

SOLUTIONS TO ENHANCE THE COMPETITIVE ADVANTAGE OF SMALL AND MEDIUM ENTERPRISES IN THE CONTEXT OF POST-COVID-19 PANDEMIC IN TRA VINH PROVINCE, VIETNAM

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Abstract – *The purpose of this research is to find solutions to enhance the competitiveness of small and medium-sized enterprises in the context of the Post-Covid-19 pandemic in Tra Vinh Province, Vietnam, by collecting secondary data from reports from Tra Vinh Provincial People’s Committee, Tra Vinh Department of Planning and Investment, and Tra Vinh Provincial Statistics Office in the period 2016-2020. The authors used descriptive statistics, synthesis, analysis, evaluation, and expert surveys to verify former hypotheses about small and medium-sized enterprises and search for feasible solutions to enhance the competitiveness of small and medium-sized enterprises in Tra Vinh Province. The study analyzed the situation of small and medium-sized enterprises during the period 2016–2019 regarding the actual operation status, advantages, and limitations in the competition of Small and Medium Enterprises in Tra Vinh, Vietnam. From the research findings, the study proposes solutions to improve competitive advantages for Small and Medium Enterprises in Tra Vinh in the post-Covid-19 pandemic future.*

Keywords: *Covid-19 pandemic, competitive advantage, small and medium-sized enterprises, Tra Vinh Province.*

I. INTRODUCTION

This study uses competitive advantage theory to analyze potential solutions for small and medium-sized enterprises (SMEs) in the context of the Post-Covid-19 pandemic in Tra Vinh Province, Viet Nam. Porter [1] argued that “By performing key strategies at a lower cost or with

better efficiency than competitors, a business will gain a competitive advantage”. There are two types of competitive advantages that a business can gain: low cost and differentiation.

		COMPETITIVE ADVANTAGE	
		Low cost	Differentiation
COMPETITIVE SCOPE	Broad goal	1. Cost leadership	2. Differentiation
	Narrow goal	3A. Cost focusing	3B. Differentiation focusing

Fig. 1: Porter’s competitive strategy and competitive advantage [1, p.44]

In the view of resource-based theory, economists such as Teece et al. [2] and Eisenhardt & Martin [3] have continuously developed this theory into the dynamic capabilities theory, which helps enterprises to create and sustain competitive advantage as well as business performance in a volatile business environment [4].

According to data from the Tra Vinh Provincial People’s Committee [5], by the end of 2020, Tra Vinh Province had a total of 2,870 small and medium enterprises, accounting for over 91% of the total number of enterprises in the province. The accumulated charter capital of business registration of SMEs in the period of 2017-2020 was 12,232 billion VND, accounting for over 31%. This group of enterprises has contributed to creating jobs for 64,372 workers, paying more than 372 billion VND to the state budget, contributing more than 7.6% to the provincial budget.

According to economic managers in Tra Vinh Province, enterprises have not played a key role in promoting the economic development of Tra Vinh Province so far. Statistics from 2012 to 2020 show that the number of dissolved enterprises is extremely high (560 enterprises out of 1,321

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newly established enterprises), and that the efficiency of production and business activities of SMEs has been effected by limitations like inflexible management and vulnerability to impacts from the Covid epidemic [6]. They have not fully promoted their internal resources and competitive advantages against home and abroad competitors. Therefore, SME administrators need to change their views as well as raise their awareness of competitive advantages more than ever in order to survive and develop in a fiercely competitive environment [6].

II. REALITY OF COMPETITIVE ADVANTAGE OF SMALL AND MEDIUM ENTERPRISES IN TRA VINH PROVINCE

From the results of data analysis, the research indicates that the reality of the competitive advantage of SMEs in Tra Vinh Province is getting more and more fierce, especially after being challenged by the Covid-19 epidemic.

A. About business size

The number of SMEs in Tra Vinh Province has increased rapidly. In 2018 there were 2,250 businesses and as of November 15, 2020, there were 2,860 businesses, increasing 610 businesses or 27.1%. The capital fund and labor force of SMEs also increased rapidly at an average of 14.6% per year. Illustrated in Table 1, in 2018, the number of enterprises per 10,000 people was 2.23, and in 2020 it was 2.82, increasing 26.3%, the rate of enterprises per 10,000 employees was 4.83, and 5.03 enterprises, increased by 0.2 enterprises.

The number of established SMEs in Tra Vinh increased by more than 350 enterprises every year, but the number of enterprises suspended and dissolved each year also rose. The ratio of the difference between suspended and dissolved enterprises and newly established and re-operated enterprises has been considered a problem, especially after bearing Covid-19 Pandemic's heavy consequences. The ratio in 2016 was more than 30%, 106.3% in 2017, 61.5% in 2018, and 28% in 2019, while the average from 2016 to 2019 was more than 56%.

