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FACTORS IMPACT ON BUSINESS PERFORMANCE OF ENTERPRISES: THE CASE OF VIETNAM

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ABSTRACT

The article aims to evaluate the factors affecting the business performance of enterprises. The questionnaire was sent to accountants, chief accountants, departmental managers, directors, and CEO of 283 Vietnamese enterprises, of which 255 responses were valid. Suggested factors included financial resources, management, business, marketing, technology capacity, and working premises. The research methods used included descriptive statistical analysis, reliability assessment, exploratory factor analysis, and linear regression analysis from SPSS 20 software. The research results show that the financial factor has the greatest and most positive influence on business performance (the highest regression coefficient is 0.406), followed by the factors of management, marketing, and business capacity. Business and technology have a positive and significant effect with regression coefficients from 0.112 to 0.117. There is insufficient evidence to assess the impact of working premises on the business performance of Vietnamese enterprises. The research results suggest implications for the Vietnamese Government in supporting business enterprises and Vietnamese enterprise managers in improving business performance.

Keywords: Business performance, Business, Finance, Management, Marketing, Technology capacity.

INTRODUCTION

Vietnam's economy has developed rapidly over the past 20 years. According to the report of the OECD (2021), this result is because Vietnam has a reasonable strategy for export growth, attracting foreign direct investment (FDI). The peculiarity of Vietnamese enterprises is that 96% of enterprises are small and medium-sized in which the industry field contributes the largest value to the economy. Specifically, the industry employed 55% of the labor force and contributed 62% of the national added value in 2016. Big production companies with small percentages serve the reinforced core of Vietnam's economy. Along with a favorable business environment such as a fixed exchange rate policy with the US dollar to increase the competitiveness of domestic exports, simplified business regulations reduced tax, and enterprises in Vietnam have advantages in business activities and investment attraction. Thanks to the sustainable growth of the economy, the labor market is also active with a low unemployment rate. Vietnam's labor

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productivity has been rapidly approaching the OECD average over the past 10 years. In particular, Vietnam is increasingly integrated into the global value chain.

To support enterprises to improve business performance in the trend of deeper economic integration with the world, the study of factors affecting business performance will be very useful for Vietnam. Although there have been many studies on this issue in the world, especially in Southeast Asian countries such as Thailand, Malaysia, Indonesia, and Vietnam ... however, factors affecting business performance and criteria measuring business performance also have different views. In Vietnam, previous studies were mainly conducted from secondary data that was collected from the financial statements of enterprises, furthermore, studies were carried out by location and applied to small and medium enterprises. Therefore, this article aims to measure the factors affecting the business performance of Vietnamese enterprises with diverse sizes and locations based on primary data to fill in the gaps of previous studies.

Literature Review and Hypothesis

Business Performance

According to The Dictionary of Business, the term "business performance" is the accomplishment of organizational pre-selected goals, measured by fixed standards, such as accuracy, completeness, cost, and the time of execution. However, some scholars also suggest their understanding of the business performance of enterprises. CPMN (1999) define the firm's business performance as the ability of a company to conduct business activities and achieve its objectives and expected results. On the contrary, Alasadi and Abderahim (2007) argue that business performance should be evaluated by the owner/manager satisfaction regarding profit and revenue target-setting and business development. CPMN (1999) provides a broader definition of this term, indicating that business performance is a set of related financial and non-financial performance measurements designed to provide managers with essential information about the current situation and the enterprise's future development prospects.

Business performance is the category that reflects the ability of firms in using human resources and material resources to achieve firm targets. It is evaluated by comparing the input and output of the firm in a particular period (Aminu & Shariff, 2015). Nevertheless, controversial opinions still exist about the evaluation measurement of business performance. The majority of research uses financial factors, which can be measured, including revenue, profit, and growth rate. However, several authors have recently added non-financial measurements, including innovation capability, customer/employee satisfaction, and the enterprise's competitive position. Business performance measurements also raise the argument in academic studies. A large number of researches mainly focus on financial metrics, such as the firm's revenue, profit, return on assets (ROA), return on Equity (ROE), and return on sales (ROS) (Nguyen *et al.*, 2015). Whereas, a few authors determine the measurements of the firm performance are non-financial, including the quality of the product (Psomas & Jaca, 2016), innovation capability, customer/employee satisfaction (Orozco, 2016; Kafetzopoulos *et al.*, 2019), and market share (Gonzales-Benito & Lannelogue, 2014).

