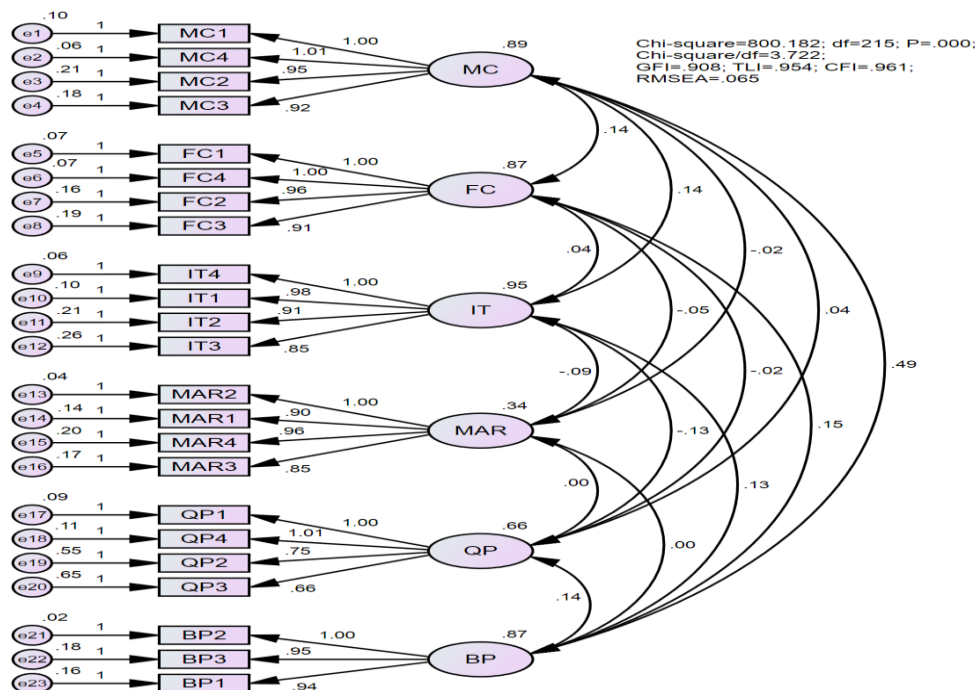| Code	**Table 2** **TESTING OF CRONBACH'S ALPHA FOR FACTORS AFFECTING BUSINESS PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN HO CHI MINH CITY**	
Code	**Marketing competence (MAR)**	Cronbach's Alpha if Item Deleted
MAR1	Businesses often use the market research field to collect information from customers	0.866
MAR2	Enterprises build quality relationships of businesses and customers are always guaranteed	0.829
MAR3	Businesses always meet customer satisfaction	0.878
MAR4	The business has an attractive website design and a professional marketing team	0.876
	Cronbach's alpha is 0.893	
Code	**Financial Competence (FC)**	**Cronbach's Alpha**
FC1	Our business has stable financial performance sure	0.945
FC2	Our business can raise capital easily	0.956
FC3	Our business has a good ability to pay debts	0.961
FC4	Our business has fast capital turnover and adequate working capital	0.945
	Cronbach's alpha is 0.963	
Code	**Management Competence (MC)**	**Cronbach's Alpha**
MC1	Managers are always interested in training and developing personnel in the enterprise	0.943
MC2	Managers always promote dialogue and accept diverse opinions	0.956
MC3	Administrators always have principles control and methods of business management in the enterprise	0.954
MC4	The administrator always encourages teamwork and collaborative relationships	0.936
	Cronbach's alpha is 0.960	
	Quality of Products and services (QP)	
QP1	Products and services provided by businesses are vibrant and diverse	0.807
QP2	The quality of products and services corresponds to the costs customers spend	0.827
QP3	Businesses make a difference by providing unique products and services	0.858
QP4	Enterprises continuously improve the quality of products and services	0.809
	Cronbach's alpha is 0.863	
	Information Technology (IT)	
IT1	Enterprises invest in software for business and marketing	0.936
IT2	The extent to which information technology is used to enhance internal energy force and external change	0.942
IT3	Our business uses information technology as a competitive strategy	0.953
IT4	Our business uses new information technology to meet the needs of our customers	0.929
	Cronbach's alpha is 0.954	

Source: The author processed by SPSS 20.0

Table 2 showed that Cronbach's alpha for factors affecting business performance (BP) is more than 6.0. Specifically, Cronbach's Alpha values is respectively: the marketing competence

