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IMPACTS OF INNOVATION ON THE BUSINESS PERFORMANCE OF SMES IN EMERGING MARKETS: AN EMPIRICAL CASE OF THE MEKONG DELTA IN VIETNAM

*** Tran Thi Bach Yen[1], Thanh Huong Luong[2] and Nguyen Mai Nhu Cam[3]**

[1]School of Economics, Can Tho University.
[2]Banking Academy of Vietnam, Master of Business Administration.
[3]Can Tho University, Bachelor of International Business.

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ABSTRACT

The paper aims to examine the impact of different types of innovation on the performance of small and medium-sized enterprises (SMEs) in the Mekong Delta region. On the foundation of the resource-based view, the findings suggest that process innovation, organizational innovation, marketing innovation, and product innovation will create positive impacts on the performance of SMEs in the Mekong Delta region. Survey data were collected at89 SMEs in the Mekong Delta region, using the convenient random sampling method. Empirical results show that process innovation and product innovation help increase the performance of these enterprises. In addition, marketing innovation and organizational innovation are not statistically significant as these two types of innovation are still new concepts to SMEs in the Mekong Delta region, so it takes time to fully employ them. This study also suggests certain implications to help SMEs improve their efficiency in applying appropriate types of innovation.

Keywords: Product innovation, Process Innovation, SMEs, Firm Performance, Mekong Delta.

INTRODUCTION

Improving business performance is of great importance, as the higher the business performance is, the more evident it is that the business is maintaining its momentum, partly affirming the position and reputation of the business in the market. At the same time, innovation is one of the 'golden' factors in the success of many enterprises recently (CITATION). Although in recent years, the implementation of innovation activities by businesses in the Mekong Delta region has been increasingly enhanced and gained remarkable achievements, several enterprises are not fully informed and thus, hesitate to invest. In fact, investing in innovation is a lengthy process that may take years or even a decade. In reality, without innovation, enterprises might be easily eliminated by their competitors. On the other hand, thanks to innovation, they can effectively utilize resources, which contributes to the reduction of unnecessary costs and improvement of business efficiency. According to the resource theory (Werner felt, 1984; Barney, 1991), an enterprise is identified as a place where resources are gathered and aggregated more effectively than the market; a business will be successful if it equips itself with appropriate resources and knows how to duly aggregate those resources. Smith (1776) affirmed the positive relationship between innovation and growth, and since then, the concepts of innovation, as well as the impact of innovation on the development of enterprises, have been widely developed and applied by Schumpeter (1934). In the last two decades, many authors have studied innovation as an important component in the growth process of businesses. Through empirical studies, Gunday et al. (2011) argued that from an overall perspective, types of innovation have a positive influence on the business performance of manufacturing enterprises. As also suggested by Atalay, Anafarta & Sarvan (2013), technological innovation (including product and process innovation) makes a positive impact on business performance. Furthermore, many studies of other scholars show that innovation and business performance are closely related (Rousseau et al., 2016; AudreOrgh, Coad & Segarra, 2014; Arts & plus). (2010; Lee, Lee & Garrett, 2017). Therefore, research on the impact of innovation on the business performance of SMEs in the Mekong Delta region was conducted to clarify the above-mentioned problems, which are left untouched by other researchers. The author will then give some governance implications to help businesses have a better view of innovation as well as the impact of this activity on the business performance of SMEs.

***Corresponding Author: Tran Thi Bach Yen,**
Can Tho University & PhD Candidate in Marketing at Charles Darwin University, Australia.

RESEARCH METHODOLOGY

Research hypothesis

According to the first edition of the Oslo Handbook (OECD, 1992), innovation is mainly confined to manufacturing firms and it solely involves technology products and process innovation. Likewise, although supplemented with service industries, the second edition of the Oslo Handbook is still mostly about technology products and innovation processes. However, that is not enough as innovation is a complex process (Therrien et al., 2011) and it involves more a Productects. Therefore, this research is based on the third edition of the Oslo Handbook (OECD & Eurost at, 2005) with four types of innovation, namely product innovation, process innovation, marketing innovation, and organizational innovation to develop hypotheses and form research models. Product innovation: Product innovation is the creation or introduction of new products to customers or the improvement of current versions of existing products to increase the number of customers (CITATION). Product innovation can help businesses increase sales. Consequently, their business performance can also be improved. Therefore, the proposed research hypotheses are as follows. Hypothesis 1: Product innovation has a positive impact on the performance of SMEs Process innovation: A process can be understood as a combination of media, skills, methods, technologies, software, etc which are used to produce, distribute, sell or support products. Process innovation is also the application, introduction, and alterations in equipment, methods, or

