

Challenges for the Sustainable Development of Vietnamese Enterprises and Remedial Solutions

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Received: February 18, 2020

Accepted: May 5, 2020

Online Published: May 30, 2020

doi:10.5539/ijbm.v15n6p192

URL: <https://doi.org/10.5539/ijbm.v15n6p192>

Abstract

There is no doubt that enterprises play an important role in the socio-economic development of every country. They create competitiveness for the economy, and directly exploit resources to serve the country's development goals. Businesses in general as well as each specific business need to overcome many great challenges in order to develop stably and sustainably. Ensuring sustainable development for themselves and contributing to the country's economic development are tasks that every business itself must perform. On the other hand, the State also needs practical and effective measures to support them to successfully implement this case.

Keywords: Enterprise, sustainable development, economic growth, business environment

1. Introduction

Apparently, businesses are very important to the socio-economic development of Vietnam, especially in the periods when the growth model and important changes in economic mechanism are needed. They not only produce a large amount of products, employ a lot of labor, but also contribute to attract foreign investors to operate in Vietnam. Moreover, enterprises are regarded as the main subject and the "driving force" for innovation programs and the economic growth. Due to the positive impact of businesses on economic development and growth, every country is able to develop, and implement its policies to promote the formation and development of businesses. In addition to perfecting the macro environment so that businesses can operate, they also develop, implement business development programs and support businesses. In Vietnam, the important role of businesses was affirmed early. The construction and development of businesses was also one of the first policies implemented by the State right after the government acquired the local authority. In return, Vietnamese businesses have had made positive contributions to the development of the economy in particular and the country in general. Indeed, ensuring sustainable development are tasks that every Viet Nam business must perform.

2. Literature Review

Currently, sustainability covers most aspects of corporate policy in particular and the economy in general. It includes economic aspects, social attitudes, safety and environment. (Mina Rafiei & Luis A. Ricardez-Sandoval, 2019). Scheidel et al. (2018) also mention that sustainable development is a harmonious and rational development among the three pillars of economy, society and environment, aiming at improving the quality of life. In the face of world changes, the importance of sustainability is at the forefront, organizations are prioritizing sustainable development in their development goals (Van Zanten et al., 2018). Bryson (2017) concurs with the view that capturing sustainable business practices in the enterprise value chain can promote increased creativity and labor productivity. In addition, this contributes to improving employee loyalty (Law et al., 2017) as well as increasing customer trust in the value of products (Küçüksayraç, 2015).

According to the research of the Business and Sustainable Development Committee (2017), a sustainable business model is inherently convincing. Moreover, many business leaders have found that sustainable development means much more than responsibility. business society, and thereby helping to increase its reputation. Consumers generally rely on businesses to meet basic environmental and social standards for seeking the best value. They do not care how the product is made every day but only when they are warned of a human tragedy like the collapse of a garment factory in Bangladesh. Firms with good management of sustainability are often financially successful (Ho My Hanh, 2016).

Anupama Prashar (2019) states that sustainability needs to be clearly shown in the corporate culture and business strategy. In fact, businesses are facing many challenges in the implementation of sustainable development goals. These days, large-scale enterprises have begun to report sustainability efforts. However, this is still a challenge for small and medium-sized enterprises when there are limitations in size, human resources, capital, etc. Furthermore, small and medium-sized enterprises even play a large role in optimizing the economic structure and social stability of the economy. Typically, small and medium-sized enterprises that act as partners in the supply chains of large enterprises are expected to conform to the sustainability standards of large enterprises. Therefore, it is necessary to analyze clearly the challenges that businesses face, especially for small and medium enterprises in the process of implementing the sustainable development goals (Hsu et al., 2017).

In terms of the factors affecting the implementation of sustainable development goals, Abdoulmohammad Gholamzadeh Chofreh (2019) appreciated the importance of sustainable enterprise's resource planning. Accordingly, planning of sustainable enterprise human resources is an enterprise system that combines essential entities in the enterprise's sustainable value chain into a centralized system. Its implementation requires a significant investment of both time and money. If the plan is not good, limited resources and weak commitments can lead to business failure. This study focuses on the aspect of proposing a general plan that can guide workers in implementing a sustainable human resource planning system. Moore and Manring (2009) argue that factors of finance, technology and professional qualifications are issues that negatively affect businesses' participation in the implementation of sustainable initiatives. Shields and Shelleman (2015) recognize the limited information related to environmental impacts as a factor that greatly influences the motivation to implement sustainability initiatives for businesses. Actually, small and medium-sized enterprises often fail to comply with guidelines on sustainable production in accordance with national and international organizations and regulatory agencies, especially small and medium-sized enterprises operating in the field of high energy use that requires compliance with environmental standards (Anupama Prashar, 2019).

Ho My Hanh (2016) argues that awareness is limited; policies and laws are inadequate; no support for sustainable development; or the modest capital to support sustainable development projects is regarded as the challenge for businesses in attaining the sustainable development goals. In the case of businesses that are subsidized by the Government for some production activities such as fossil fuel mining, etc., businesses are interested in exploiting products without regard to prices. As a result, these enterprises are not encouraged to follow environmental-related policies like the use of low carbon technology (Roopa et al., 2012).

