

RESPONDENTS REVIEW THE BUSINESS CAPACITY OF ENTERPRISES

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Abstracts

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. This study aims to determine the contents of the business capacity of small and medium enterprises (SMEs) in Hanoi. The research sample includes 225 employees who are board members, sales managers, and heads of marketing departments of SMEs in Hanoi. We use quantitative research methods combined with qualitative research methods. Qualitative research is conducted through in-depth interviews and group discussions with experts. Quantitative research uses survey methods such as distributing surveys directly or sending survey questionnaires via email, Zalo, and social networking tools. Reliability analysis methods through descriptive statistics, an independent t-test, and an ANOVA analysis were used to interpret the data. The results show that all four contents belonging to the business capacity of small and medium enterprises (SMEs) in Hanoi are significant. There is no statistically significant difference in the business capacity of small and medium enterprises (SMEs) in Hanoi between these different genders, ages, training, business operating times, and main business sectors. In addition, the study also offers some solutions that administrators can use to increase the business capacity of small and medium enterprises (SMEs) in Hanoi.

Keywords: business performance, business capacity (BC), small and medium enterprises (SMEs), economics, business administration

JEL codes: M10, M19, M20, A14

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. The biggest and most important contribution of SMEs is creating jobs and contributing to social labor restructuring. The 10-year socio-economic development strategy (2021-2030) clearly states: Strongly develop the Vietnamese private economic sector in terms of quantity, quality, efficiency, and sustainability, truly becoming an important driving force in economic development. Strive to have at least 2 million enterprises by 2030, with the private economic sector's contribution to GDP reaching 60–65%. Enterprises in general and small and medium enterprises (SMEs) in particular are the driving force behind the economic growth of each country and each locality (Dinh, 2023).

In the first 5 months of 2023, Hanoi will have more than 13,000 newly established enterprises with a registered capital of 125.9 trillion VND, an increase of 8% in the number of enterprises but a decrease of 17% in registered capital compared to the same period last year. There were 1.5 thousand enterprises dissolved, down 5%; 12.6 thousand firms registered to temporarily suspend operations, an increase of 22%; and 4.6 thousand firms resumed operations, down 22%. Among the SMEs operating in Hanoi, SMEs in the non-state sector account for the largest proportion (about 97.2%). The average production and business capital of non-state-owned enterprises increased by 10.2% (Dinh, 2023).

Support mechanisms and policies of the state and Hanoi city governments have created conditions for firms in general and SMEs in particular to access resources to restore production and business after the impact of the COVID-19 pandemic. Furthermore, domestic and foreign consumer markets have also changed in a positive direction, but SMEs still face difficulties and challenges. Besides, the number of SMEs in Hanoi currently accounts for 97.2% of the total number of firms in the area, of which 85–90% are small and micro enterprises. SMEs are large in quantity, but their quality, business performance, and ability to compete in the market are still limited. Along with that, SMEs are still very limited in capital, technology, human resources, management, and marketing skills, and even do business based on experience (Dinh, 2023). Therefore, improving the business capacity of SMEs is necessary.

2. LITERATURE REVIEW

The topic of business capacity has been mentioned in the research works of Bird (1995), Man et al. (2002), Muzychenko and Sae (2004), Ahmad (2007), and Mitchelmore and Rowley (2010).

The business capacity of firms is closely related to their business performance. An enterprise's ability to digitally transform is an important factor affecting its business performance (Vu, 2019). Research by Tan (2019) on SMEs in Da Nang shows that factors such as government policies, financial capital, cultural factors, social factors, and human capital affect the business performance of SMEs, especially start-up firms. Dang et al. (2022) have proven that there are 10 factors that affect the development of SMEs, including production technology level, government policies, raw materials, labor, management capacity, local support policies, access to finance, corporate social responsibility, green growth orientation, and global epidemics, in which the level of production technology and access to finance have the greatest impact on the business performance of SMEs in Vietnam.