technology used in the manufacturing of a certain product to help businesses stay competitive as well as to meet customers' needs. Hypothesis 2: Production process innovation has a positive impact on the business performance of SMEs. Marketing innovation: To introduce a new product or sell any product to a customer in bulk, businesses need to develop clever marketing strategy plans. Marketing can involve product design, pricing, advertising, or even packaging, and marketing can also be online (social media, digital marketing, ...) or traditional (brochures, magazines, banners, and so on). Hypothesis 3: Marketing innovation has a positive impact on the business performance of SMEs. Organizational innovation: Based on the OECD Oslo Handbook (2005), organizational innovation is the implementation of introducing new organizational methods or improving organizational structure in the business activities of a company, in the workplace, or in external relationships. A creative organization can be seen as a tool to promote teamwork, reduce the power gap between employees and managers, and encourage creative thinking to explore problems from different perspectives. Hypothesis 4: Organizational innovation has a positive impact on the business performance of SMEs. Besides, after reviewing related literature, the author recognized that other factors may affect a business' performance; for example, the age and the size of the business, the manager's gender, experience, and qualifications (Phan Anh Tu & Tran Thi Thu Uyen, 2017; Lazar, 2016; Terziovski, 2010; Adnan & Sohail, 2018; Kamasak, 2015). Therefore, in order to enhance the objectivity of the study and make it more reliable, control variables have been added to the research model.

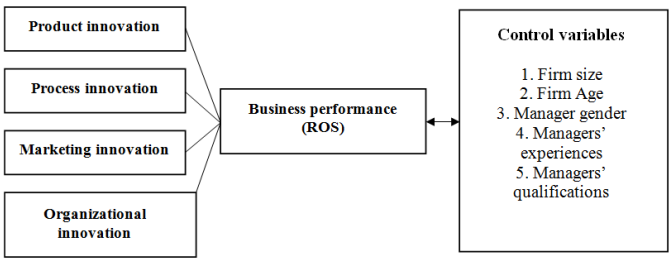

Figure 1. Proposed research model

RESEARCH METHODOLOGY

Data collection

Regarding the primary data, there were a total of89 enterprises surveyed in 2019. The manufacturing sector included 3 groups: processing industry, manufacturing and distribution industry, trade and services. In each field, 25 to 35 enterprises were interviewed. The enterprises participating in the survey are located in the Mekong Delta region.

Data analyzing methods

In this study, the linear regression model featuring ordinary least squares (OLS) is used to estimate the impact of factors on business performance. The regression equation is as follows.

$$Y_{ROS} = \beta_0 + \beta_1 X_{Product} + \beta_2 X_{Process} + \beta_3 X_{MAR} + \beta_4 X_{Org} + \beta_5 X_{SIZE} + \beta_6 X_{AGE} + \beta_7 X_{GEN} + \beta_8 X_{Exp} + \beta_9 X_{Edu} + \varepsilon$$

In which,

Y is thedependent variable (business efficiency);

$\beta_0$is theintercept factor (Value of Y when all X values equal to 0);
β_{1-4} are the regression coefficient of the independent variables;

$X_{Product}$, $X_{process}$, X_{MAR}, X_{Org} are the the observed values of the independent variables;

B_{5-9} are thethe regression coefficient of the control variables;

X_{SIZE}, X_{AGE}, X_{GEN}, X_{Exp}, $X_{Edu}$are thethe observed values of the control variables;

ε isthe error of the regression model.

Variables

Dependent Variable

Dependent variable (Y): ROS -The business efficiency of an enterprise is calculated by dividing profit after tax by its total assets (or dividing profit after tax by its revenue) (Maja & Josipa, 2012; Alawwad, 2013; Lazar, 2016).