Under the great challenges posed to the implementation of corporate sustainable development goals, the role of the state in proposing policies to support businesses for sustainable development is very important (ILO, 2017). Actually, with government and local involvement, economic, technical and social conditions will be guaranteed. New businesses and jobs will be created and producers will benefit from those policies. In addition, state support, municipalities will benefit from improvements in housing, infrastructure, social and environmental services (ILO, 2017). In fact, businesses are suggested to develop a sustainable development toolkit to open up new business opportunities through innovation; attract workers, customers and investors; improve operational efficiency; and ensure the right to maintain business activities (Committee of Business and Sustainable Development, 2017). Research by the McKinsey Global Institute (2014) shows that 44% of sustainable business leaders see growth and new business opportunities as the motivation that stimulate them to tackle sustainable development challenges and creativity is seen as the key to find challenges (Business and Sustainable Development Committee, 2017).

3. Methodology

The author chooses qualitative research methods and descriptive statistics. The data source is based on analytical data from the General Statistics Office, the Department of Business Registration Management (Ministry of Planning and Investment) in the period from 2001 to 2017.

3.1 Current Situation and Challenges for the Development of Vietnamese Enterprises

Statistics for the period 2001-2017 showed that both GDP and number of enterprises had fluctuated in the same direction (see Figure 1).

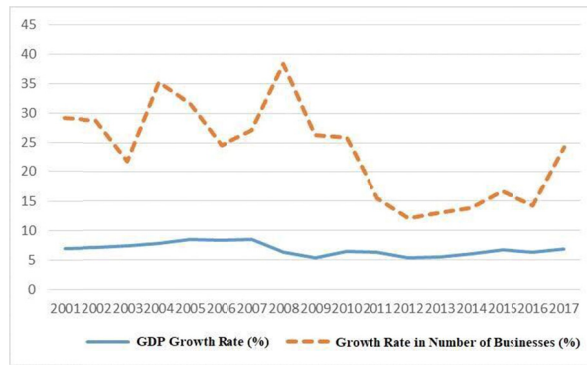


Figure 1. GDP growth rate and number of enterprises in Vietnam

Source: General Statistics Office: Statistical Yearbook of 2004, 2009, 2012, 2016 and Vietnam’s Socio-Economic Situation in 2017.

In 7 years from 2011 to 2017, Vietnam had 714,458 newly established businesses, which was 1.3 times the total number of enterprises established in the 20-year period from 1991 to 2010. In fact, the number of newly established enterprises annually continuously decreased in the years 2010-2012 (the years affected by the world economic crisis which was started from 2008). From 2014 to 2017, this index has continuously increased, even increased at a fairly high rate, up to 19.2% per year. According to a report of the Ministry of Planning and Investment, by the end of 2017, Vietnam had more than 561,064 enterprises, which employed up to 51% of the total social labor. The indicators reflect the size of enterprises moving in opposite directions: While the average number of employees of enterprises decreased, the business capital of enterprises tended to increase (see Figure 2).

Statistically, the number of newly established enterprises constantly declined in the years 2010-2012 (years affected by the world economic crisis starting in 2008), from 2014 to 2017, this index has been continued to increase, even at a relatively fast rate, an average of 19.2% per year.

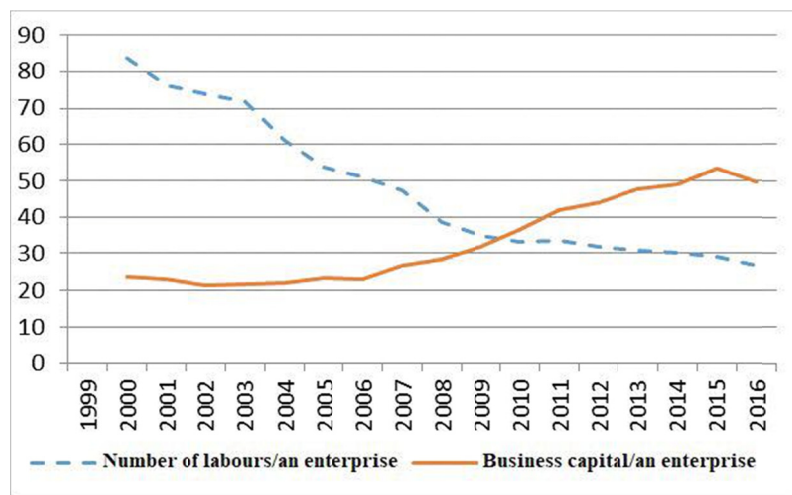


Figure 2. The fluctuation of the average number of employees and business capital of each enterprise in Vietnam during 2000- 2016

Source: General Statistics Office: Statistical Yearbook of 2004, 2009, 2012, 2016.