Factors Affecting Business Performance



There are numerous opinions on the determination of factors that have a significant impact on business performance. Truong and Nguyen (2010) surveyed 60 small and medium-sized enterprises located in 6 provinces of Cuu Long Delta, Vietnam. The findings provided the research model of factors affecting the firm's performance, including manager (the level of education, experiences) and enterprise-related factors (the size, sector, average quantity of employees, and capital). However, Nguyen and Mai's (2011) findings indicate five critical factors that affect an organization's performance, including Government supporting policies, the characteristics of the business owner, the features of the enterprise, social relationships, and the revenue growth rate. Meanwhile, Nguyen *et al.* (2015) researched 113 small and medium-sized (SMEs) enterprises in Bac Lieu, lately proposed independent variables: Gender, level of education, years of experience, social relationships, business sector, structure, size, age, revenue growth rate, and supporting policies. Besides, Phuoc and Vo (2019) specify six influencing factors after conducting a massive study on 313 SMEs in Ben Tre province: business characteristics, business owner's characteristics, capital, social relationships, supporting policies, and innovative innovation ideas. In recent research, Lien Thi Pham and Ha Viet Hoang (2019) also explored that organizational learning capability has a positive effect on the business performance of Vietnamese firms by 160 valid answers.

Generally, numerous studies on identifying factors that have essential effects on the efficiency of enterprises have been carried out in many different countries across the world. For instance, Kamunge *et al.* (2014) conducted a study with 274 SMEs in Kenya, thus suggesting that enterprises should focus on improving their business skills and financial management capability to help managers recognize and effectively utilize opportunities to enhance the performance of companies. Similarly, Wanjohi and Mugure (2008) also point out the tremendous challenges that Kenyan SMEs are facing, especially the difficulty in accessing financial resources since they have to do their self-financing or depend on colleagues and friends to provide capital for their businesses; instead of finding financial institutions, due to the complicated protocols and high costs.

Admasu Abera (2012) carried out an empirical study with 273 enterprises in the Ethiopian capital Addis Ababa to evaluate some factors that can influence the performance of SMEs. The main findings indicate that the lack of financial means, working premise, marketing and management, and technologies are internal factors constraining the development of Ethiopian SMEs. In line with Admasu Abera (2012), Atalel Fetene (2017) studied 311 SMEs in Ethiopia and found that financial factors have the most prominent effects on SMEs' performance, followed by the working premise, managerial and marketing determinants, and technological and entrepreneurial factors.

Jasra *et al.* (2011) researched 520 SMEs in Pakistan to investigate the relationship between SMEs' success and its determinants. The results specified the significant impact of those factors on the performance of enterprises, especially financial determinants. Accordingly, Jasra *et al.* (2011) confirmed that financial resources, technological resources marketing strategy, and entrepreneur skills play a vital role and positively impact Pakistani SMEs' performance.

Sitharam and Hoque (2016) surveyed 74 SME owners in South Africa to identify the internal/external factors affecting the performance of SMEs. The outcomes revealed technological advancement would improve business performance. Moreover, the research findings also suggested various effective solutions to support startups in South Africa. Other



research has shown several factors that positively affect the firm's performance, including the business premise, and the quality of products and services of enterprises.

Eltahir (2018) studied 120 SMEs in Sudan and pointed out that the characteristics of managers and SMEs, the management and know-how, the quality of products and services, the way of doing business, financial resources, and business strategy are the most critical factors contributing significantly to the performance and the success of SMEs.

In Thailand, Chittithaworn *et al.* (2011) showed that the way of doing business and financial resources are the two most significant determinants of the business success of SMEs in Thailand. According to Amwele (2013), over 90.9% of 22 respondents revealed that it is unaffordable to rent or lease a place for their business in Windhoek, Namibia, due to the high costs of location. Therefore, it can be seen that access to land used to be a factor that adversely affects the performance of SMEs.