3. METHODOLOGY

This study will focus on studying enterprise business capacity using primary data based on respondents' perceived level of business capacity, with four scales indicating the level from completely disagree to completely agree, referred to as subjective performance measures. We inherited and adjusted observed variables from the scales of previous studies such as Chittithaworn (2011) and Ho and Mai (2016). This is the approach that many previous studies have used in the case of SMEs.

In this study, we use quantitative research methods combined with qualitative research methods. Qualitative research was conducted through in-depth interviews and group discussions with experts in SME management to explore the business capacity scales of SMEs in Hanoi and adjust the scale accordingly. Quantitative research uses survey methods, such as distributing survey questionnaires directly or sending survey questionnaires via email, Zalo, and social networking tools, to small and medium-sized enterprises in Hanoi to collect primary data. The respondents were members of the board of directors, leaders of sales departments, and departments of SMEs. The sample was selected in quantitative research using the convenience sampling method, with the subjects being members of the board of directors, sales department leaders, and departments of SMEs in Hanoi. For official sampling, the minimum sample size that needs to be achieved is calculated according to the formula $50 + 8 * m$ (Tabachnick & Fidell, 1996). Thus, with 4 observed variables in this study, the minimum sample size must be $50 + 8 * 4 = 82$ observations. Thus, to ensure objectivity and reliability, in this study the authors selected an official quantitative research sample of 240 votes, resulting in 225 valid samples included in the analysis (see table 1). Data collected from the survey questionnaire was processed using SPSS software with descriptive statistics, an independent t-test, and an ANOVA analysis.

Table 1. Respondents by ages, participated in training, business operating time and main business sectors

	Frequency	Percent	Cumulative Percent
Ages			
35 years old or less	120	53.3	53.3
36 years old or older	105	46.7	100.0
Training			
Participated in training	190	84.4	84.4
Have not participated in training	35	15.6	100.0
Business operating times			
2 years or less	58	25.8	25.8
From 2 to 5 years	85	37.8	63.6
5 years or higher	82	36.4	100.0
Main business sectors			
Electronics and Telecommunication	38	16.9	16.9
Fashion	31	13.8	30.7

Real estate and the furniture	47	20.9	51.6
Food	36	16.0	67.6
Tourism	30	13.3	80.9
Other areas	43	19.1	100.0
Total	225	100.0	

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

Information on the data collected is shown in Table 1. It shows that among them, the common age of respondents is 35 years old or less, accounting for 53.3%, while the remaining 36 to 50 years old are 105 people, accounting for 46.7%. Respondents who have participated in a number of training programs related to the fields of business administration, financial management, human resource management, and popularizing knowledge of labor law and business law are 190, accounting for 84.4%; the remaining 15.6% have not participated in training. Among the respondents, 58 are working for SMEs with less than 2 years of operation, accounting for 25.8%; 85 are working for SMEs with operating time from 2 to 5 years, accounting for 37.8%; and the rest are working for SMEs with an operating period of 2 years or more, accounting for 36.4%. Respondents working for SMEs doing business in electronics and telecommunications accounted for 16.9%; fashion accounted for 13.8%; real estate and interior decoration account for 20.9%; food accounts for 16%; tourism accounts for 13.3%; and the remaining are other fields, accounting for 19.1%.

4. RESULTS

Descriptive Statistics

Table 2 indicates that the respondents agree with the variable of the business capacity of small and medium enterprises in Hanoi, where four attributes were quite high. All four attributes were rated at an average of 3.50 or higher.

The analysis results also show that the skewness and kurtosis coefficients are in the range of -1 to 1, so the survey data ensures a relatively standard distribution. Therefore, the evaluation levels of the employees participating in the survey are relatively uniform and concentrated, with little dispersion, so the analysis results have high statistical significance.