Especially, if only registered capital is counted, it can be seen that the direction has changed: If in 2011, on average, an enterprise registered to establish with a capital of 6.63 billion VND, by 2013, this index decreased to 5.13 billion. After that, it increased quite sharply, reaching nearly 12.5 billion in 2017. On the other hand, businesses withdrew from the market tended to increase in the period from 2010-2015, which only shifted to a downward trend in 2016 and 2017. Given the absolute decline in the number, the proportion of enterprises having difficulties in suspending production, dissolution or bankruptcy also accounted for an increasing proportion in the years from

2010 to 2015. This ratio only decreased in 2016 and 2017 (see table 1). In 2018, the number of enterprises that had to stop operating, dissolving and going bankrupt witnessed a sudden increase. In the first 8 months of the year, there were 63,235 enterprises that were suspended and 9,135 enterprises had completed dissolution procedures. The number of enterprises having difficulty in withdrawing from the market in large numbers illustrated that the challenges of the economy have been gradually removed from the market included weak enterprises which were unable to survive or did not promptly change to adapt to new conditions (Ministry of planning and Investmane, 2014; Kieu Linh, 2018).

Table 1. Number of businesses which were newly established, had ceased operation, dissolved and went bankrupt from 2010 to 2017

Year	2010	2011	2012	2013	2014	2015	2016	2017
Number of newly established enterprises	83600	77548	69800	76955	74842	94754	110100	126859
Number of enterprises dissolved, shut down, and go bankrupt	43189	53900	54278	60737	67823	80858	73045	72666
Proportion of enterprises dissolved, shut down and go bankrupt compared to newly established enterprises, (%)	51.66	69.51	77.76	78.93	90.62	85.33	66.34	57.28

Source: Annual report on the number of newly established enterprises, ceased operations, dissolution and bankruptcy annually of the General Statistics Office and the Department of Business Registration Management (Ministry of Planning and Investment).

As in other countries, the number of small and medium enterprises in Vietnam accounted for a very large proportion of the total number of enterprises in the country. According to ADB data, by the end of 2013, Vietnam had a total of 359,794 micro, small and medium-sized enterprises (MSMEs), accounting for 96% of the total number of enterprises in the country. Most enterprises were privately owned (97%), foreign invested enterprises accounted for 2.7% and the rest were state owned. They operated in almost every industry, but focused primarily on wholesale and retail, followed by services and manufacturing. These enterprises employed about 5.1 million workers, accounting for 47% of Vietnam's labor force. Among small and medium-sized enterprises, the number of medium-sized enterprises only accounted for 2.2%, small-sized enterprises made up 29.6% and the remaining 65.7% were micro (L. Van, 2017)

In the coming development period, Vietnamese enterprises will confront with some of the following major difficulties and challenges:

In fact, Vietnamese enterprises have many barriers that are difficult to overcome to penetrate deeply and effectively into global production and value chains. In global value chains, Vietnamese businesses mainly operate in the stages of processing or exploiting natural resources and processing them. These are periods of low add values, which do not bring much accumulation for businesses and high incomes for workers. Enterprises producing domestic goods (or main domestic consumption), also tend to use more intermediate products imported from abroad, ie the processing properties are also increasing. History of industrial development recognizes a very common phenomenon that in every global value chain, due to many advantages, especially advantages of market and technology, developed countries always keep their own links contain many added values, associated with technological advantages (even with technologies capable of controlling the whole chain) and gradually move production units to use more resources, especially human resources (usually low-cost and cheap labor) and cause more pollution to less developed countries. For their part, less developed countries are always trying to penetrate deeper into the value chain, taking over the higher value-added parts and continuing to transfer the lower-value-added parts again to less developed countries. There are cases that less developed countries can catch up with developed countries and occupy the leading position in the value chain, but the quantity is not much (Adam Szirmai, Wim Naudé and Ludovico Alcorta, 2013). In general, Vietnam is hardly regarded as an exception case and every Vietnamese business needs to take this fact into account.

In fact, the development base of Vietnamese enterprises is a weak, underdeveloped economy, with a new industry at a low level of development and small scale but has been restructuring too quickly in the direction of enhancing service sector with excessive proportion. This gives businesses an unstable foundation for sustainable development and limits their ability to interconnect. The limitations and delays in recent years of

developing supporting industry systems for various industries and the lack of expected industry associations are the clearest manifestations of this situation.

Apparently, business environment for enterprises has many long-lasting disadvantages, it is difficult to improve significantly in the near future. In particular, the situation of intellectual property infringement, counterfeit goods, pirated goods, products that do not meet consumer protection requirements, etc. has occurred at the scale and extent of making honest producers lose production motivation seriously and consumers lose confidence in products manufactured by domestic enterprises. These phenomena are so common and their remediation will not only be very costly but also may not even be possible to carry out overnight. The danger is that fraudulent business establishments also invalidate the state management in the field of combating the negative phenomena that were mentioned above.

