**Research Article**

Enhancing Competitive Advantages for Small - and Medium - Scaled Enterprises in Viet Nam: Evidence in Tra Vinh Province

**Ha Hong Nguyen \*1, Hung Tien Nguyen 2**

1Ph.D. Head of Department of Finance and banking; Tra Vinh University, Viet Nam; honghaicbtv@yahoo.com.vn

2M.A-Postgraduate, University of Economics Ho Chi Minh city, Viet Nam; nguyentienhung@ueh.edu.vn

Corresponding author: Ha Hong Nguyen; *honghaicbtv@yahoo.com.vn*

Tra Vinh University: 126 Nguyen Thien Thanh Str, Ward 5, Tra Vinh city, Tra Vinh Province, Zip code: 940000, Viet Nam, Tel: 084.2943.855.246; Fax: 84.294.3855217

Received 05 July 2019; Accepted 16 July 2019; Published 22 July 2019

|  |
| --- |
| **Abstract**Researching to enhance competitive advantages for small and medium enterprises by collecting primary data of 315 small and medium enterprises in Tra Vinh, using multivariate regression, the research has showed 6 factors that affect to the competitive advantages for small and medium enterprises in Tra Vinh: principles changing, different costs, time controls, input activities controls, capacity controls, macro policies controls. Since then, the research implied the policies for future integration such as: improving management capacity, qualifications and awareness of small and medium enterprises' owners in Tra Vinh province on competitive advantages; Supporting businesses to develop marketing and sales activities; to support activities to provide information about markets, partners, customers for small and medium enterprises; Promote training of human resources and technology development of enterprises; Building a channel to receive feedback on institutional and business environment factors according to the provincial competitiveness index; There are preferential credit policies for small and medium enterprises.***Keywords: competitive advantages, small and medium enterprises, multivariate congression, factors, Tra Vinh province.*****JEL Classification Code: R53, P51, O10** |

1. **Introduction**

Small and medium enterprises don’t only contribute to GDP increase but they also contribute the solution of jobless, income improve, poverty reduction, investment development; contribute to the big transmission of the market economy, deep integration among nations and in the economy of the World recent years (Pham Viet Dung (2016))

According to the statistics, to the end of 2017, the number of small and medium enterprises has reached to 520.000, makeup about 97% in the total of the enterprises, with the invested capital 130 billion USD, make up 1/3 in the total of registered capital; significantly contribute to the nation development. However, besides the achievements, there are some problems that are existing in small and medium enterprises such as low capacity; low competitive potential, lack of capital, connections among enterprises; management ability and human resources… (Pham Viet Dung (2016)).

For that situation, with the general assessment of economy managers in Tra Vinh, the small and medium enterprises don’t still have significant contribution for the economy development of Tra Vinh. The statistics show that, in the period 2012 to 2016, the number of dissolved enterprises is very high (499 compared to 1.192 new enterprises) (People’s Committee of Tra Vinh, 2018), this is regarded as the low effectiveness trading; there are still limitation in competition among national and foreign enterprises (Bui Thi Thanh and Nguyen Xuan Hiep (2016)). So, to exist and develop, upmost, business administrators of small and medium enterprises need to change the perception, enhance awareness and competitive potentials.

1. **Literature Review**

According to Michael E. Porter (1998), the advantages of the enterprises comes from particular activities, every particular activities of enterprises contributes to a certain amount of cost, make the foundation of forming the special of the enterprises. Particular activities interact to each other via value chain; in an enterprise, depend on types of its trading, multi – sector or single – industry, there are various series. Through that, Michael E. Porter stated “By performing important strategies with low cost or better effectiveness than its opponents, an enterprise has its competitive advantages”. There are 2 types of competitive advantages that enterprises have: low cost advantage and its difference for others.

Based on perception of resource theories, economists that were contemporary with Michael E.Porter such as Teece & ctg (1997), Eisenhardt & Martin (2000) have constantly developed their theories of ability, make enterprises have competitive advantages; as well help them maintain business effectiveness in a various trading environment. To the economists, enterprises want to be active ability resource, they have to meet the requirement of: value, rare, inimitable and nonsubstitutable; this ability is also called VRIN.