Table 2. Descriptive analysis of attributes

Code	N	Mini	Max	Mean	Std. Deviation	Skewness		Kurtosis	
						Statistic	Std. Error	Statistic	Std. Error
The business capacity of SMEs in Hanoi (BC)									
BC1	225	2	5	3.74	0.784	-0.288	0.162	-0.231	0.323
BC2	225	1	5	3.79	0.807	-0.468	0.162	0.438	0.323
BC3	225	2	5	3.50	0.656	-0.680	0.162	-0.198	0.323
BC4	225	2	5	4.05	0.794	-0.635	0.162	0.122	0.323
Valid N (listwise)	225			3.77					

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

Independent T-test: Genders

A comparison of the results of the evaluation of the differences in the business capacity of small and medium enterprises in Hanoi with participants of different genders (males and females) can be seen in Table 3. According to the results shown in Table 3, sig Levene's test is 0.093, which is more than 0.05. The variance between males and females is not different. Moreover, the sig value t-test is 0.738, which is more than 0.05, which means that there is no statistically significant difference in the business capacity of small and medium enterprises in Hanoi between these different genders (Hoang & Chu, 2008; Hair et al., 2009; Hair et al., 2014).

Table 3. Differences in the business capacity of small and medium enterprises 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	
									Lower	Upper
BC	Equal variances assumed	2.840	0.093	-0.335	223	0.738	-0.03020	0.09016	-0.20788	0.14748
	Equal variances not assumed			-0.320	133.562	0.750	-0.03020	0.09444	-0.21699	0.15658

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

Independent T-test: Ages

A comparison of the results of the evaluation of the differences in the business capacity of small and medium enterprises in Hanoi with participants of different ages (35 years or less and 36 years or older) can be seen in Table 4. According to the results shown in Table 4, sig Levene's test is 0.063, which is more than 0.05. The variance between 35 years of age or less and 36 years of age or older is not different. Moreover, the sig value t-test is 0.152, which is more than 0.05, which means that there is no statistically significant difference in the business capacity of small and medium enterprises in Hanoi between these different ages (Hoang & Chu, 2008; Hair et al., 2009; Hair et al., 2014).

Table 4. Differences in the business capacity of small and medium enterprises in Hanoi with participants of different ages - 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	
									Lower	Upper
BC	Equal variances assumed	3.493	0.063	1.437	223	0.152	0.12232	0.08510	-0.04539	0.29003
	Equal variances not assumed			1.418	200.544	0.158	0.12232	0.08627	-0.04780	0.29244

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

Independent T-test: Training

A comparison of the results of the evaluation of the differences in the business capacity of small and medium enterprises in Hanoi with participants of different training (participated in training and have not participated in training) can be seen in Table 5. According to the results shown in Table 5, sig Levene's test is 0.553, which is more than 0.05. The variance between participated in training and have not participated in training is not different. Moreover, the sig value t-test is 0.287, which is more than 0.05, which means that there is no statistically significant difference in the business capacity of small and medium enterprises in Hanoi between these different training (Hoang & Chu, 2008; Hair et al., 2009; Hair et al., 2014).

Table 5. Differences in the business capacity of small and medium enterprises in Hanoi with participants of different ages - 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	
									Lower	Upper

BC	Equal variances assumed	0.354	0.553	-1.066	223	0.287	-0.12519	0.11739	-0.35652	0.10614
	Equal variances not assumed			-1.135	50.205	0.262	-0.12519	0.11033	-0.34676	0.09638

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

ANOVA – business operating times

An ANOVA test was needed to make a comparison of the results of the evaluation of the differences in the business capacity of small and medium enterprises in Hanoi between the three subjects, including participants who worked for SMEs with a business operating time of 2 years or less, participants who worked for SMEs with a business operating time of 2 years to 5 years, and participants who worked for SMEs with a business operating time of 5 years or higher. Table 6 shows that the sig Levene statistic of 0.842 is larger than 0.05, which means that the hypothesis of homogeneity of variance among the variable value groups (different business operating times) has not been violated. Table 7 shows that sig. is 0.844, which is larger than 0.05, which indicates that there is not a statistically significant difference in the business capacity of small and medium enterprises in Hanoi between the mentioned three groups of business operating time (Hoang & Chu, 2008; Hair et al., 2009; Hair et al., 2014).