(MAR)=0.893; financial competence (FC)=0.963; management competence (MC)=0.960; quality of products and services (QP)=0.863; and information technology (IT)=0.954. This result is very consistent with the actual survey data in Ho Chi Minh City. The research results show that the observed variables of this scale include 20 observed variables. Experts added and adjusted the contents of the observed variables to be appropriate, summarized in table 2 above.

| Table 3 KMO AND BARTLETT'S TEST FOR FACTORS AFFECTING BUSINESS PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN HO CHI MINH CITY		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.826
Bartlett's Test of Sphericity	Approx. Chi-Square	15126.120
	df	253
	Sig.	0.000
Extraction Sums of Squared Loadings: Cumulative is 84.740 %		

Source: The author processed by SPSS 20.0

Table 3 showed that the Kaiser-Meyer-Olkin measure of sampling adequacy (KMO) is 0.826 (>0.5). This result is consistent with the actual data investigated by 700 leaders managing many SMEs in HCMC. Extraction sums of squared loadings: cumulative is 84.740 %.

Source: The author processed by SPSS 20.0 and Amos

FIGURE 3
TESTING CFA FOR FACTORS AFFECTING BUSINESS PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN HO CHI MINH CITY

Figure 3 showed that the assessment of the scale of the business performance of small and medium enterprises in Ho Chi Minh City including: CMIN/DF=3.722 (<5.0), GFI=0.908 (>0.8), TLI=0.954 (>0.9), CFI=0.961 (> 0.9) and RMSEA=0.065 (<0.08). Based on the CFA test results, it is shown that the scales in the research model have reached the appropriate level with the data through the criteria of convergent value, discriminant value, aggregate reliability, and extracted variance. Therefore, the hypotheses in the formal research model do not have an adjustment change.
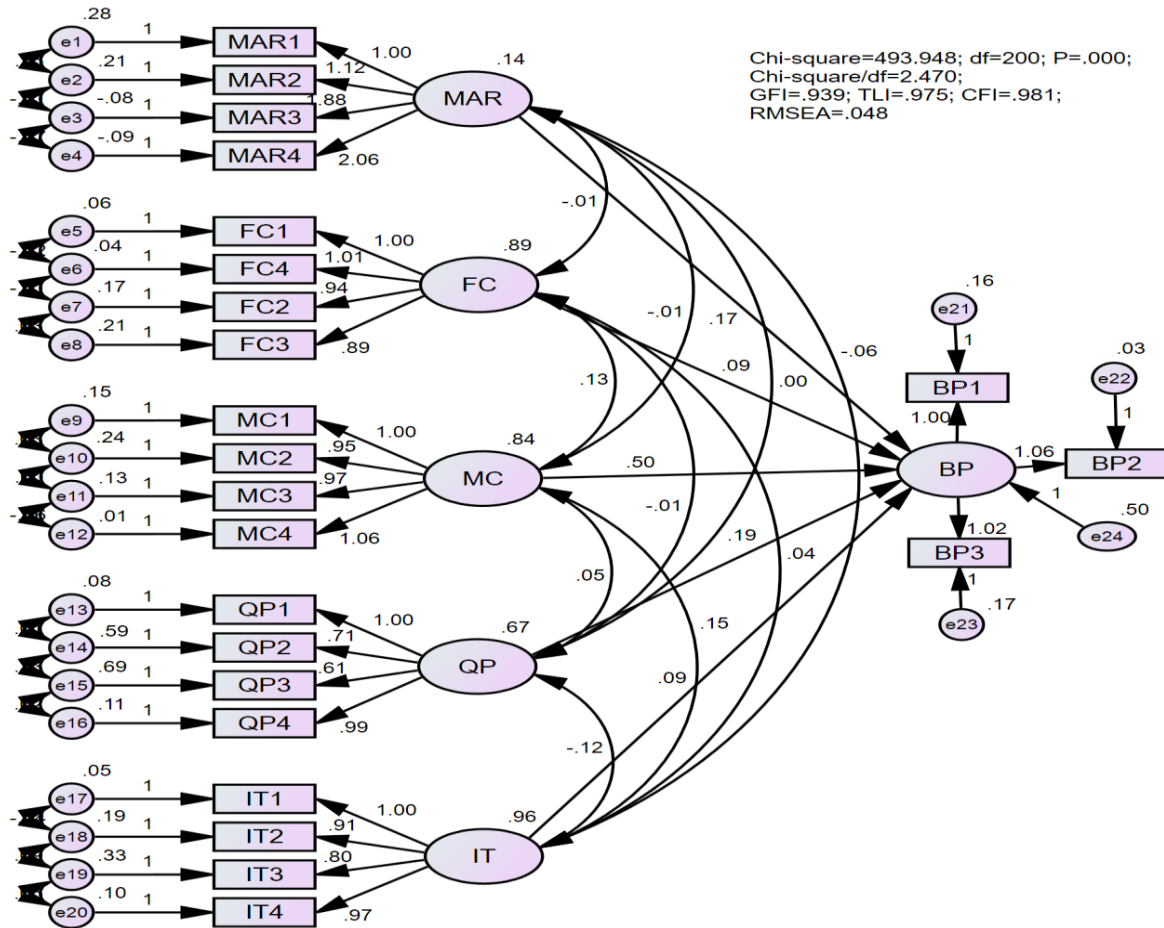
Source: The author processed by SPSS 20.0 and Amos