B. Current status of SMEs structure in Tra Vinh Province

The following section will examine the structure of SMEs by enterprise size, type, sector and location. These structures partly demonstrate the competitiveness of the SMEs of Tra Vinh Province.

Table 2 shows that the proportion of microenterprises accounts for about 70% and has not changed much in recent years, of which small businesses account for 27-28% and medium enterprises' account for less than 3%. The proportion reflects what has been analyzed about the size of the SMEs in Tra Vinh.

Based on types of firms, the percentage of single-member limited liability companies accounts for the vast majority of all types. Illustrated in Table 3, this type tended to increase gradually by 14.5%, going up from 57.7% to 72.1% between 2016 and 2019. Meanwhile, the proportion of two-member limited liability companies decreased by 7.7% from 2015 to 2018, when it was 11.9%. The number of joint stock companies remained stable and accounted for nearly 6%. The number of private companies accounted for over 10% and decreased steadily. Thus, SMEs often choose a form of organization and management suitable for small and micro-scale.

Illustrated in Table 4, SMEs in Tra Vinh Province mainly do business in the sector of trade and services, accounting for approximately 60% among other economic sectors. In the industry and construction sector, the proportion of SMEs tended to slightly decrease, from nearly 42% in 2016 to 39% in 2019. The number of SMEs in agriculture only accounted about 3.47%.

The SMEs are distributed throughout the districts, and towns of Tra Vinh province, but the distribution is unequal. Approximately 50% of enterprises choose to set up their production and business in Tra Vinh City and Chau Thanh District [5].

Thus, the SME structure of the province is mainly micro-enterprises, choosing the form of single-member limited liability companies and focusing on trading and services. In other words, the structure shows that the small-sized enter-

Table 1: Number, size and density of SMEs in Tra Vinh Province [6]

	2015	2016	2017	2018	2019	2020
Number of SMEs (businesses)	1,306	1,539	1,897	2,250	2,627	2,860
Capital of SMEs (billion VND)	6,741	8,305	9,569	10,771	12,232	-
Labor of SMEs (employees)	37,221	43,981	53,301	57,746	64,372	-
Number of SMEs/1000 people (businesses)	1.30	1.53	1.88	2.23	2.60	2.82
Number of SMEs/1000 employees (businesses)	2.19	2.60	3.20	3.83	4.54	5.03

Table 2: Size structure of the SMEs in Tra Vinh Province [7] (Unit: %)

	2016	2017	2018	2019	Changing
Micro enterprises	69.30	70.41	70.10	69.48	0.18
Small enterprises	28.21	27.02	27.21	27.80	-0.41
Medium enterprises	2.49	2.57	2.69	2.72	0.23
Total	100.00	100.00	100.00	100.00	100.00

Table 3: Firm type structure of SMEs in Tra Vinh Province [6] (Unit: %)

	2016	2017	2018	2019	Changing
Single-Member Limited Liability Company	57.68	65.93	64.61	72.12	14.44
Two-Member Limited Liability Company	19.59	17.31	14.18	11.88	-7.71
Joint Stock Company	5.82	4.18	5.72	5.33	-0.49
Private Company	16.91	12.58	15.59	10.57	-6.34
Total	100.00	100.00	100.00	100.00	

Table 4: Structure of SMEs in economic sectors [6] (Unit: %)

Sector	2016	2017	2018	2019	Changing
Agriculture	2.31	3.87	2.33	3.69	1.38
Industry – Construction	41.88	46.51	39.39	39.02	-2.86
Trade – Services	55.81	49.62	58.38	57.29	1.28
Total	100.00	100.00	100.00	100.00	

prises have chosen the form of organization and business sectors based on their capacity. Although SME distribution between districts is unequal, there are signs of concentrating of production in Tra Vinh City and Chau Thanh District, which is convenient for production linkages, for infrastructure construction, for development of support services, and for building environmental treatment system.

C. Current status of capital and labor of SMEs in Tra Vinh Province

Illustrated in Table 5, most capital and labor indicators tended to increase such as the size of business capital, the value of fixed assets and long-term investment of SMEs increases. Only the size of business capital per enterprise decreases gradually.

Figures in Table 5 show that the amount of business capital of SMEs increased rapidly over the years by 5,491 billion VND from 2016 to 2019. However, the size of capital and labor of each enterprise decreased gradually. There are many reasons for this, mainly due to the rapid increase in the micro-enterprise group leading market segmentation in the period 2016 to 2019. In 2016, the average capital was 5.4 billion VND per enterprise and it was 4.7 billion VND in 2019, decreasing by 0.7 billion VND.

Meanwhile, the value of fixed assets and long-term investments increased rapidly from 2016 to 2019, and the value of fixed assets and long-term investments per enterprise increased also. The rapid expansion is a positive signal for the economy in general and the development of SMEs in Tra Vinh Province in particular.

