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### A Study on Business Performance of Small and Medium Enterprises in Hanoi

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#### Abstract

The aim of this study is to compare the assessment results of the survey subjects about the business performance of SMEs in Hanoi. The theoretical framework sheds light on the conceptual aspects of business performance and the objectives of SMEs. The inductive method was relied upon in defining the research problem by observing that the contents of business performance. We use qualitative research methods and quantitative research methods. The interview technique is used in the qualitative research method, whereas primary data collected through a survey is used in the quantitative research method. The sample size includes 205 survey forms from small and medium-sized

enterprises in Hanoi. We conducted the survey from March 2023 to August 2023. SPSS was utilized for a comparative evaluation of the business performance of SMEs in Hanoi between respondents. Multiple statistical techniques were employed for data analysis, including SPSS via the independent t-test and ANOVA. The study's results indicate that there is not difference in assessing the business performance of SMEs in Hanoi between different subjects in terms of genders, career seniority, and ages. This study offers theoretical and practical implications for improving business performance. Based on this result, the study proposes some recommendations for SMEs in Hanoi.

**Keywords:** Business Performance (BP), Small and Medium Enterprises (SMEs), Economics, Business Administration

**JEL code:** L25, L21, M10, M11

#### 1. Introduction

Small and medium-sized enterprises (SMEs) play a particularly important role in promoting the socio-economic development of each country. Along with contributing to society a large volume of goods and creating many jobs for workers, SMEs also create a stable source of income for a segment of the population, exploiting resources and potential in the local area.

Small and medium-sized enterprises enjoy many preferential policies and are one of the 5 priority areas to apply ceiling interest rate policies on short-term loans and others. However, the capital absorption capacity of businesses and the economy has decreased, leading to difficulty in disbursing credit for banks, so it is necessary to continue implementing solutions to support and remove difficulties for production activities on capital and credit, thereby promoting growth and ensuring socio-economic development goals in 2023 (Dao Tuyet, 2023) <sup>[4]</sup>.

Mr. Mac Quoc Anh, Vice President and General Secretary of the Hanoi Association of Small and Medium Enterprises, said that the biggest reason why firms have difficulty getting credit is due to a lack of orders for production. When production costs increase, operational efficiency declines. Many SMEs have had to cut labor, scale back production, and even close or stop operations because of losses, leading to reduced demand for loans.

Business performance is an indicator that shows how well an organization accomplishes its goals (Lin & Kuo, 2007) <sup>[15]</sup>. Business performance, as the overall achievements of the company, is the result of new or better efforts made to achieve profits and growth (Gunday *et al.*, 2011) <sup>[7]</sup>.

In the context of international economic integration, small and medium-sized enterprises in general, and in Hanoi in particular, must compete increasingly fiercely in the domestic market in the process of international integration. Competition helps customers have more choices; on the other hand, customer needs also change faster thanks to quick access to information in the age of the internet and digital transformation.

To better meet customer needs and survive in a fiercely competitive market, small and medium-sized enterprises in Hanoi need to improve business performance. Therefore, evaluating the business performance of small and medium-sized enterprises in Hanoi has both theoretical and practical significance.

The next part of this article is a literature review, followed by the research methodology and research results. Finally, there is a discussion and implications.

## 2. Literature Review

Dess and Robinson (1984) <sup>[5]</sup> argue that financial indicators measure performance even less than non-financial indicators; especially in the changing competitive environment, non-financial performance needs to be considered. Considered to fill the gap in cases of insufficient information.

Measuring business performance has been practiced for a long time and remains one of the dominant topics in organizational and management theories. Business performance measurement to date has gone through three main stages: (i) a balanced performance measurement system; (ii) flow and transformation mapping; and (iii) financial alignment and non-financial alignment (Neely, 2002) <sup>[18]</sup>.

Business performance reflects the completion of growth goals and business strategies for enterprises (Hult *et al.*, 2004). Business performance is the result of the interplay between activities performed in relation to competitive pressures, allowing a company to manage internal resources in response to the external environment (Keizer *et al.*, 2002) <sup>[14]</sup>.