The literature review indicates that the research on factors affecting business performance is diverse and conducted in numerous countries. However, most studies in Vietnam still mainly address the secondary data from the financial statements of enterprises. The contents of these studies primarily focus on the impact of some prominent factors, including the business characteristics (the scale of capital, the number of employees, the characteristics of industry) or managers' characteristics (the level of education, experiences). At the same time, express less concern about the firm's internal factors, such as access to financial resources, managerial capability, marketing, and business ability or access to technology. Additionally, these assessments are mainly focused on local enterprises in Vietnam. Therefore, it is necessary to conduct more comprehensive research on Vietnamese enterprises using secondary data sources to fill the research gaps and otherwise enrich the existing literature on the factors that affect business performance. Based on the empirical results of various studies from different countries, the author analyzes the factors affecting business performance regarding management and business capability, marketing, technologies, financial resources mobilization, and working premise conditions.

Hypothesis Development

Research Model and Scales

Based on the previous research scale of factors affecting business performance from Admasu Abera (2012) and Atalel Fetene (2017) and the scale of business performance from Orozco (2016), we propose a research model compositing of six crucial factors: Finance, Management, Marketing, Business Technology, and Working premises (**Figure 1**). Specifically, the scale has 37 items, including 31 items used to measure the influencing factors and 06 items to measure business performance. The detailed descriptions are shown in **Table 1**.



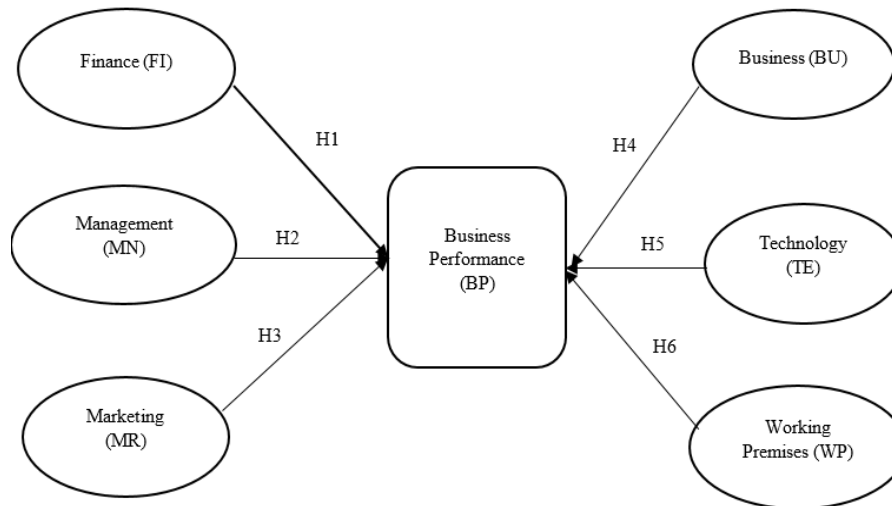


Figure 1. The model research proposal

Table 1. Scale descriptions

Factors	Cod	N of items	Sources
1. Finance	FI	6	Admasu Abera (2012) và Atalel Fetene (2016)
2. Management	MN	5	
3. Marketing	MR	6	
4. Business	BU	6	
5. Technology	TE	4	
6. Working Premises	WP	4	
7. Business Performance	BP	6	Orozco (2016)
Total		37	

Research Hypotheses

H1: There is a relationship between financial ability and business performance.

Previous research has addressed the critical role of Finance in improving the performance of enterprises (Jasra *et al.*, 2011), Atalel Fetene (2014). Shah *et al.* (2013) indicate that financial institutions behave more cautiously when providing loans to SMEs. Moreover, SMEs are usually charged comparatively high interest, high collateral, and loan guarantees. Accordingly, the inability to access financial resources is a significant hindrance to SMEs' growth. In this study, financial factors were viewed in the dimensions of insufficient credit institutions, lack of cash management system, shortage of working capital, the high collateral requirement from banks and other lending institutions, and stringent bank and other financial loan criteria.

H2: There is a relationship between management factors and business performance. Management capability is a set of acknowledgment and skills of managers that contribute to enhancing SMEs' performance. Admasu Abera (2012) and Eltahir (2018) emphasized that management skills are necessary for enterprises to survive and achieve growth. In this study, management factors were viewed in the dimensions of lack of clear division of duties and responsibility, the presence of ineffective communication, the presence of poor employee



handling, the Lack of well-trained and experienced employees, and the Lack of strategic business planning.

H3: There is a relationship between marketing factors and business performance.