Table 6. Test of Homogeneity of Variances

Descriptions	Levene Statistic	df1	df2	Sig.
BC				
Based on Mean	0.172	2	222	0.842
Based on Median	0.062	2	222	0.940
Based on Median and with adjusted df	0.062	2	220.063	0.940
Based on trimmed mean	0.192	2	222	0.826

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

Table 7. ANOVA

BC

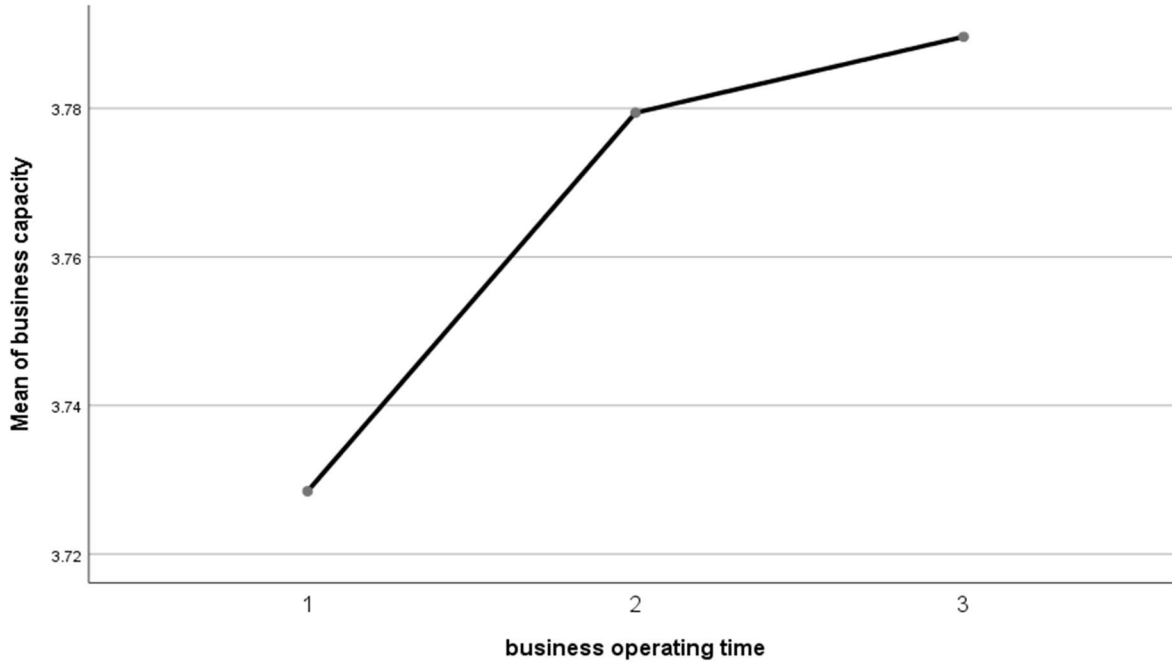
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	0.139	2	0.070	0.170	0.844
Within Groups	91.146	222	0.411		
Total	91.285	224			

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

The relationship between the business capacity of small and medium enterprises in Hanoi - business operating time

Next, the line graph shows the relationship between the business capacity of small and medium

enterprises in Hanoi and each respondent's business operating times (Figure 1). Figure 1 shows that this line tends to slope up for participants who worked for SMEs with a business operating time of 2 years or less, participants who worked for SMEs with a business operating time of 2 years to 5 years, and participants who worked for SMEs with a business operating time of 5 years or higher.



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

Figure 1: The line graph shows the relationship between the business capacity of small and medium enterprises in Hanoi and each respondent's business operating time.