Business performance is considered based on the assessment of the organization's effectiveness in terms of finances, market share, and the growth rate of its managers (Arino, 2003) <sup>[2]</sup>.

Business performance is perceived very diversely in many different fields, such as strategy, finance, operations, human resources, or marketing (FrancoSantos *et al.*, 2007) <sup>[6]</sup>. Business performance often emphasizes "outputs", or can be evaluated based on multidimensional aspects of organizational strategy, such as the Balanced Scorecard (BSC).

Both financial and non-financial metrics are used to enable companies to devise effective strategies and measure long-term, stable success (Avci *et al.*, 2011) <sup>[3]</sup>.

Al-Ansari *et al.* (2013) <sup>[1]</sup> affirmed that the types of indicators often applied in research to measure the business performance of organizations, including customer satisfaction, revenue growth, profit, and market share, are expressed by financial or non-financial indicators.

According to Nasip *et al.* (2017) <sup>[17]</sup>, it is difficult to measure business performance due to differences in the nature of business industries and profit methods.

## 3. Methodology

The research implemented a method combining secondary data, in-depth interviews, and SME surveys. 100 small and medium enterprises in Hanoi were selected for the survey using a convenient method. This sample size meets the minimum sample size of Hair *et al.* (2010) <sup>[9]</sup>. Each enterprise selects a member of the board of directors, a head or deputy head of the sales department, a head or deputy head of the production department or the Human Resources

Administration department, and a chief accountant or general accountant, who are in charge of issues related to business performance after answering the questionnaire (see Table 1).

The business performance scale includes BP1-BP5, which has been compiled from comprehensive research and in-depth interviews with five sales managers of small and medium-sized enterprises to check the scale for compatibility with reality. In-depth interviews also aim to learn about the successful experiences and challenges of SMEs when implementing measures to improve business performance.

SPSS 22 software was used to process the analyses in this study. Analytical tools, including the independent T-test and ANOVA analysis, were performed to compare the assessment results of small and medium-sized enterprises' business performance among survey subjects.

**Table 1:** Respondents by genders, career seniority and ages

	Frequency	Percent	Cumulative Percent
<b>Genders</b>			
Female	73	35.6	35.6
Male	132	64.4	100.0
<b>Ages</b>			
From 22 to 30 years old	57	27.8	27.8
From 30 to 35 years old	55	26.8	54.6
From 35 to 45 years old	47	22.9	77.6
45 years old or older	46	22.4	100.0
<b>Career seniority</b>			
Less than 5 years	47	22.9	22.9
From 5 to 10 years	104	50.7	73.7
10 years or older	54	26.3	100.0
<b>Total</b>	<b>205</b>	<b>100.0</b>	

Information on the data collected is shown in Table 1. It shows that among the respondents, 35.6% were female and 64.4% were male. Of these, 57 participants are from 22 to 30 years old, accounting for 27.8%; 55 participants are from 30 to 35 years old, accounting for 26.8%; 47 participants are from 35 to 45 years old, accounting for 22.9%; and the remaining respondents are 45 years old or older, accounting for 22.4%. There were 47 participants (22.9%) who have career seniority less than 5 years, 104 participants (50.7%) who have career seniority from 5 to 10 years, and the remaining have career seniority 10 years or older.

## 4. Results

### 4.1 Independent T-Test: Different Genders

A comparison of the results of the evaluation of the differences in the business performance of SMEs in Hanoi with participants of different genders (male and female) can be seen in Table 2. According to the results shown in Table 2, sig Levene's test is 0.701, which is more than 0.05. The variance between males and females is not different. Moreover, the sig value t-test is 0.439, which is more than 0.05, which means that there is no statistically significant difference in the business performance of SMEs in Hanoi between these different genders (Hoang & Chu, 2008; Hair *et al.*, 2009; Hair *et al.*, 2014) <sup>[11, 8, 10]</sup>.