Business owners are not aiming for a long-term strategy but are focusing on taking advantage of short-term business opportunities. Therefore, businesses tend to lean in the fields of trade and services with less investment and production activities. In 2017, there were 45.4 thousand newly established enterprises in the wholesale and retail industry (accounting for 35.8% of the total number of newly established enterprises); 16.2 thousand enterprises operating in processing and manufacturing field (accounting for 12.8%); 16 thousand enterprises operating in construction industry (accounting for 12.6%); 9.4 thousand businesses operating in science, technology, consulting services, design, advertising and other specialties, etc” (Thuy Hien, 2018)

Apparently, limited capacity, additional resources are limited while the capacity to exploit additional resources is also limited. First of all, the size of Vietnamese businesses is very small. According to the General Statistics Office, as of December 31, 2015, “the number of enterprises with fewer than 10 employees accounting for 69% of the total number of enterprises, enterprises with from 10 to 49 employees accounting for 24%, the number enterprises with more than 50 employees, accounting for only 7% of the total number of enterprises” (General Statistics Office, 2017). In 2016, the number of enterprises that employed fewer than 10 employees fluctuated insignificantly, accounting for 68.7% of the total number of enterprises in the country (General Statistics Office, 2017). By 2017, according to the Ministry of Planning and Investment, the number of small and medium-sized enterprises accounted for 98% of the total number of Vietnamese enterprises. The weakness in the capacity of Vietnamese enterprises manifests itself in almost all aspects, from financial capacity, technological capacity, management capacity, human resource capacity. In this respect, the biggest challenge for Vietnamese enterprises are the shortage of human resources, from managerial and technical personnel. Statistics show that up to 55.63% of business owners have education from intermediate or lower levels, of which 43.3% of business owners have primary and secondary education. Of the total number of small and medium-sized business owners, the number of PhDs was only 0.66%; masters accounted for 2.33%; university graduate 37.82%; College graduates accounted for 3.56%; graduated from professional secondary schools made up 12.33% and up to 43.3% with lower qualifications. It is noteworthy that the majority of business owners, even those with college and university education or higher, have little training in economic management and corporate governance, law and law enforcement in business systematically, etc. In addition, 75% of the labor force in small and medium-sized enterprises has not yet received technical or professional training (General Statistics Office, 2017)

Lack of capital is a problem that is often cited by small and medium-sized businesses as the most common and biggest problem. However, the critical issue is management capacity: In reality there are many enterprises that cannot find markets, do not have feasible and effective business and investment plans which can persuade financial-credit institutions. Therefore, although commercial banks have a lot of capital remaining, they still do not dare to lend without "mortgage" just as an excuse to give reasons for not lending. Regarding technology, the number of scientists and experts working in small and medium enterprises accounts for only 0.025% of the total number of employees working in small and medium enterprises; 76% of machinery and equipment has been equipped since the 80s and 90s of the last century, about 75% of machines and equipment have been fully depreciated but continue to be used. Another important issue is the limited capacity of SMEs to access legal documents and policy systems, originating from both subjective and objective reasons. However, most of them are due to the fact that enterprises do not really understand the laws and international practices to improve their own capabilities in business (Vietstock.vn, 2014)

Low business efficiency while foreign partners with greater potential always try to win periods of high added value and high efficiency in the value chains that Vietnamese enterprises participate. In a study conducted in 2014, 80% of small and medium-sized businesses surveyed stated that business interest rates were not enough to offset bank loan interest, which led them to mobilize capital from other sources with high risks and more stringent loan requirements / conditions. This means enterprises would have to accept giving up an important part of the business decisions that an owner often makes. In 2010, the profit of small and medium enterprises was 80.59 trillion VND

(accounting for 22.87% of the total profit before tax of all enterprises). In 2012, this pre-tax profit target has decreased significantly, to only 22.82 trillion VND (accounting for 7.26% of the total profit before tax of all enterprises). Since 2010, the proportion of enterprises making losses, mainly small and medium-sized enterprises has increased significantly, from 25.14% (in 2010) to 65.8% (at the end of September 2013). The rate of profitable businesses also decreased from 64.12% in 2010 to 34.12% at the end of September 2013. 2016's statistics show that the situation has not improved significantly (Ministry of Planning and Investment, 2014) (For more information, refer to box 1)

Actually, Vietnamese enterprises face many difficulties and barriers when expanding markets, while traditional markets are subject to fierce competition, even narrowed in many important markets, even in the domestic market itself. This situation is partly due to the increasing competition from the increasing international integration, partly because the narrowed purchasing power of the domestic market and due to the impact of the economic crisis, and partly due to the loss of international markets by the impact of many objective and subjective factors. Although Vietnam has more than 90 million people, GDP per capita has continuously increased over the past few decades, but it is still a country where people have low incomes which limits purchasing power. Moreover, although income and expenditure per capita have been increasing continuously in recent years, this increase is lower than domestic production capacity and value of imported goods from abroad. According to international economic experts, in 2008, Vietnam's retail market was considered the most attractive in the world. In this ranking, Vietnam's position dropped to 6th place in 2009 and then continued to drop to 14th place in 2010, 23rd in 2011 and below 30th in 2012. After experienced years, from the end of 2014 to the beginning of 2015, the purchasing power of residents and businesses increased. According to statistics from 2015 of the General Statistics Office, the purchasing power of people has increased quite well. This increase took place in the context of increasing international integration, foreign enterprises increase their penetration into the Vietnamese market through many channels, in many ways that made the market share of Vietnamese enterprises, especially small and medium enterprises were in danger of being taken over. Two other important issues adversely affecting Vietnamese businesses are 1) a decline in domestic consumers' confidence in domestic goods and 2) a change in consumption structure and habits (especially in particular, the middle class is growing rapidly and the population has great purchasing power for domestic goods) in the direction of favoring increasingly high-quality goods - commodities where foreign companies have more advantages compared to Vietnamese enterprises.

