

**SMALL AND MEDIUM-SIZED BUSINESSES IN VIETNAM POST-COVID-19 PANDEMIC****1. Introduction**

Small and medium-sized enterprises (SMEs) have a massive role in the socio-economic development of Vietnam. With a substantial number, accounting for more than 97%<sup>1</sup> of the total number of enterprises across the country, SME sectors have contributed to creating jobs for workers, reducing poverty, improving living conditions, and significantly impacting GDP (45%) (Le & Nguyen, 2021). However, due to their small size, and limited financial resources, when the COVID-19 pandemic spread, the activities of SMEs were strongly affected. In a state of "new normal", the businesses desperately need to create a growth spurt. This paper aims to provide a comprehensive analysis of the approaches and investigate how government policy may assist Vietnamese SMEs to boost innovation performance during the post-Covid-19 pandemic.

**2. Literature review**

Businesses activities of Vietnamese enterprises have been negatively impacted by the COVID-19 pandemic, particularly SMEs. A survey conducted by the Private Economic Development Research Board in August 2022 showed that 69% of enterprises had suspended production due to the epidemic, 15% had stopped business operations and waited for dissolution, and only 16% had tried to maintain business activities despite losses or not operating at full capacity (Anh Minh, 2021). As SMEs play a vital role in the national economy, the government must propose innovations to recover and develop. In an interview, Dau Anh Tuan (as cited in My Thanh, 2022) emphasized that the development of the digital economy is the growth engine of the economy, so the government needs to create a mechanism to support innovation activities and businesses in digital transformation. Enterprises should actively develop strategies with a long-term vision and have post-pandemic development plans such as corporate restructuring, technology innovation, digital transformation, employee retention, and training plans for human resources.

*Human resources management (HRM) strategies*

Human capital is one of the key features of any business. Analyzing the company's present skill-set position to ensure it has the necessary complement of skills and competencies to manage the difficulties of the "new normal" is essential in rebuilding and growing after the lockdowns (Hu, 2022). Al-Jabri (2020) believed that the quality of companies' outputs is enhanced by the performance and effectiveness of HRM. To succeed in developing in the post-lockdown normalization, companies must take every precaution to not only keep their talented and exceptional workers but also to hire and outsource other crucial industry-related knowledge. Hu (2022) has suggested new strategies in HRM for SMEs: (1) strengthen psychological interventions for workers' behavior when working remotely, (2) encourage the improvement of workers' psychological capital, and (3) enhance the organization's ability to respond to major emergencies. Moreover, SMEs should provide training programs for employees to update their qualifications, knowledge, and skills to fulfill the increasing goals and requirements of the enterprise.

*Technologies capacities - digital transformation – an urgent need for SMEs*

Mai et al. (2023) and Mishrif and Khan (2021) have concluded that entrepreneurs have been significantly more dependent on technology to be competitive and efficient when COVID-19 occurred. The adoption of digital transformation is an initial implementation to remove obstacles

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<sup>1</sup> That is the number announced during the second congress of the term 2018 - 2023 organized by the Association of Small and Medium Enterprises (SMEs) in the South region (ASMES) recently in Ho Chi Minh City.

facing production and business and create new development directions. Digital transformation of business models helps companies gain a competitive advantage, enhance customer experience, and improve business performance while creating new opportunities for product and service development and innovation. Additionally, businesses can use technology to optimize processes, increase productivity, reduce costs, and operate time (Nguyen et al., 2023). Accelerating digital transformation in SMEs in Vietnam can be achieved using one of the three strategies: optimize customer experience on digital platforms (Market-driven growth), create exchange and interaction tools on digital media (Cost-driven growth), and transform business processes based on the corresponding old/new value system with old/new customers (Strategic growth) (Bui & Nguyen, 2021).

#### *Vietnamese Government Interventions into SMEs*

SME digital transformation and innovation require government policies, initiatives, and assistance (Mai et al., 2023). Due to a lack of funding and digital incompetence, SMEs cannot build their digital platforms. The government can give capital support or help build a digital platform in the SME sector. To enhance digital transformation, the government must promote digital payments and connect SMEs to partner businesses. Furthermore, the government can provide skills training for SME managers and employees. Regarding policies, the government should be more active in promptly issuing resolutions to meet the practical requirements of SMEs: Resolution No. 68 enacted May 12th, 2020, on cutting fees for businesses from 2020 to 2025; Resolution No. 58 enacted April 21st, 2023, on key policies to support enterprises proactively adapt, recover, and develop sustainably by 2025, etc. Especially, Decision 749 issued on June 3rd, 2020, approving the "*National Digital Transformation Program to 2025, with orientation to 2030*" has become the guideline for individuals, and businesses participating in digital transformation. The resolutions and directives have helped to simplify conditions and create an equal business environment to support the development of SMEs. The government creates favorable conditions in terms of capital and technology so that these enterprises can be confident when entering the digital transformation process (Bui & Nguyen, 2021).

### **3. Conclusion**

In conclusion, Vietnamese SMEs have been significantly affected by the COVID-19 pandemic. Enterprises should start new strategies that will effectively improve their business values, including human resource management and technological adaptations. In addition to SMEs' efforts, Vietnam's SME businesses also need the companionship of the Government, ministries, sectors, and related parties, with many supporting mechanisms, policies, and programs on capital and technology support to increase innovation capacity. Future studies should be conducted to evaluate how these approaches have improved Vietnamese SMEs' conditions after a period of application. It is also important to analyze more strategies for SMEs in Vietnam to adapt to different uncertain conditions in general.

#### 4. References

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