Nguyen Thanh Trung (2006) stated that the origins of competitive advantages of enterprises are: (1) resources and operation structures (theory of resources), (2) its position compared to other competitors (theory of position), (3) system structure of enterprises and the market. However, these theories can explain the advantages of SMEs or small market segments maintain and develop the enterprises with the role of the center enterprise in all series. It doesn’t show the sustainability and active factors of enterprises (John Fahy and Graham Hooley (2002), Vorhies and Morgan (2005)).

Nguyen Tran Sy (2013), theory of dynamic capabilities is a perfect supplement for theory of resources because it can solve the problem of “dynamic progress research ò the market”; only theory of capabilities can assess about how to make competitive advantages among competitors, create and maintain benefits in business environment (Ambrosini and Bownman, 2009 and Helfat & ctg, 2007)

Teece, DJ, Pisano G & Shuen A (1997), Nguyen Tran Sy said: Dynamic capabilities “is an integrated capability, build and format the internal and external potential of an enterprise”. So, we can see that, dynamic capabilities are general concepts, consists of internal and external potentials of an enterprise; it helps the enterprise adapt to the various environment. Nguyen Tran Sy continually analyzed and pointed out six factors that affect to the competitive advantages of an enterprise, they are: (1) recognition ability’ (2) reception ability; (3) adaptability (4) creativity ability (5) connection ability and (6) integration ability.

Nguyen Dinh Tho (2015), based on RBT (Resource Based Theory of the firm), by MRA, make a survey of 225 firms in Ho Chi Minh City; studied about marketing impact (meet the customers’ requirement, competitive reaction, environment adaption, relationship quality) to the results of the enterprises.

**3. Methodology**

Based on theories and issues that are related to the research, the authors has built the research form, competitive advantages of small and medium enterprises in Tra Vinh.

Figure 1: Diagram of competitive advantages of small and medium enterprises in Tra Vinh (inheritance from Michael E. Porter, 1998)

Y = βo + β1\*X1 + β2\*X2 + β3\*X3 + β4\*X4 + β5\*X5 + β6\*X6 + β7\*X7 + 𝜀

Y: competitive advantages

Xi: Independent Variables.

**Table 1: Summing up variables in authors’ form**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **No** | **Code of Variable** | **Names of variable** | **Based of Variable selection** | **Expectations of variable** |
| 1 | X1 | Supporting activities | Michael E. Porter (1998), Teece & ctg (1997), Eisenhardt & Martin (2000); Nguyen Thanh Trung (2006) | **+** |
| 2 | X2 | Variation controls | Michael E. Porter (1998), Nguyen Thanh Trung (2006); Nguyen Tran Sy (2013) | **+** |
| 3 | X3 | Capacity Controls | Michael E. Porter (1998), Nguyen Thanh Trung (2006); Nguyen Tran Sy (2013) | **+** |
| 4 | X4 | Connection controls | Michael E. Porter (1998), Teece DJ, Pisano G & Shuen A (1997) | **+** |
| 5 | X5 | Time and location controls | Teece, DJ, Pisano G & Shuen A (1997); Michael E. Porter (1998), Teece DJ, Pisano G & Shuen A (1997). | **+** |
| 6 | X6 | Macro policies controls | Eisenhardt & Martin (2000); Michael E. Porter (1998), Nguyen Dinh Tho (2015) | **+** |
| 7 | X7 | Input activities controls | Eisenhardt & Martin (2000); Michael E. Porter (1998), Nguyen Dinh Tho (2015) | **+** |
| 8 | X8 | Differentiation of cost | John Fahy and Graham Hooley (2002), Vorhies and Morgan (2005); Michael E. Porter (1998), Nguyen Dinh Tho (2015) | **+** |
| 9 | X9 | Regulation changing | Michael E. Porter (1998), Nguyen Dinh Tho (2015); John Fahy and Graham Hooley (2002), Vorhies and Morgan (2005) | **+** |
|  | Y | Competitive Advantages | Tho (2015), Michael E. Porter (1998); Experts survey  | + |