FIGURE 4
TESTING SEM FOR FACTORS AFFECTING THE BUSINESS PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN HO CHI MINH CITY

Table 4
TESTING COEFFICIENTS FOR FACTORS AFFECTING BUSINESS PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN HO CHI MINH CITY

Relationships			Unstandardized Estimate	Standardized Estimate	SE.	CR.	P	Results
BP	<---	MAR	0.171	0.073	0.059	2.900	0.004	Accepted
BP	<---	FC	0.091	0.098	0.031	2.903	0.004	Accepted
BP	<---	MC	0.495	0.518	0.034	14.621	***	Accepted
BP	<---	QP	0.186	0.174	0.037	4.984	***	Accepted
BP	<---	IT	0.090	0.100	0.031	2.916	0.004	Accepted

Source: The author processed by SPSS 20.0 and Amos

Table 4 showed five factors affecting the business performance of small and medium enterprises in Ho Chi Minh City with a significance level of 0.01. The results showed that all five the business performance for a standardized estimate including the marketing competence (0.073); financial competence (0.098); management competence (0.518); quality of products and services (0.174); and information technology (0.100) in the theoretical model.

Table 5 TESTING BOOTSTRAP WITH 60.000 SAMPLES FOR FACTORS AFFECTING BUSINESS PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN HO CHI MINH CITY							
Parameter			SE	SE-SE	Mean	Bias	SE-Bias
BP	<---	MAR	0.053	0.001	0.163	-0.008	0.001
BP	<---	FC	0.033	0.000	0.088	-0.003	0.001
BP	<---	MC	0.045	0.001	0.493	-0.002	0.001
BP	<---	QP	0.041	0.000	0.184	-0.002	0.001
BP	<---	IT	0.028	0.000	0.090	0.000	0.000

Source: Data processed by SPSS 20.0 and Amos

Table 5 showed that the bootstrap test results are very good with a sample of 60.000 for the factors affecting the business performance of small and medium enterprises in HCMC.

DISCUSSION OF THE RESULT AND RECOMMENDATIONS

The author discussed the result. It is to improve the business performance of SMEs in HCMC. The article proposes some managerial recommendations as follows:

1) Management competence affecting the business performance of small and medium enterprises in HCMC with 1% significance. This result is the same as authors, such as Carrie & Devitt (2018); Purnama & Subroto (2016). Thus, managerial recommendations need to improve management competence (0.518). Business leaders need to have a strategic vision and have management ability to support adaptive change in the business. Leaders always have control principles and business management methods in the enterprise. Promote a spirit of dialogue and acceptance of diverse opinions, good understanding of the global market, ability, and a pioneering attitude to achieve challenging goals, manage labor arrangements, and manage efficient resources. Besides, managers should encourage teamwork and cooperative relationships and pay attention to personnel training and development in the enterprise. This recommendation is to achieve the goals of the enterprise and strongly empower, allowing scope for employees developed and contributed towards the capacity development of employees. Finally, business leaders need to build an internal control department to minimize business risks and accurately report data to ensure employee's and investors' interests. Improve the quality of the team, organize recruitment widely, have the policy to attract high-quality resources to work for the enterprise, create a favorable working environment, salary and bonus policy above the industry average. It is necessary to improve the quality of management personnel, continuously discover and train human resources for management positions, arrange following the professional capacity of each work, often organize training courses to learn enterprises with foreign elements.

2) The author finds out the quality of products and services affecting the business performance of small and medium enterprises in HCMC with 1% significance. This result is the same as authors, such as Sotley (2018); Tannock & Pawar (2017). Thus, managerial recommendations need to improve the quality of products and services (0.174). Enterprises need to improve the quality of products and services by diversifying products and services, speeding up new products and services. Businesses need to innovate services for customers to customize the customer experience. In the current context of integration and fierce competition, applying production management solutions to improve the quality of products and goods in the factory area is crucial, helping enterprises stand firm and strengthen their high-performance position in the market. The enterprise should apply quality management that is the coordinated activities to direct and control the quality of products. The above activities include quality policy formulation, objective setting, planning, quality control, quality assurance, and quality improvement.