Independent variables:

Product innovation ($X_{Product}$):The variable getsa value of 1 if the businesshas undergone innovation or significantly improved its products or services in the past 3 years, otherwise, it has a value of 0 (Recia et al., 2018; Hall, Lotti & Mairesse, 2009; Gotsch & Hipp, 2012). Process innovation ($X_{Process}$):The variable has a value of 1 if the business has innovated or significantly improved its production process in the past 3 years.If the contrast is true, it has a value of 0 (Recia et al., 2018; Hall, Lotti & Mairesse, 2009; Gotsch & Hipp, 2012). Marketing innovation (X_{MAR}):The variable has a value of 1 if the business has innovated or significantly improved its marketing strategies in the past 3 years, or else, it has a value of 0 (Recia et al., 2018; Hall, Lotti & Mairesse, 2009; Gotsch & Hipp, 2012).
Organizational innovation (X_{Org}):The variable has a value of 1 if the business has innovated or significantly improved its structure or management methods in the past 3 years. If the contrast is true, it has a value of 0 (Recia et al., 2018; Hall, Lotti & Mairesse, 2009; Gotsch & Hipp, 2012).

Control variables:

Firm's size (X_{SIZE}):The larger the size of the enterprise is, the higher the business performance is (Pervan & Visic, 2012; Lee, 2009). The variable of the firm's size is measured by the natural logarithm of the number of employees currently working in the business. (Pervan & Josipa, 2012). Firm's age (X_{AGE}): The longer the number of years a business has been in operation, the more it proves that the business is highly adaptable to environmental changes. The variable of the firm's age is measured by the number of years since the firm started the business to the current year (Gurbuz & Aybars, 2010; Fama & French, 2004; Chun et al., 2008). Manager's gender (X_{GEN}): Businesses tend to earn a higher rate of income, and investors are willing to pay more for companies managed by female managers; hence, companies managed by female managers are expected to have improved business performance. The variable of the manager's gender has a value of 1 if the manager is female, or else, it is equal to 0 (Jalbert, Jalbert & Furumo, 2013). Management experiences (X_{Epx}): The more experienced the manager is, the higher the business performance will be. Management experience is measured by the number of years of experience a manager has from taking office to 2019 (Vo Van Dut, 2015). Manager's qualifications (X_{Edu}):The higher the education level of the manager is, the more the business performance will be improved. The variable of the manager's qualifications has a value of 1 if it is undergraduate or postgraduate, or else, it has the value of 0 (Nguyen Quoc Nghi and Mai Van Nam, 2011).

Table 1. Variables and methods to measure variables

Variables	Explanations	Measurement methods	Expectation signs
Dependent variable			
Y	Business efficiency(ROS)	Profit after tax divided by total assets (or profit after tax divided by revenue)	
Independent variables			
$X_{Product}$	Product innovation	Has a value of 1 if the business has innovated or significantly improved products or services within the past 3 years, or else, it has a value of 0	(+)
$X_{Process}$	Production process innovation	Has a value of 1 if the business has innovated or significantly improved its production process within the past 3 years, or else, it has a value of 0	(+)
X_{MAR}	Marketing innovation (MAR)	Has a value of 1 if the business has innovated or significantly improved its marketing methods in the past 3 years, or else, it has a value of 0	(+)
X_{Org}	Organizational innovation	Has a value of 1 if the business has innovated or significantly improved management structure or practice in the past 3 years, or else, it has a value of 0	(+)
Control variables			
X_{SIZE}	The firm's size (SIZE)	Natural logarithm value of the number of employees working in the enterprise	(+)
X_{AGE}	The firm's age(AGE)	Number of years from inception to the current year	(+)
X_{GEN}	Manager's gender (GEN)	Has a value of 1 if the manager is female;otherwise, it has a value of 0	(+)
X_{EXP}	Manager's experience (EXP)	Years of experience of the manager from taking office to 2019	(+)
X_{EDU}	Manager's qualifications (EDU)	Has a value of 1 if the manager has an undergraduate or postgraduate degree, otherwise, it has a value of 0	(+)

*(**Source:** Summarized from literature review, 2020)*

RESARCH RESULTS

Descriptive statistics of the variables in the model

Statistical descriptions of the variables are as follows.

Business performance (Y_{ROS}): the average rate of return on revenue of all samples was 8.43%. This resultindicates that along with a few well-run enterprises, there were still many enterprises facing difficulties in the operation process. The highest business performance was at66.12%while the lowest was at36.3%. As suggested by the findings, there was a significant difference in the business performance among enterprises.