**Table 2:** Differences in the business performance in SMEs in Hanoi with participants of different genders-Independent Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
BP	Equal variances assumed	0.148	0.701	-0.775	203	0.439	-0.08132	0.10496	-0.28826 0.12562	
	Equal variances not assumed			-0.754	137.251	0.452	-0.08132	0.10784	-0.29457 0.13193	

**4.2 ANOVA-Career Seniority**

An ANOVA test was needed to make a comparison of the results of the evaluation of the differences in the business performance of SMEs in Hanoi between the three subjects, including participants who have career seniority less than 5 years, participants who have career seniority from 5 to 10 years, and participants who have career seniority 10 years or older. Table 3 shows that the sig Levene statistic of 0.808 is greater than 0.05, which means that the hypothesis of homogeneity of variance among the variable value groups (career seniority) has not been violated. Table 4 shows that sig. is 0.842, which is more than 0.05, which indicates that there is no statistically significant difference in the business performance of SMEs in Hanoi between the mentioned three groups of career seniority (Hoang & Chu, 2008; Hair *et al.*, 2009; Hair *et al.*, 2014) [11, 8, 10].

**Table 3:** Test of Homogeneity of Variances

Descriptions	Levene Statistic	df1	df2	Sig.
<b>BP</b>				
Based on Mean	0.214	2	202	0.808
Based on Median	0.270	2	202	0.764
Based on Median and with adjusted df	0.270	2	193.535	0.764
Based on trimmed mean	0.205	2	202	0.814

**Table 4:** ANOVA

	Sum of Squares	Df	Mean Square	F	Sig.
<b>BP</b>					
Between Groups	0.179	2	0.090	0.172	0.842
Within Groups	105.244	202	0.521		
Total	105.423	204			

**4.3 ANOVA-ages**

An ANOVA test was needed to make a comparison of the results of the evaluation of the differences in the business performance of SMEs in Hanoi between the four subjects, including participants who are from 22 to 30 years old, participants who are from 30 to 35 years old, participants who are from 35 to 45 years old, and participants who are 45 years old or older. Table 5 shows that the sig Levene statistic of 0.942 is greater than 0.05, which means that the hypothesis of homogeneity of variance among the variable value groups (different ages) has not been violated. Table 6 shows that sig. is 0.763, which is more than 0.05, which indicates that there is no statistically significant difference in the business performance of SMEs in Hanoi between the mentioned four groups of ages (Hoang & Chu, 2008; Hair *et al.*, 2009; Hair *et al.*, 2014) [11, 8, 10].

**Table 5:** Test of Homogeneity of Variances

Descriptions	Levene Statistic	df1	df2	Sig.
<b>BP</b>				
Based on Mean	0.130	3	201	0.942
Based on Median	0.086	3	201	0.968
Based on Median and with adjusted df	0.086	3	193.855	0.968
Based on trimmed mean	0.105	3	201	0.957

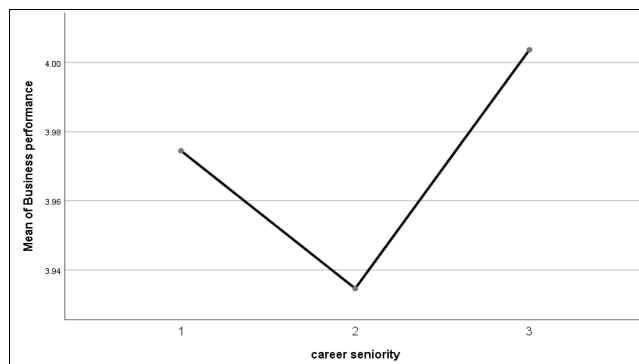
**Table 6:** ANOVA

	Sum of Squares	Df	Mean Square	F	Sig.
<b>BP</b>					
Between Groups	0.603	3	0.201	0.386	0.763
Within Groups	104.820	201	0.521		
Total	105.423	204			