3) Moreover, an exemplary implementation of the above requirements will ensure that customers receive error-free products and meet their needs, bringing many benefits to each factory. Production management software is a solution to meet the production management needs at each enterprise factory comprehensively. It is a central management tool, ensuring the effective operation of each enterprise in the manufacturing sector.

4) The author finds out the information technology affecting the business performance of small and medium enterprises in HCMC with 1% significance. This result is similar to authors like Venwick (2018); Zhang (2015). Thus, managerial recommendations need to improve information technology (0.100). Businesses that continuously improve beneficial information technology such as customer care systems and companies must boldly invest in management application software. Combining technology elements into the service delivery process help improve customer service performance and quality. Besides, the enterprises should design social media channels, seminars, and online events based on information

technology and digital technology to interact with customers to discuss product offerings. Services to manage and operate at work, business service, marketing, increase the use of information technology to strengthen internal capacity, interact with external customers, and face customer's difficulties of the external environment.

5) Businesses need to apply digital technology, social networks to communicate and analyze data in their operations and enhance applications to personalize the customer experience through phone and mobile features. Online interaction, applying information technology to diversify customer order interaction channels, strengthens relationships with customers by exchanging information to sign service contracts and online payment.

6) The author finds out the financial competence affecting the business performance of small and medium enterprises in HCMC with 1% significance. This result is similar to authors like Wursoy & Swanger (2017); Tuselid (2015). Thus, managerial recommendations need to improve financial competence (0.098). Enterprises need to have a solid financial strategy to ensure the operating capital of the business. It is strong enough, and the economic activities are practical following enterprises' growth and development process. Enterprises need to regularly innovate modern technology to respond to the market and build a business strategy to create a brand image. It will be easier to raise capital and pay, and power capital turnover will be better faster. Enterprises need to increase capital mobilized with preferential interest rates from bank programs and government policies.

7) The author finds out the marketing competence affecting the business performance of small and medium enterprises in HCMC with 1% significance. This result is similar to authors like Tichardson & Stratop (2015); Suselid (2016). Thus, managerial recommendations need to improve marketing competence (0.073). Businesses need to pay attention to customer feedback and arrange a team to regularly deal with all questions from customers as thoroughly as possible. In addition, companies need to spend budgets for marketing such as advertising and communication to strengthen external communication through websites, newspapers, magazines, television, internet. Customers are one of the factors that play a role in deciding the choice of customers. External communication has a positive impact on the brand's reputation. Enterprises regularly use market research to collect information about customers, regularly receive from listening to customers' feedback about the products and services they provide, enhance relationship building. The business has relationships with customers to create customer trust and pay attention to the marketing team because the group meets customers' needs. Besides, the website's interface and content always complete customer satisfaction. In addition, businesses need to strengthen the construction of professional training for their staff to understand their customers' needs and closely follow competitors' movements, thereby making policies.

CONCLUSION

The author identified the research problem identified "Factors affecting the business performance of small and medium enterprises in Ho Chi Minh City. This study used a multi-dimensional approach. In addition to qualitative research methods, the article had used quantitative research methods such as Exploratory Factor Analysis (EFA), Confirmatory Factor Analysis (CFA), the technique applied Structural Equation Modeling (SEM), etc. Besides, the study had continued building and developing a scale of research variables and testing research hypotheses for 640 leaders at SMEs. The study had found convincing statistical evidence about the simultaneous influence of factors affecting the business performance of SMEs with a significance level of 1 percent. The article's findings are to explore five factors affecting the business performance of enterprises influenced by management competence with a standardized regression coefficient of 0.518. The results of this article had the same as the others, such as Radocsa (2016); Ramanujam (2016); Taktanir & Harris (2015). In addition, the lowest influencing factor is marketing competence, with a standardized regression coefficient of 0.073. Finally, based on statistical analysis, the article also proposed some managerial recommendations to improve the business performance of SMEs in HCMC.

The limitations briefly survey sample data that is still tiny compared to the total of small and medium enterprises in Vietnam. Besides, many factors have not been included in the research model, such as brand value, social responsibility, law, politics, government support... Therefore, further studies should collect a lot of data on small and medium enterprises in other provinces and add many different factors affecting the business performance of SMEs in HCMC.

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