*Based on the statistics, to 31/12/2017, Tra Vinh has 1.433 small and medium enterprises in total, to achieve the higher prestige, the authors made a survey of 315 small and medium enterprises (Hoang Trong & Chu Nguyen Mong Ngoc (2008), high reliability of 95%)*

**4. Study results:**

To determine the factors affecting the competitive advantage of small and medium enterprises in Tra Vinh province, Viet Nam; multivariate regression analysis was used. To test the multi-collinearity of the model, the authors tested the result through the Variance Inflation Factor (VIF) of the variables, but the multi-collinearity was not found (Table 2)

**Table 2: regression result from the model**

|  |
| --- |
| **Coefficients** |
| **Model** | **Unstandardized Coefficients** | **Standardized Coefficients** | **T** | **Sig.** |
| **B** | **Std. Error** | **Beta** |
| 1 | (Constant) | 1.984E-16 | .042 |  | .000 | 1.000 |
| Support activities  | .263 | .216 | .263 | 1.215 | .225 |
| Variation controls | -.088 | .068 | -.088 | -1.289 | .198 |
| Capacity controls | .150 | .056 | .150 | 2.696 | .007\*\*\* |
| Connection controls | .060 | .056 | .060 | 1.081 | .281 |
| Time controls | .219 | .061 | .219 | 3.567 | .000\*\*\* |
| Macro policy controls | -.121 | .059 | -.121 | -2.046 | .042\*\* |
| Input controls | -.212 | .063 | -.212 | -3.373 | .001\*\*\* |
| Differentiation Cost | .242 | .057 | .242 | 4.201 | .000\*\*\* |
| Regulation Changes | .245 | .054 | .245 | 4.567 | .000\*\*\* |

*Dependent Variable: Competitive advantages; (\*\*\*; \*\*: Level of significance: 99%; 95%)*

The result of table 2 showed that there are 6 factors that affect to the competitive advantages of small and medium enterprises: (!) capacity controls, (2) time controls, (3) policies controls, (4) input controls, (5) differentiation cost, (6) regulation changes. The result also showed that there are different levels that affect to the competitive advantages, this shows the importance of Beta in figure 2.

The result showed that the factors change the regulations, differentiation cost, input controls, capacity controls, time controls will be affected most and next one is macro policies controls. However, support activities, variation controls, connection controls have no statistics meaning. This can be explained in this study, small and medium enterprises don’t still concentrate much on value chain.

The factors that affect to the competitive advantages of small and medium enterprise are conversed such as: variation controls, macro policies controls, input controls. This can be in the research limitation and can be check for long term because it cannot demonstrates the competitive advantages in short term

**5. Policies implication for enhancing competitive advantages of small and medium enterprises in Tra Vinh:**

**5.1. Enhancing the management ability, levels, awareness of managers of small and medium enterprises in Tra Vinh:**

People’s Committee of Tra Vinh Province, Department of Planning and Investment have to focus on planning, opening seminars with the participation of managers, economist of competitive advantages for small and medium enterprises; especially focus and analyze on the enterprise value chain and problems such as: marketing and selling, post – selling problems; develop the infrastructure; policy for study.

**5.2 Supporting enterprises in marketing and selling activities:**

Through some activities such as: annual trade fair, commercial enhancement and investment; Tra Vinh Industry and Trade, Commercial Enhancement centers are increasing the marketing activities for small and medium enterprise in Tra Vinh province; contribute to spread out their goods in wider range.

**5.3. Supporting in marketing supplement, counterparts, customs for small and medium enterprises:**

People’s Committee of Tra Vinh, Department of Industry and Commercial need to bound with related majors and other department to collect the information about domestic and exported marketing in order to support and supply information for small and medium enterprises in Tra Vinh; through that, it helps these enterprises to contact to the counterparts, customers and expand the market as well as production.