ANOVA – main business sectors

An ANOVA test was needed to make a comparison of the results of the evaluation of the differences in the business capacity of small and medium enterprises in Hanoi between the six subjects, including participants who worked for SMEs with an electronics and telecommunication business sector, participants who worked for SMEs with a fashion business sector, participants who worked for SMEs with a real estate and furniture business sector, participants who worked for SMEs with a food business sector, participants who worked for SMEs with a tourism business sector, and participants who worked for SMEs with other areas. Table 8 shows that the sig Levene statistic of 0.775 is larger than 0.05, which means that the hypothesis of homogeneity of variance among the variable value groups (different main business sectors) has not been violated. Table 9 shows that sig. is 0.766, which is larger than 0.05, which indicates that there is not a statistically significant difference in the business capacity of small and medium enterprises in Hanoi between the mentioned six groups of main business sectors (Hoang & Chu, 2008; Hair et al., 2009; Hair et al., 2014).

Table 8. Test of Homogeneity of Variances

Descriptions	Levene Statistic	df1	df2	Sig.
BC				
Based on Mean	0.501	5	219	0.775
Based on Median	0.320	5	219	0.901
Based on Median and with adjusted df	0.320	5	210.305	0.901
Based on trimmed mean	0.470	5	219	0.799

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

Table 9. ANOVA

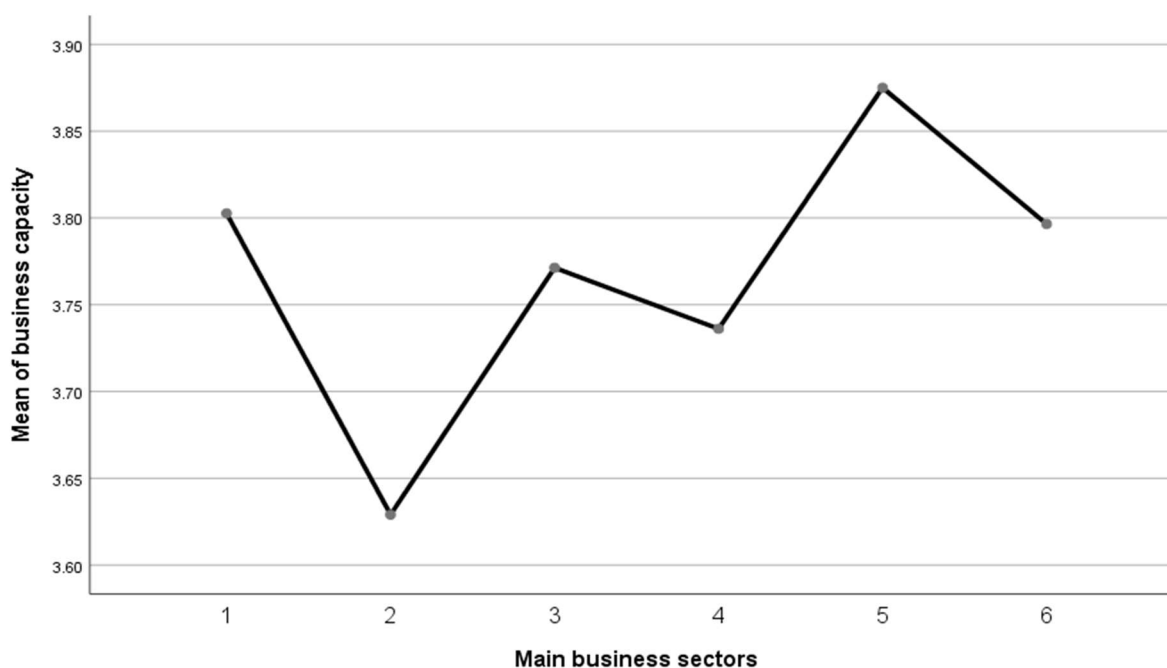
BC

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1.059	5	0.212	0.514	0.766
Within Groups	90.226	219	0.412		
Total	91.285	224			

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

The relationship between the business capacity of small and medium enterprises in Hanoi - main business sectors

Next, the line graph shows the relationship between the business capacity of small and medium enterprises in Hanoi and each respondent's main business sectors (Figure 2). Figure 2 shows that this line tends to slope up for participants who worked for SMEs with a real estate and furniture business sector and for participants who worked for SMEs with a tourism business sector. Figure 2 shows that this line tends to go down for participants who worked for SMEs with a fashion business sector, participants who worked for SMEs with a food business sector, and participants who worked for SMEs with other areas.