Eltahir (2018), Admasu Abera (2012), and Jasra *et al.* (2011) considered marketing skills as one of the most crucial parts of business success. Marketing factors such as the lack of marketing strategy, the lack of market information and demand forecasting, the presence of fierce foreign and domestic competition, the lack of promotion to attract potential customers/users, and poor customer relationship and handling were considered in this study.

H4: There is a relationship between entrepreneurial factors and the performance of enterprises. Previous studies have shown a positive relationship between entrepreneurship and the performance of enterprises (Jasra *et al.*, 2011; Kamunge *et al.*, 2014; Fentene, 2017). In this study, the lack of motivation and drive, the lack of initiative to take a calculated business risk, the lack of persistence and courage to take responsibility for one's failure, the absence of ambition to assess one's strengths and weaknesses, the lack of entrepreneurship training, the lack of information to exploit business opportunities were considered as dimensions of Entrepreneur factors that affect business performance.

H5: There is a relationship between technological factors and the performance of enterprises.

Sitharam and Hoque (2016), Jasra *et al.* (2011), and Admasu Abera (2012) insisted on the vital role of technology in boosting business performance. In this regard, technological capabilities benefit enterprises in several ways. They enhance SME efficiency, reduce costs, broaden market share, etc. The Lack of appropriate machinery and equipment, Lack of skills to handle new technology, the ability to deploy and use information technology, and the ability to select proper technology were considered dimensions of technology factors in this study.

H6: There is a relationship between working premises factors and the performance of enterprises.

Working premises and locations contribute to the better performance of businesses. Amwele (2013), and Atalel Fetene (2017) indicated the close relationship between working premises and business performance. The absence of adequate working premises, inconvenience of the current working place, the high rent of working premises, and access to land for business expansion were considered the dimensions of working premises factors for this study.

MATERIALS AND METHODS

Implementation Process

The research approach employed in this study was a quantitative research approach suitable for the research objective to test the hypothesis. The implementation stages from data collection and processing to analysis are as follows:

Step 1: Based on the theoretical framework inherited from previous research, the author designs an official questionnaire survey made on Google Forms, then sent to accountants, chief accountants, departmental managers, directors, and CEO of Vietnamese enterprises via email. A



5 -point Likert scale ranging from (1-highly disagree to 5-highly agree) was used to measure factors that affect enterprise performance.

Step 2: The online survey showed 283 respondents successfully filling out the study. After conducting the process of coding, and editing data, 255 valid observations were used for the analysis.

Step 3: The data were then analyzed using SPSS 20.0, which comprises Descriptive statistical analysis; Exploratory factor analysis (EFA), Reliability Analysis, and Multiple regression analysis.

Research Sample

Table 2. The characteristics of enterprises

	Characteristics	No = 255	Percentage (%)
Age of firm	< 5 yrs	99	38.8
	5- 10 yrs	111	43.5
	>10 yrs	45	17.7
Number of labors	< 100 people	113	44.3
	100 - 200 people	93	36.5
	> 200 people	49	19.3
Industries	Manufacturing	101	39.6
	Constructing	15	5.9
	Trade & Service	103	40.5
	Information Technology	7	2.7
	Financial & Insurance Service	20	7.8
	Others	9	3.5
Types	Private	207	81.3
	State	45	17.6
	Non-profit	3	1.2
Total		255	100%



Table 2 shows the characteristics of enterprises in terms of years of operation. Accordingly, most enterprises are from 5 to 10 years (43.5 %), followed by those under five years (38.8%). Only 17.7% of enterprises are those over ten years. Regarding the size by the number of employees, most enterprises are small-sized with fewer than 100 people (44.3%), followed by medium-sized with 100 up to 200 people (36.5%), and the rest is over 200 people (19.3%).

In business sectors, enterprises mainly operate in trade and service (40.5%), followed by manufacturing enterprises. The percentage of enterprises from transport service, Finance, insurance, communication, and other sectors is marginal. In terms of ownership, most enterprises are private-owned (81.3%), followed by state ownership (17.6%). Non-profit enterprises are insignificant.

The above characteristics are typical for Vietnamese enterprises when most firms are early and medium-sized, young age, private ownership, and in trading and services (OECD, 2021). Therefore, the survey object is a vivid representative of Vietnam companies.