In the coming period, before the requirements of rapid and solid economic development, the international integration will take place more and more deeply, the stronger and more sustainable development of enterprises will be more important to the socio-economic development of Vietnam. Undoubtedly, experiences and lessons learned about the development of enterprises of various countries as well as Vietnam itself illustrate that it is necessary to have a combination of many sides, using many tools / means as well as many new forms to ensure that Vietnamese businesses can take good position, and can make contributions commensurate with their nature, with the expectations that society has set for them as well as the policies and resources that the state has reserved them.

3.2 Some Solutions to Help Vietnamese Businesses Develop Sustainably in the Next Period

Basically, business development solutions must come from their own needs, because they are proactive in implementing them for their own direct objectives and interests. Moreover, while the sustainable development of Vietnamese enterprises in general needs to be guaranteed, the requirements for sustainable development as well as the level of sustainability of specific businesses are not the same. Therefore, the development solutions for each business should be different, they must depend on the needs of each business and the needs of the product / service that they provide for the market, the development strategy, current capacity, market and business conditions as well as other subjective factors of each business. Hence, depending on the purpose and development level, each enterprise needs to consider, select and implement the following solutions:

- Review, locate and reorient the business strategy and development strategy of the business. Lack of direction or unclear direction is the most fundamental weakness and decisive significance for small and medium enterprises in Vietnam. Because of this reason, businesses cannot invest consistently and effectively for sustainable development and cannot choose a market that is stable for them to build an image and strengthen their position with customers. Consequently, many businesses do business in the short-term, only "skim off" when the market has great demand for their products / services, cannot invest in depth to strengthen, develop the market and have a firm base when the market is quiet or decline.
- In order to choose the right and stable strategy, businesses need to conduct a comprehensive market research, clearly analyze the status of the supply chain, outsourcing chain, value chain, and compare, analyze and

position ourselves as well as competitors and partners in this chain, thereby select the position of the business, have appropriate goals and solutions to gradually expand the scale, strengthen its position, and consolidate its position in the outsourcing / supply chain. This is also the basis for each business to establish cooperative relations with domestic and foreign businesses. In the current context, because Vietnamese businesses, especially small and medium-sized enterprises, have not established a sustainable, close and effective cooperative relationship, the most appropriate strategy for them is approaching to the niche market, creating the brand, building the necessary capacity from which to have appropriate cooperation strategies, especially with foreign economic groups or organizing the organization themselves. Its own cooperation network for highly specialized products that can compete well with products of other enterprises domestically and abroad. It should be clearly perceived that in the context of globalization and technological progress taking place at a higher and higher speed, the wider the scope, the participation in the division of labor is indispensable, thus establishing a cooperation or positioning a solid network is a necessary condition for businesses to develop sustainably.

- In order to gradually build, strengthen and expand our cooperation network, businesses need to start from their current position and target (in development strategy) in the supply chain / chain of processing, analyze its strengths and limitations when performing / undertaking certain stages, produce certain products or sell products in the above chains as well as the effectiveness of joining this string. The building of a system of interrelationships can be deployed in many directions and with many models. However, in the current context of Vietnam, in order to minimize risks and improve the sustainability and business efficiency, the relationships that need to be built and developed should be the related ones in which the links in each supply chain, ensuring products are delivered to consumers. The general strategy that businesses should consider and choose to gradually expand their scale and gradually improve their qualifications often starts from consolidating the current situation to gradually expand the scope of the portfolio of goods / services that enterprises do business within the outsourcing chain. Accordingly, each business should start from specific stages, or sell products that they have the biggest advantages or the lowest weaknesses in the whole chain. From this point of view, the business seeks to strengthen its endogenous capabilities, assert its position in the selected product / service or outsourcing task, and expand it further into other products / services when there is a certain capacity. This is viewed as the sequential development path of the business, which may take many years. It must be clearly stated that this method can cause businesses to grow a little slowly, but a little slow and sustainable development with less risk will be preferred than fast development which is vulnerable and ineffective in the long term. The "shortcut" path may be faster in some contexts, at certain times. However, it cannot be the common, and long-term way for every business, especially small and medium-sized enterprises in Vietnam.
- Improve endogenous capacity of enterprises. The degree and effectiveness of integration is high or low, the position that the business has in each supply chain / value chain favorable or unfavorable will depend on the endogenous capacity of the business. The scale, speed, and effectiveness of the application of scientific and technological advances and technological modernization of enterprises (both for equipment and products / services of enterprises) also depend on the enterprises depending on the endogenous capacity of the business. Therefore, the deeper the level of integration, the more urgent the need for technological innovation and improvement of the endogenous capacity of enterprises. However, the endogenous capacity of each enterprise is usually stable in a certain period of time, not "dynamic" as many other "soft" capacities, because each investment, material-technical facilities (material morphology of technology and engineering) often have to be exploited and used for a long time over many years. This requires businesses to have a long-term orientation and strategy, together with a stable positioning of businesses and their products / services.