Manufacturing process innovation ($X_{PROCESS}$): the average value of 89samples was 60.67% and the standard deviation was 49.12%. This can be considered as a relatively high number, which impliesthat enterprises were gradually changing, focusing on investment and innovation inthe production processes.

Organizational innovation (X_{Org}): concerning the variable X_{ORG}, the mean value from the results of data analysis was 65.17% and the standard deviation was 47.90%. These figures affirm that more than two-thirds of all surveyed businesses were investing in organizational innovation.

Marketing innovation (X_{MAR}): the average value of all observed samples was 37.08% and the standard deviation was 48.57%. These results signify that most businesses paid much attention to organizational innovation and process innovation rather than marketing one.

Product innovation ($X_{Product}$): Similar to the variable of marketing innovation, the variable of product innovation had a mean of 44.94% and the standard deviation was 50.03%. In general, more than half of all businesses had not invested much in product innovation.

Table 2 Statistical description of the independent variables,dependent variable, and Control variables

Variables	Means	Std. Dev.	Min	Max
Y_{ROS}	0.084	0.149	-0.363	0.661
$X_{PROCESS}$	0.607	0.491	0.000	1.000
X_{ORG}	0.652	0.479	0.000	1.000
X_{MAR}	0.371	0.486	0.000	1.000
$X_{PRODUCT}$	0.449	0.500	0.000	1.000
X_{GEN}	0.697	0.462	0.000	1.000
X_{EDU}	0.753	0.434	0.000	1.000
X_{EXP}	13.416	7.981	3.000	35.000
X_{AGE}	22.011	14.375	4.000	80.000
X_{SIZE}	5.210	1.227	2.303	7.177

***Source:** Data analysis results of STATA14*

Manager's gender (X_{GEN}):The gender of business owners hadan average value of 69.66% and the standard deviation was 46.23%. This figure shows that the gender of the manager played a significant role in the business activities of the enterprise.

Manager's qualifications (X_{Edu}): It can be seen from the analysis that the average value of the variable ofqualifications of business ownerswas 75.28% and the standard deviation was 43.38%. These results reflect that the qualifications of the manager played an important role in the business activities of enterprises.

Management experiences (X_{Exp}): The variable of the business managers' experiencegot an average value of more than 13 years and hada standard deviation of 7.98%. Depending on each business, the experience of managers would vary. The lowest scorewas 3 years while the highest one was 35 years. The results demonstrate that the more experienced a managerwas, the more effective policies the business would have to promote business development.

Firm's age (X_{AGE}): The number of years for which the enterprisehad operatedgotanaverage value of more than 22 years anda standard deviation of 14.37%. The average period of operation ranged from a minimum of 4 years to a maximum of 80 years. This variation isdue to the fact thateach firm had adifferent number of operating years and diverse operating experience. Therefore, from a customer's point of view, the longer the business had been operating, the more reputable and reliable it would be.

Firm's size (X_{SIZE}): The mean valueof the firm's size was 5.21 and the standard deviation was 1.23. The results from the data analysis point out that the differences between the sizes of firms in the sample ranged from 2.3 to 7.18.

Correlation matrix and heteroskedasticity

Descriptive statistics of SMEs in the industry and construction sectors in the Mekong Delta region in 2019 with 89 observations are presented in Table 3, including the number of observations, mean values, standard deviations, maximum and minimum values of the variables.

Table 4. VIP test results and variable error variance

VIF test			Test of heteroskedasticity
Variables	VIF	1/VIF	White's test
$X_{PROCESS}$	1.33	0.75	$chi^2(42) = 51.31$
X_{ORG}	1.29	0.77	
X_{MAR}	1.35	0.74	
$X_{PRODUCT}$	1.38	0.73	
X_{GEN}	1.14	0.88	
X_{EDU}	1.13	0.88	
X_{EXP}	1.32	0.76	
X_{AGE}	1.53	0.65	
X_{SIZE}	1.33	0.75	
Mean = 1.31			Prob > chi2 = 0.3453

Source: Data analysis results of STATA14

The variance inflation factors (VIF) of all the independent variables were less than 2; thus, there was no multi-collinearity phenomenon in the model. This implies that the estimated values of the variables were not biased (estimations were not biased) when simultaneously appreciating the factors in the model, meaning that the change of an independent variable in the model would not impact the effect of another independent variable on the dependent variable. With the significance level α = 1% and the White's test: Prob = 0.3453., or Prob> 5%, the hypothesis H0 should not be rejected. Therefore, there was no phenomenon of heteroskedasticity.