RESULTS AND DISCUSSION

Reliability Analysis

The reliability of scales is used to evaluate the appropriateness of these scales in the same factors. Examining factors affecting business performance, items MR1, MR6 of the Marketing factor (MR), and item BU3 of the Business factor have a more significant "Cronbach's Alpha if Item Deleted" coefficient than variable Cronbach's Alpha coefficient. After those respecifications, Cronbach's Alpha measured all factors' results are more significant than 0.7 (**Table 3**). Therefore, all observed variables are accepted and will be used in the subsequent factor analysis (Hair *et al.*, 2022).

Table 3. Reliability Statistics

No.	Factors	Cod	Cronbach's Alpha	N of Items	Note
1.	Finance	FI	0.871	6	
2.	Management	MN	0.898	5	
3.	Marketing	MR	0.840	4	Reject MR1 & MR6
4.	Business	BU	0.934	5	Reject BU3
5.	Technology	TE	0.910	4	
6.	Working Premises	WP	0.865	4	
7.	Business Performance	BP	0.910	6	
Total				34	

Exploratory Factor Analysis (EFA)

EFA analysis is intended to evaluate the convergence and distinction of the factor groups, reaffirming the structure of the scales. KMO and Bartlett's test results give Sig results. = 0.000 < 0.05; high KMO coefficient (0.956 > 0.5). This result indicates that the observed variables in the population are correlated with each other, and the EFA factor analysis is very appropriate.

The results of exploratory factor analysis showed that observed variables combined into 05 factors (**Table 4**). In comparison to the proposed model, the factor groups have changed. In detail, the Business factor (BU) combines with the Technology factor (TE) to form Business & Technology (BE), including 09 items; the other factor groups remain unchanged. Therefore, a new research model with 05 groups of factors:

Factor 1_ BE (Business & Technology): 09 items

Factor 2_ MN (Management): 05 items

Factor 3_ FI (Finance): 05 items

Factor 4_ WP (Working Premises): 04 items

Factor 5_ MR (Marketing): 04 items

Table 4. Exploratory Factor Analysis _Rotated Component Matrix

	Component				
	1	2	3	4	5
BU6	0.810				
BU4	0.782				
BU1	0.775				

BU5	0.773			
BU2	0.746			
TE1	0.664			
TE3	0.657			
TE4	0.647			
TE2	0.615			
MN1		0.754		
MN2		0.721		
MN3		0.714		
MN5		0.709		
MN4		0.629		
FI6			0.791	
FI5			0.791	
FI3			0.765	
FI4			0.714	
FI1			0.598	
FI2			0.535	
WP3			0.758	
WP4			0.726	
WP2			0.674	
WP1			0.673	
MR4				0.731
MR2				0.699
MR3				0.689
MR5				0.656

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 7 iterations.



Multiple Regression Analysis

The results of multiple regression analysis on the impact of 05 groups of factors affecting business performance are described in **Table 5**.

Table 5. Multiple Regression Analyses

Factors	B	t-Sig.	Tolerance	VIF	F-Sig.	Adjusted R Square
(Constant)	0.752	0.000				
Finance (FI)	0.406*	0.000	0.576	1.735	0.000	0.578
Management (MN)	0.117**	0.025	0.420	2.382		
Marketing (MR)	0.112**	0.023	0.529	1.890		
Business & Technology (BE)	0.113**	0.044	0.361	2.768		
Working Premises (WP)	0.029	0.568	0.480	2.084		

N=255; **P*<0.01; ***P*<0.05

According to statistics (**Table 5**), the business performance of enterprises is affected by 04 groups of factors, namely Finance, Management, Marketing, Business & Technology with an adjusted R square is 0.578, which means that about 57.8% of the variance is explained with the relationship between business performance and these factors above. The significance of the regression coefficients of these factors is <0.05 ; while the tolerance >0.1 and the VIF < 03 , which indicates that no multicollinearity exists to create a problem (Hair *et al.*, 2022). However, this study cannot clarify the influence of the working premises factor on business performance.

In conclusion, the multiple regression analysis models reflecting the level of relationship between influencing factors and business performance can be obtained through a regression equation as follows:

$$BP = 0.752 + 0.406*FI + 0.117*MN + 0.112*MR + 0.113*BE \quad (1)$$

Regarding the above equation, it is clear that Finance has the most substantial effect on the performance of enterprises (the highest regression coefficient is 0.406). The degree of the impact of other factors is equivalent (regression coefficient from 0.112 to 0.117).