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

Figure 2: The line graph shows the relationship between the business capacity of small and medium enterprises in Hanoi and each respondent's main business sectors.

5. DISCUSSION AND IMPLICATIONS

In Hanoi, SMEs are mainly concentrated in the Ha Dong area; Nam Tu Liem; Bac Tu Liem; and the rest are distributed in other districts.

SMEs account for over 97.2% of firms in the area. These firms have constantly developed and innovated, contributing more than 45% of GDP to Hanoi and creating jobs for more than 50% of workers. SMEs operate quite effectively, contributing highly to the city's state budget revenue. The non-state SME sector's revenue exceeded the set plan. According to statistics, total state budget revenue in Hanoi in 2022 is estimated to reach 333 trillion VND, reaching 106.8% of the year's ordinance estimate and increasing 2.7% compared to 2021 (Dinh, 2023).

According to Dinh (2023), Hanoi has taken many measures to remove obstacles to increase access to credit capital for SMEs (as of December 31, 2022, outstanding loans to support SMEs reached 507,746 billion VND in copper). However, the level of access to credit is still low compared to demand. Most of the SMEs in Hanoi City are small to super small in scale; medium-sized enterprises with about 100 employees account for a low proportion. Furthermore, firms lack the necessary conditions, such as collateral, no overdue debt, etc., to meet the loan conditions of commercial banks. Currently, only about 35% of SMEs can access loans from commercial banks; the rest use their own capital, borrow from outside, or even use black credit with interest rates of up to 18%-20 years. In addition, Hanoi city has implemented capital support policies and programs such as credit guarantees and credit support, but only a small number of firms can access short-term loans and almost no medium- and long-term loans. Therefore, Hanoi city should improve the effectiveness of assessing the operating situation and investigating the problems of SMEs to

promptly remove difficulties and synchronously carry out production and business support activities for firms through credit policies with preferential interest rates, tax and land policies, encouraging and supporting startups, applying high technology, digital transformation, etc.

SMEs should improve the quality of human resources in their firms through the quantity and quality of their annual training. SMEs need to design their training programs in a way that can enhance creativity and learning abilities and increase the diversity of employee skills, especially skills in digital transformation and 4.0 technology. Firms should also have strategies for developing human resources and placing specific orders for training facilities. There should be close coordination between training experts, universities, and firms in designing and managing training programs. In addition, firms should also build appropriate and effective remuneration regimes for employees.

The business capacity of an entrepreneur is one of the scarce and invaluable resources that contributes to creating competitive advantage and improving the business performance of the enterprise. The group of business competencies helps entrepreneurs fulfill the roles of businessmen and professionals in businesses, such as the capacity to seize opportunities, professional capacity, strategic orientation capacity, and analytical capacity analysis—creativity, commitment capacity, learning capacity, and capacity to carry out social responsibility. At the same time, the relationships between a number of other business competency groups help entrepreneurs fulfill the role of administrator in the enterprise, such as organizational leadership capacity and relationship establishment capacity. Finally, personal capabilities serve as a solid foundation for entrepreneurs to successfully fulfill different roles in the startup and business processes. Therefore, SMEs should improve the leadership capacity and management and administration capabilities of business leaders. Business leaders should be trained to improve leadership, management, and business operations skills such as strategic planning skills, delegation skills, communication skills, leadership skills, negotiation skills, judgment, and skills in applying science and technology. More than anyone else, in businesses, leaders themselves need to plan long-term strategies to develop themselves while building relationships with stakeholders. Dark energy is also an indirect factor that creates an effectively operating enterprise system, thereby contributing to improving business capacity and enhancing the business performance of the enterprise.

For SMEs, not only stopping at developing business activities but also focusing on internal resources, in particular human resources, is always one of the important factors determining the development and management of enterprises. In order for firms to ensure sustainable growth, they should master available internal resources and combine them with external resources to promote the overall development of firm activities and the economy.

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