**5.4. Boosting for human resources training and technology development of the enterprise:**

Local managers need to have supporting programs for small and medium enterprises in Tra Vinh participating in training courses, level, skill enhancement for its human resources. Department of Information and Communications of Tra Vinh need to open programs for supporting and boosting small and medium enterprises to develop and invest the technology; through that can help those enterprises increase the production capacity and bring out effectiveness.

**5.5. Opening information reception and feedback channel follow the standard of competitive ability in Tra Vinh.**

Local managers need to notice to small and medium enterprises in spread ways and publicly about the information reception channels with competitive ability standards (10 index PCI). From these positive feedbacks, local economy managers can timely receive, edit, supply in appropriate ways with real situation of the enterprises or they can reflect to the related departments in order to make an advantage environment for business.

**5.6. Having subsidized credit policies for small and medium enterprises**

According to Small & Medium Sized Enterprises Promotion Center SME (VCCI), it showed that only 30% SME in Vietnam can access to the bank budget. Besides there are some limitations such as outdated technology, low qualification and skills, high cost, lack of strict regulation for protecting enterprises; some more problems such as files, document (unclear); bank budget…. So banks need to open more policies for caring customers and contribute to enhance the competitive advantages for small and medium enterprises in Tra Vinh

**Acknowledgements**

The study aims to find out the factors affecting the competitive advantages of small and medium enterprises in Tra Vinh province, Viet Nam.To do this research. The author has received a lot of support from the Survey of Tra Vinh provincial Department of Statistics, Department of Planning and Investment of Tra Vinh province. At the same time, I would like to thank the support of small and medium-sized business owners that helped the author to complete this research.

**References**

1. Ambrosini, V., Bowman, C. & Collier, N. 2009, 'Dynamic capabilities: An exploration of how firms renew their resource base', British Journal of Management, vol. 20, no. 1; S9-S2
2. Bui, T., T. & Nguyen, X., H. (2016). Enhancing the competitive advantages of enterprises – research at supermarkets in HCMC. Labour Publishing House, HCMC; 11-15.
3. Eisenhardt, KM., & Martin, JA. (2000). “Dymanic capabilities: what are they?” Strat. Manage. J., 21(10/11): 1105-1121.
4. Fahy, J. & Hooley, G. (2002). Sustainable competitive advantage in electronic business: towards a contingency perspective of the resource-based view; Journal of Strategic Marketing, Vol. 10, No. 4, 2002, pp. 241-253.
5. Helfat. (2007). Dynamic Capabilities: Understanding Strategic Change in Organisations. Blackwell Publishing, Malden; 8-26.
6. Hoang Trong and Chu Nguyen Mong Ngoc. (2008). Research Data Analysis with SPSS vol. 2. Hong Duc Publishing House, HCMC, Vietnam; 23-38.
7. Michael E. Porter. (1998). Competitive. Translated by Nguyen Phuc Hoang. Tre Publishing House, HCMC, Vietnam. 60-168.
8. Nguyen Thanh Trung. (2006). Orienting to sustainable competitive advantages for small and medium enterprises: an approach based on future prediction. Economy research, (341), pp. 71-77.
9. Nguyen Tran Sy. (2013). Dynamic capabilities – new oriented approach to make competitive advantages for small and medium enterprises in Vietnam. Development & integration, 12 (22), pp. 15-20.
10. Nguyen Dinh Tho. (2015. Enhancing the competitive advantages of enterprises through Marketing abilities: MRA and fsQCA results. Economy & Development, (219), pp. 2-8.
11. Pham Viet Dung. (2016). Developing small and medium enterprises – An inspiration for the economy. Communist Review; pp. 23-27.
12. Teece DJ, Pisano G & Shuen A. (1997). Dynamic capabilities and strategic management. Strategic Management Journal 18(7), pp. 509-533.
13. People’s Committee of Tra Vinh. (2018). Decision No. 244/QD-UBND, about issuing the supporting plan of small and medium enterprises development in Tra Vinh, from 2018 – 2020; 01-03.
14. Vorhies and Morgan. (2005). Benchmarking Marketing Capabilities for Sustainable Competitive Advantage. Journal of marketing; Vol. 69; pp. 80-94.