**4.4 The relationship between the business performance of SMEs in Hanoi**

**4.4.1 Career Seniority**

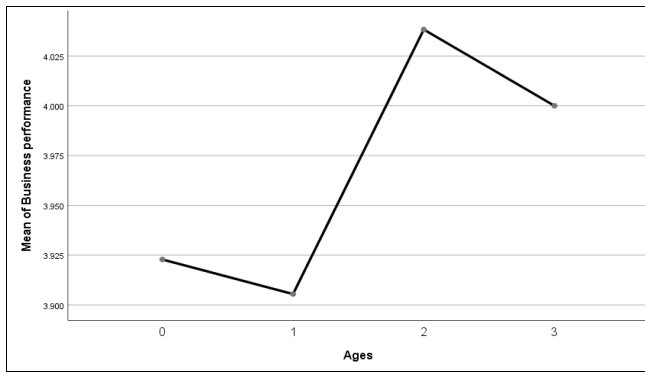
Next, the line graph shows the relationship between the business performance of SMEs in Hanoi and each respondent's career seniority (Fig 1). Fig 1 shows that this line tends to go down when the respondents' career seniority is from 5 to 10 years old. But this line tends to slope up when the respondents' career seniority is 10 years or older.



**Fig 1:** The line graph shows the relationship between the business performance of SMEs in Hanoi and each respondent's ages

**4.4.2 Ages**

Next, the line graph shows the relationship between the business performance of SMEs in Hanoi and each respondent's age (Fig 2). Fig 2 shows that this line tends to go down when the respondents' ages range from 22 to 35 years old and 45 years old or older. But this line tends to slope up when the respondents' ages range from 35 to 45 years old.



**Fig 2:** The line graph shows the relationship between the business performance of SMEs in Hanoi and each respondent's ages

## 5. Discussion and Implications

Small and medium-sized enterprises in Hanoi are very interested in reducing costs and improving product quality.

Deputy Head of Business Incubation and Development Department (Hanoi Business Support Center) Vu Thi Tuyet Loan said that to support small and medium-sized enterprises, in 2023, Hanoi will focus on training and developing human resources, business consulting support, supporting digital transformation, supporting creative startups, and supporting business incubation and development. In particular, focusing on in-depth business administration training on corporate executive knowledge for about 300 students; intensive business administration training for small and medium-sized businesses owned by women for 100 students; and opening 90 training classes on business start-up knowledge for business households, etc. Also in 2023, Hanoi City will continue to promote vocational training associated with businesses, linking training with job creation and supporting training in vocational skills and soft skills for workers in small and medium-sized enterprises in the area (Dao Tuyet, 2023) [4].

Small and medium-sized enterprises in Hanoi should improve the capacity of management leaders through training policies and conduct training for management leaders on innovation, product innovation, and methods. methods of building vision and making business strategies based on leadership methods: listening, sharing with employees, and praising them when they succeed.

Product innovation has an impact on business performance, and in fact, small and medium-sized enterprises in Hanoi have also paid great attention to this activity. Therefore, small and medium-sized enterprises should improve products, invest in new product research to launch new products before competitors, keep up with market demand and consumption trends, and thereby help businesses grow and increase profits.

Small and medium-sized enterprises should build innovation strategies that include product innovation and develop human resource management policies that aim at creating human resources with innovation capacity, i.e., knowledge and skills to practice innovation. Conduct training to improve innovation capacity for employees.

Small and medium-sized enterprises should: (i) pioneer in introducing new products to the market and create differences compared to existing products on the market; (ii) customers are very interested in product designs. Therefore, small and medium-sized enterprises should pay attention to the product design stage, which must have its own characteristics, creating many products with many styles and

rich types with many good, modern, and luxurious materials. (iii) When buying products, consumers and customers often compare product quality between firms. Therefore, to be successful in bringing new products to market, the quality must be superior to existing products on the market (Makani, 2016) [16].

SMEs need to focus on solutions to enhance digital transformation capabilities for businesses, first of all by raising awareness of digital transformation requirements and knowledge about digital transformation for business leaders as well as the entire community of employees, and at the same time gradually completing the digitalization requirements in all stages of the enterprise system. In addition, small and medium enterprises need to ensure continuity in the management system. Before thinking about any conversion solution, small and medium enterprises should optimize the system, fragment work, and increase cooperation between departments.

Small and medium-sized enterprises need to increase their ability to receive local support policies. Small and medium-sized enterprises need to establish a legal document research department, improve management capacity, and build a high-quality team. Document information must be transparent to easily access credit relationships and receive support policies. Proactively learning about support policies suitable for each industry and field is very necessary. It will promptly resolve the questions of small and medium-sized enterprises and have specific directions to solve difficulties in enjoying support policies.

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