Table 5: Capital of SMEs in Tra Vinh Province

	2016	2017	2018	2019	Changing
Business capital (billion VND)	8.305	9.569	10.771	12.232	3.927
Business capital / each enterprise (billion VND)	5,40	5,0	4,80	4,70	-0,70
Value of fixes assests and long-term investment (billion VND)	5.759	40.992	67.154	72.662	66.903
Value of fixes assests and long-term investment / each enterprise (billion VND)	4,40	26,60	35,40	32,30	27,90

Source: Results from processing data of the Department of Planning and Investment and Tra Vinh Statistical Yearbook of 2020

Table 6: Labor situation of SMEs in Tra Vinh Province

	2016	2017	2018	2019	Changing
Number of Employees of Enterprises (employees)	43,981	53,301	57,746	64,372	20,391
Number of Employees/ 1 enterprise (employees)	28.60	28.10	25.70	24.50	-4.10
Rate of trained workers (%)	11.50	12.10	10.80	11.80	0.30
Rate of trained workers of SMEs (%)	51.80	52.70	53.20	55.00	3.20

Source: Results from processing data of the Department of Planning and Investment and Tra Vinh Statistical Yearbook of 2020

Similar to business capital, Table 6 shows that there is an inverse relationship between the total labor of SMEs and the labor size of each SME. While the total labor of SMEs increased rapidly by 27,151 people with an average of 14.6%, the labor size per SME gradually compressed. The average number of employees per enterprise reduced from 28.6 employees to 24.5 employees, decreasing by 4.1 people during this period.

In recent years, the number of trained workers in the economy has been increasing gradually from 3.2% in 2016 to 55% in 2019, which is a positive signal to enterprises as well as the economy. However, the proportion remains limited, accounting for 12%, based on 2016 standards of the Ministry of Labour - Invalids and Social Affairs.

D. Current status of business results of SMEs in Tra Vinh Province

Illustrated in Table 7, the business results of SMEs in Tra Vinh Province are generally positive, with revenue increasing steadily and businesses showing profits, but the profit and efficiency indicators have been decreasing. The revenue of the enterprises has increased steadily since 2015, reaching more than 49.3 trillion VND in 2018, increasing nearly 23.8 billion VND compared to 2015. For SME profit, it reached its

highest point in 2016 at 863 billion VND, then the ratio of profitable enterprises fell steadily in the next two years to 212 billion VND by 2018.

E. Contribution of SMEs to the province’s economic development

In general, SMEs play a crucial role in most countries’ economies in the world, including Vietnam. SMEs demonstrated their position in the economy through their important contribution to economic growth, employment, and state budget revenue. However, SMEs in Tra Vinh have not shown their position in the economy. From the data in Table 8, it can be seen that SMEs account for an insignificant proportion of the Gross Regional Development Product (GRDP) of the province and have tended to fall in recent years (8.8%, 14.2%, 13.2%, and 9.7%, in 2016, 2017, 2018, and 2019, respectively). SMEs’ contribution to provincial budget revenue is quite modest, with a proportion under 10% of the total budget revenue which has remained unchanged for 4 years (8.3% in 2016 and 7.6% in 2019).

In current years, SMEs have contributed to job creation for a large proportion of the workforce living in Tra Vinh and neighboring provinces. In 2016, the number of people working in these enterprises was nearly 44,000 people, accounting for 7.6% of total employment, and in 2019, the

Table 7: Indicators of business efficiency of SMEs in Tra Vinh

	2015	2016	2017	2018	Changing
Enterprises net revenue (billion VND)	25,509	42,500	49,668	49,340	23,831
Enterprises profit before tax (billion VND)	823	1311	821	212	-611
Ratio of profitable enterprises (%)	82.70	86.30	83.50	70.30	-12.40
Return on sales (%) ROS	3.20	3.10	1.70	0.40	-2.80
Return on assets (%) ROA	5.30	3.50	1.10	0.20	-5.10
Return on equity (%) ROE	12.30	14.40	8.10	2.20	-10.10

Source: Results from processing data of the Department of Planning and Investment and Tra Vinh Statistical Yearbook of 2020

Table 8: Contribution indicators of SMEs in Tra Vinh

	2016	2017	2018	2019	Changing
Contribution of SMEs to the province's GRDP (billion VND)	3,574	6,802	7,091	5,766	2,192
Contribution rate of SMEs to the province's GRDP (%)	8.80	14.20	13.20	9.70	0.85
Contribution of SMEs to the provincial budget (billion VND)	277.30	306.20	323.10	372.20	94.94
Contribution rate of SMEs to provincial budget (%)	8.20	9.80	8.50	7.60	-0.60
Contribution of SMEs to employment (employment)	43,981	53,301	57,746	64,372	20,391
Contribution rate of SMEs to the employment (%)	7.60	9.15	10.04	11.42	3.80
Export turn-over of SMEs (Million USD)	57.10	75.90	79.00	68.10	10.96
Contribution rate of SMEs to the province' export (%)	13.20	13.80	14.10	14.30	1.10