Among the components of endogenous capacity, the basic factor to develop is the management capacity of leaders and management staff, especially officials and employees directly related to the research, impact on market and demand, research and customer service, including technical-technology staff involved in research, product improvement and customer service of enterprises.

In fact, research capacity, innovation and adaptation are the second factors that need to be prioritized for development. These are the factors that allow businesses to receive scientific and technological advances, turning exogenous capabilities into their own endogenous capacities, thereby being able to provide the market with goods / services that meet customers' demand, and are more competitive to survive sustainably (before it comes to improving business efficiency). In the overall process of formation and development of technological capacity of each country, enterprises, including small and medium-sized enterprises, are the subject of demand for scientific and technological progress, in which there is even a demand for technological-technological progress that the

enterprises have yet to recognize (see Figure 1).

Appropriate capacities in research, technological innovation and technological adaptation have been adopted, enabling businesses to improve the efficiency of technology innovation, transfer and innovation, and at the same time increase supply in the market of scientific and technological advances. In order to improve the capacity of research, development, technological innovation and application of new technologies, enterprises need to raise awareness, determination, initiative and appropriate investment in the industry for its technical-technological infrastructure. For the State, appropriate policies are needed to improve and enhance the capacity in a synchronized and balanced manner for all stages and links in the entire research and development system of the country.

The next factors that need to be strengthened are the quality of human resources and technological capacity of enterprises. These factors directly impact the productivity and efficiency of small and medium-sized businesses.

Exploit, utilize effectively and ensure sustainable impacts from the State's support programs, schemes and projects. The State's support will be maintained for a long time, in various forms, to serve different specific objectives. This support, if it is calculated for the total number of businesses, it will not be large. Nevertheless, if it is exploited and used effectively, it can still bring significant impacts for the direct beneficiary businesses. In order to effectively exploit these support sources, businesses need to learn about the purpose of support, conditions of support from each source, requirements and procedures to be able to exploit each source, especially conditions and procedures for disbursement of grants from each source.

On this basis, businesses need to clearly identify the support needs and conditions to receive support in order to have a plan to use such supports. The lesson that many businesses have learned from receiving support from the State (as well as other sources of support) is that this is absolutely not gratuitous, but businesses must also spend worthy expenses in order to receive them. Without carefully calculating, properly and fully determining the costs for the receipt, operation, and maintenance of equipment as well as these grants, the enterprise cannot obtain the benefits that they want. In many cases, due to the inadequate identification of costs and lack of reasonable options, these supports have become a burden that businesses need to spend a lot of time, effort and costs to overcome.

In addition to the efforts of the businesses themselves, the State also needs to play an active role, carry out necessary activities to promote the development of enterprises for the sake of the nation and the interests of the State. The solutions that the State needs to implement in the coming years are:

Continue to improve the macro policies to create a favorable environment for businesses to develop. In detail:

Review and assess the general economic policy system and specific policies related to business development, especially the consistency and comprehensiveness within the policy system. Implementation of the review and evaluation of the policy system should be delegated to independent agencies and organizations, including the use of scientific methods, multi-dimensional assessments, based on the fact that information and research results are verified in a transparent manner, ensuring the real participation of stakeholders related to the formulation, implementation and enjoyment of the results of the policy as well as those affected by policy implementation.

Promote administrative reform, improve and ensure the stability of the legal framework, simplify administrative procedures to create favorable conditions for SMEs to have equal access to resources on land, capital, technology, etc, to stabilize production and business development. This should be done simultaneously with the synchronization of the country's legal system and strengthening discipline and social compliance in the society. These are specific contents of contributing to transparency and are the premise to minimize the arbitrary provisions of the current administrative agencies. Moreover, they also contribute to the formation of an equally competitive environment, ensuring businesses improve their ability to plan long-term development programs.

Develop and prioritize the implementation of relevant policies to promote the development of technology markets, support the formation and development of science and technology enterprises, incubate science and technology businesses, and encourage small and medium-sized businesses to innovate in technology and innovation.

Synchronize the system of master plans, strategies and long-term plans for socio-economic development, branch development and territorial development. This is also one of the prerequisites, giving businesses a basis to calculate the investment, research, construction of material and technical facilities, distribution and supply systems - Things that would otherwise have been difficult for the enterprise to actually operate, both in manufacturing and in service sectors. This planning system has been gradually built up and synchronized, but there are still inadequacies, especially because they are based on inaccurate and incomplete forecasts that require adjustments to be made quite often. In the context of adjusted plans, strategies and long-term plans, many businesses have missed their investment, especially in a well-organized and scientific investment program, which often suffers rather large

losses. At least, they should implement more supplement investment or prolong investment time.