This study is designed to examine the factors influencing the business performance of Vietnamese enterprises. For this study, a total of 255 paper-based questionnaires were filled, and from accountants, chief accountants, departmental managers, directors, and CEO of Vietnamese firms, the study has made significant contributions:

In general, the study re-specifies the prominent factors that affect business performance, shown in previous Vietnam research: Finance, management, marketing, business & technology. Accordingly, these factors can explain 57.8% of the variation in business performance. Significantly, the regression analysis result reveals that Finance factors have the most decisive impact on the firm's performance (the unstandardized regression coefficient is 0.406). Likewise, Jarsa *et al.* (2011) studied 520 SMEs in Pakistan, Atalel Fetene (2014) with 311 Ethiopian SMEs, and many studies from different countries, including Wanjohi and Mugure (2008), Jasra *et al.* (2011), Chittithaworn *et al.* (2011), Admasu Abera (2012), Eltahir (2018)... have shown the same result. In Vietnam, studies of Truong and Nguyen (2010) with 60 SMEs in six provinces of Cuu Long Delta and Phuoc and Vo (2019) with 313 SMEs in Ben Tre province also indicate the colossal influence of organizational capital on the business performance of surveyed enterprises. In addition, management factors are revealed as one of the solid influential factors for the business performance of enterprises (the regression coefficient is 0.117). The research result matches the study of Kamunge *et al.* (2014) on 274 SMEs in Kenya, which shows that business skills and financial management play a vital role in helping managers utilize business opportunities, thus enhancing the performance of the enterprise. Admasu Abera (2012) suggests that the lack of management skills is a barrier to enterprise growth. Atalel Fetene (2017) confirms the close relationship between management factors and the performance of Ethiopian enterprises. With this regard, Jasra *et al.* (2011) emphasizes that management skills are crucial for enterprises in Pakistan. Moreover, Chittithaworn *et al.* (2011) address that doing business also has a massive effect on the firm's performance in Thailand. In Vietnam, some previous



research has mentioned that management factors (such as the level of education and experience) are the key determinants of the success of businesses (Truong & Nguyen, 2010, Nguyen *et al.*, 2015; Phuoc & Vo, 2019).

Marketing and business & technology factors were revealed as solid and positive influential factors for the firm's business performance. It can be seen that the level of the impact on business performance is similar to previous research. Admasu Abera (2012) also points out that inappropriate marketing and technological strategies can limit enterprises' performance in the capital Addis Ababa, Ethiopia. The findings of Atalel Fetene (2017) also match Admasu Abera (2014). Jasra *et al.* (2011) stresses the massive effect of technology and marketing factors on the success of Pakistan's businesses. Similarly, Sitharam and Hoque (2016) believe that technological improvement leads to better business performance in South African enterprises.

According to Atalel Fetene (2014), working premises is viewed as one of the critical factors that positively impact the success of South African businesses. Nevertheless, this study cannot clarify the relationship between the working premises and business performance, which is inconsistent with previous studies. Amwele (2013) shows that the difficulty accessing land for business expansion in Namibia is a huge obstacle preventing enterprises' business operations, thus leading to poor performance. The results of these articles provide guidance and point at several avenues associated with the relationship between working premises factors and organizational performance, especially in the case of Vietnamese enterprises and other countries.

CONCLUSION

Nowadays, Vietnam has been joining the global value chain. However, most Vietnamese enterprises are SMEs, including numerous startups facing massive challenges, especially the inability to mobilize capital, the lack of management skills, lack of business know-how and marketing skills. Although SMEs have received enormous support from Government, it can be seen that the State needs to provide more and more efficient and powerful policies to help SMEs foster their performance and strengthen their resilience in the market. The findings of this study pointed out four factors that affect business performance with 57.8% explanation of the variation. The study also suggests several solutions to support SMEs regarding financial resources, including the ability to access loans, simplifying the collateral and lending criteria, lowering the interest rate, and providing favorable conditions for SMEs to overcome the negative effect of Covid-19 and restart their operations as soon as possible. The results also offer effective acknowledgment and information for the managers to enhance their capability in financial mobilization, managerial improvement, marketing, business, and technology to achieve better performance.

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CONFLICT OF INTEREST: None



ETHICS STATEMENT: We will conduct ourselves with integrity, fidelity, and honesty. We will openly take responsibility for our actions.

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