Source: Authors' calculation from data of Tra Vinh Statistical Department, 2020

rate climbed to 14%. The number of jobs created by these SMEs experienced steady growth and has constantly increased day by day. The labor market in Tra Vinh still keeps a lot of potential for SMEs and needs to be fully exploited. Though the contribution of SMEs has remained limited, the limitations are possible to change. It requires ceaseless efforts from the SMEs as well as support provisions from provincial authorities to promote SMEs' potential.

III. SOLUTIONS AND CONCLUSION

A. Solutions

For enhancing competitive advantage of SMEs in Tra Vinh Province in the context of post Covid-19 pandemic, the study proposed some appropriate solutions.

1) *Developing a sustainable business value chain:* The SMEs need to build effective marketing, comprehensive development, sales, and after-sales support strategies in line with the financial capabilities of the business intending comprehensive development strategies [8]. To reach the goal, it is necessary to enhance awareness of the importance of marketing, sales, and after-sales support service for SMEs' managers. Conferences and seminars on marketing, sales, and after-sales support services for enterprises

should be regularly organized. Besides aiming to raise the awareness of SMEs administrators, the conferences and seminars play a role as a bridge between business managers and leading economic experts which helps business managers approach useful business knowledge to develop SMEs' position in the country's economy.

2) *Focusing on technology application for SMEs:* As an important step towards Vietnam's globalization, all enterprises in general, SMEs in particular, have to enhance their awareness of technology application in the development of production and business activities. As well, one of the crucial factors contributing to the country's progressive integration into world markets is the quality of employees. The demand for skilled labor forces has increased rapidly in recent years in all economies, and Vietnam is not an exception. Therefore, Vietnam must strengthen the enterprise's management capacity as well as improve educational qualifications and literacy skills of the workforce, especially working in departments such as planning, finance, accounting, legal, and foreign affairs. Besides the seminars on legal knowledge, the financial accounting system, tax, and other related administrative procedures for businesses, training courses to support SMEs in improving infrastructure should be organized and

updated regularly [9].

3) *Focusing on controlling input factors:* SMEs need to improve their corporate governance, especially the ability to analyze and evaluate their value chains to help them gradually improve their competitive advantages. Business managers need to change their views and awareness of the importance of learning from other enterprises. Moreover, SMEs should create more favorable conditions in promoting learning process and creative activities for employees, should innovate operation structure and production lines, and should reduce costs and improving labor productivity [10].

The research's findings recommend that enterprises should frequently observe and monitor market developments to develop appropriate and effective strategies to regulate production capacity or provide services. It is necessary to strengthen backward, forward, and horizontal linkage activities to better manage risks caused by fluctuations in capacity. The managers of SMEs in Tra Vinh Province need to change their views and enhance their awareness in grasping the moment to become a "leader" or a "follower" so that most beneficial to the business.

4) *Quickly adapting to macro and institutional changes:* In the context of macroeconomic turbulence, technology and financial preparation are key factors that SME administrators need to pursue to lead their businesses to reach expected success. Furthermore, the authors suggest that SMEs need to be more active in responding to institutional factors and policies that are not suitable and outdated by participating in the provincial competitiveness assessment – PCI (PCI 10-component index) or directly reporting to local governments. The provincial economic managers will record and adjust institutional factors and policies to meet enterprises' requirements and build a favorable business environment for the business community in general and SMEs in particular.

5) *Enhancing competitive advantages with specific characteristics of Tra Vinh Province:* For SMEs in Tra Vinh, it seems to be careless about customers' feedback. However, customers are a real key to the profit of businesses, so the administrators of SMEs in Tra Vinh Province need

to focus on evaluating the quality of products and services by measuring customer perceptions. Obtaining this goal requires SME administrators to be able to improve their professional knowledge and qualifications and have a good sense of observing, judging, and making plans [5].

B. Conclusion

Based on data analysis, the study indicates that SMEs in Tra Vinh have a high potential for growth that has not been fully exploited. SMEs are still modest about their contribution to the economy of the province. The authors propose that SMEs in Tra Vinh Province need to modify everything to adapt to business during and after the Covid-19 pandemic and the increasingly competitive situation among SMEs in Tra Vinh in recent years. Along with the efforts of SMEs in the context of the epidemic, Tra Vinh Province People's Committee and appropriate authorities need to come up with comprehensive and long-term solutions improve the competitive advantages of the SMEs in Tra Vinh Province in particular, and in the context of integration and in competing with SMEs in Vietnam in general.

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