To overcome this situation, on the one hand, the functional agencies of the State need to improve the quality of their development plans, strategies and plans by investing more in research and development, appraising current situation and impact factors to forecast development trends, market trends and factors affecting business environment of enterprises. On the other hand, the authorities of the State should ensure the broad participation of relevant stakeholders, especially scientists and the business community, in participating in planning and strategies, and long-term development plan.

Supporting the formation and development of organizational forms, operation of relationships and cooperation between businesses. These linkages should be organized according to production / processing chains. Basically, such production / processing chains are often geared towards sustainable production and consumption of a product / group of products or a category. Depending on the economic and technical characteristics, these chains have different lengths, including the number of different objects. These forms and relationships can exist in the form of institutions (associations, clubs, etc) or non-institutional forms (affiliate programs, specialized relationships / short-term and long-term cooperation, etc).

In essence, this is the duty of businesses, stemming from the needs of the involved businesses themselves, using the resources of businesses for their businesses. The State's support, provision of resources, and establishment and maintenance of operations of inter-business organizations are likely to result in the risk of administrative activities of these organizations making them become ineffective. This fact has also happened quite popularly in Vietnam recently. However, this support from the State is still necessary. The problem is how to ensure this support to be allocated to the right needs and to be used effectively.

Promote the synchronous formation and efficient operation of markets and the operation of market mechanisms, both permitting and promoting enterprises to compete fairly in the market. The State should better promote its role in protecting the interests of enterprises in the domestic and foreign markets, especially in cases of trade fraud, unfair competition and illegal acquisition of foreign businesses.

Improve the effectiveness of business support programs and policies, especially:

Review, consider and select support to ensure that State support is provided in a concentrated manner (reducing the dispersion of support programs in the immediate future), and shift the support modality from current beneficiaries to object-based support methods and strengthen results-oriented, effective and positive impacts on the socio-economic development and support enterprises themselves, as well as the entire supply chain / processing chain. Instead of passively waiting for the subjects of the supported groups to formulate proposals for assistance, agencies and organizations managing support programs and grants from the State budget should actively seek and assess and screen to select those who need and should be supported for certain goals, thereby guiding them to do the necessary procedures to implement these projects.

The mode of agencies providing active support in developing projects and selecting implementing agencies (through bidding or other selection methods) should be tested. In addition, it is necessary to shift the responsibility to directly sponsor businesses from state management agencies to non-state organizations to manage, directly provide support or directly monitor and supervise support schemes to ensure the effectiveness of State support programs for businesses.

Promote training and retraining of human resources for businesses, especially small and medium-sized enterprises, with a focus on sustainable training quality and effectiveness, combining training with consultancy, post-training management support for them. This should be done with the focus, and priority of training for small and medium enterprises in a number of sectors and fields under the support of the State. The State should minimize, proceed to abandon the subsidy for businesses in training human resources, and also gradually reduce the subsidies for the training, retraining and improve the quality system of human resources for enterprise. The market for education and training, including vocational training, needs to be recognized early and the transformation of the operation's mode of the education and training system under this market mechanism needs to be researched and developed.

The issue that the State needs to do is to strengthen inspection and supervision to ensure that enterprises comply with all production and business regulations as well as quality standards, thereby forcing businesses to use employees with necessary qualifications. Only based on this basis, the "output" of the vocational training market will be stable and Vietnam's human resource advantage will be realized by enterprises.

Establish a network of information systems to support businesses to provide information on legal documents governing enterprises' operations, policies, programs to support business development and information that support for business activities, especially information on the market of goods and services, information on

scientific and technological advances and technology markets.

Deploy programs of support, dissemination and application of advanced technologies to enterprises, encourage technology cooperation and sharing between small and medium-sized enterprises with large enterprises and enterprises with invested foreign capital investment. Business support programs should be focused in this direction, in which the activities of the programs should be prone to improving the technical-technological level and innovation of products / services of the enterprise, to the adaptation and widespread dissemination of appropriate advanced technologies, to improve the efficiency of technology exploitation and use in enterprises.

Supplement, synchronize policies and effectively implement the protection of intellectual property rights, minimize the situation of producing and trading counterfeit goods, goods and services that do not meet the State's regulations on hygiene, food safety, environmental protection as well as other requirements on product quality issued by the State.

Develop and implement integration programs to ensure the implementation of the roadmap according to the international commitments that the State has committed. At the same time protecting the interests of enterprises, so that enterprises can take advantage of the opportunities that international integration creates to overcome challenges, limit the risks and impacts caused by them in the process of international integration. The State is suggested to invest more to formulate and implement consistently and effectively policies related to the protection of domestic goods in a reasonable, timely, with policies and specific support manner for small and medium enterprises (and Vietnamese enterprises in general) to overcome foreign trade disputes, etc.

Implement policies and enhance positive economic diplomacy, support domestic enterprises, including small and medium-sized enterprises, to penetrate sustainably and favorably international markets, especially in the key markets for strategic products with stable strength of Vietnam. First of all, the State needs to strengthen the capacity of a number of officials at Vietnamese Embassies in foreign countries in terms of marketing skills, trade promotion, market research, partner evaluation, appraisal, assessment about business opportunities, and investment opportunities, etc.

Secondly, the State needs financial support and technical assistance to establish information support channels for small and medium-sized enterprises, from general information about the business environment, legal framework and methods, knowledge and practices, some clues to contact when starting a business, business consulting organizations, reliable legal advice and necessary competence, to specific information that help Vietnamese businesses find partners, make necessary decisions in investment and business in other countries.

Thirdly, the State needs to devote adequate funds to overseas Vietnamese diplomatic missions, especially major markets, to research and provide general information on markets and business opportunities as well as thematic studies on industries and product groups in various countries.

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Appendix

Box 1: Business performance of Vietnamese businesses

The capital turnover index (calculated by total revenue / total capital) of enterprises tended to decrease slightly in the period 2000-2015, from 0.81 times in 2000 to 0.69 times in 2015, showing that the Capital use efficiency of enterprises tended to decrease gradually in the period 2000-2015. During this period, the index of capital turnover decreased in most businesses, except for foreign-invested enterprises. The capital turnover index of the foreign-invested enterprises sector reached the highest level and tended to increase, from 0.66 times in 2000 to 1.01 times in 2015 while the capital turnover index of enterprises non-state and state-owned enterprises were both low and significantly reduced, reaching only 0.74 and 0.41 times in 2015, respectively.

According to economic sector, agriculture, forestry and fishery and services were areas with low capital turnover ratio in 2015 with 0.38 times and 0.53 times, respectively. Industry and construction is the region in 2015 with the highest capital turnover index with 0.91 times; in which, processing and manufacturing industry had a high turnover ratio of 1.28 times (of which the high-tech industry reaches 1.71 times).

Profitability performance on business capital (calculated by the total profit before tax / total business capital) of enterprises also tended to decrease in the period 2000-2015, specifically the profitability performance of the entire business. The number of businesses in 2015 reached 2.3%, lower than the rate of 3.7% of 2000.

By type of business, this rate tended to decrease in all 3 types of enterprises. Foreign-invested enterprises had high profitability on business capital and were always ranked among the top three types of enterprises. The rate of return on business capital of foreign-invested enterprises decreased from 9.0% in 2000 to 5.5% in 2015 and reached the highest in 2005 with 11.2%. The rate of return on business capital of state-owned enterprises decreased slightly from 2.4% in 2000 to 2.1% in 2015. Non-state enterprises always had the lowest return on business capital in the three types of enterprises, from 1.9% in 2010 to only 1.3% in 2015, which were much lower than those of foreign-invested enterprises and state-owned enterprises.

By region and economic sector, industry and construction were the areas with the highest profitability in terms of business capital, but also decreased in the whole period, from over 7% in 2000 to approximately 4% in 2015.

Profitability ratio on revenue (calculated as the total profit before tax / total revenue) of enterprises in 2015 reached 3.6%, gradually decreasing over the period 2000-2015. The state-owned enterprises had the profit-to-revenue ratio increasing over the period, from 5.3% in 2010 to 5.6% in 2015. While the remaining two types of enterprises had reduction in profitability performance, in particular, foreign-invested enterprises had the strongest profit-to-revenue ratio in the period of 2000-2015 from 13.3% in 2000 to 5.8% in 2015. Moreover, non-state enterprises always has the lowest return on revenue among many types of businesses, which reached 2.7% in 2010 and reduced to only 1.9% in 2015.

By region and economic sector, agriculture, forestry and fishery were the areas with the highest return on revenue with 6.7% in 2015, but much lower than the 18% in 2010. Next were the industrial and construction sector with the performance of 4.3% in 2015 and the lowest was the service sector, which reached only 2.8% in 2015.

Labor use efficiency (equal to the average revenue per employee / average income per employee) of the entire enterprise tended to decrease in the period 2000-2015, from 19.4 times in 2010 to 14.2 times in 2015. By type of enterprise, state-owned enterprises had the highest labor efficiency in all types of enterprises and tended to increase in the whole period, from 17.3 times in 2000 to 18 times in 2015. Meanwhile, non-state enterprises tended to gradually reduce labor use efficiency, from 23.8 times in 2000 to 14.2 times in 2015. Enterprises with foreign capital investment had the lowest labor efficiency, falling from 18.7 times in 2000 to 12.4 times in 2015. By region and economic sector, agriculture, forestry and fisheries were the areas with the labor efficiency, which tended to increase from 4.9 times in 2000 to 6.7 times in 2015. Services were areas with the highest efficiency of labour usage among the three regions, but the labor productivity of this sector also declined, from 31.8 times in 2000 to only 18.1 times in 2015. Industry and construction was also The region which tended to gradually reduce the efficiency of labour usage from 13.6 times in 2000 to 12 times in 2015.

Source: General Statistics Office (2017), *Vietnamese enterprises in the first 15 years of the century (2000- 2014)*. Statistical Publishing House, Hanoi.

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