Table 4 also shows the Pearson correlation matrix of all variables in the research model. Specifically, the positive correlation between business performance and manufacturing process innovation was $X_{Process}$= 0.37 with the statistical significance at 1%.
The positive correlation between business performance and marketing innovation was X_{MAR} = 0.40 with the statistical significance at 1%.
The positive correlation between business performance and product innovation was $X_{PRODUCT}$= 0.62 with the statistical significance at 1%.
The control variable having a positive impact on the business performance was X_{GEN}, which was at 0.21, with the statistical significance at 5%.

Table 4. Statistic description and correlation matrix of factors in the model

(N =89)

		VIF	Min	Max	Mean	Std. Dev.	0	1	2	3	4	5	6	7	8	9
0	Business efficiency	1.31	-0.36	0.66	0.08	0,15	1.00									
1	Process innovation	1.33	0.00	1.00	0.61	0,49	0.37*	1.00								
2	Organizational innovation	1.29	0.00	1.00	0.65	0,48	0.16	0.38*	1.00							
3	Marketing innovation	1.35	0.00	1.00	0.37	0,49	0.40*	0.24	-0.25	1.00						
4	Product innovation	1.38	0.00	1.00	0.45	0,50	0.62*	0.27**	0.19	0.34*	1.00					
5	Manager's gender	1.14	0.00	1.00	0.70	0,46	0.21**	-0.08	-0.02	0.05	0.06	1.00				
6	Manager's qualifications	1.13	0.00	1.00	0.75	0,43	0.04	0.13	0.18	-0.05	0.05	0.25**	1.00			
7	Manager's experience	1.32	3.00	35.00	13.42	7,98	0.24	-0.15	-0.01	-0.11	0.04	0.22**	0.09	1.00		
8	Firm's age	1.53	4.00	80.00	22.01	14,38	0.14	0.05	0.18	-0.09	0.03*	0.12	0.03	0.41*	1.00	
9	Firm's size	1.33	2.30	7.18	5.21	1,23	-0.15	0.05	0.23**	-0.34*	-0.14	-0.02	0.07	0.02	0.27*	1.00

FINDINGS AND DISCUSSION

The linear regression results of factors affecting the performance of SMEs in the Mekong Delta region are presented in Table 3, including 4 models which are explained in detail as follows. Model 1 examined the impact of the independent variable of manufacturing process innovation and the control variables of business performance of SMEs in the Mekong Delta region. R^2 in model 1 was 0.2432 and the statistical significance of the model was at 1%. Based on the results, it is evident that the independent variable of manufacturing process innovation ($X_{PROCESS}$) had a positive impact on the business performance of enterprises in the Mekong Delta region with a statistical significance of 1%. Model 2 shed light on the impact of the independent variable of marketing innovation and the control variables of business performance of SMEs in the Mekong Delta region. R^2 in model 2 was 0.2244 and the statistical significance of the model was at 1%. In light of this, the independent variable of marketing innovation (X_{MAR}) had a positive impact on the business performance of SMEs in the Mekong Delta region. The statistical significance was at 1%. Model 3 explored the impact of the independent variable of product innovation and the control variables of the business performance of SMEs in the Mekong Delta region. R_2 in model 3 was 0.5182 and the statistical significance of the model was 1%. The results in this model demonstrate that the independent variable of product innovation ($X_{PRODUCT}$) had a positive impact on the business performance of SMEs in the Mekong Delta region with a statistical significance of 1%. Model 4 validated the impact of the independent variable and the control variables on the business performance of SMEs in the Mekong Delta region. R_2 in model 4 was 0.5952.Significantly, there had been a change of the independent variable and the control variables in this model, which explains the 59.5% change in the business performance of SMEs. On the other hand, the p-value, which was at 0.000, means the model was statistically significant at 1%. This implies that it was ideal to use the estimated results in model 4 to elaborate on the change of control variables and the independent variables to the variation of the dependent variable. As provided in the results of regression analysis and based on the State processing tool (Table 5), we obtained the sample regression equation with the following form:

$$Y = -0{,}0598318 + 0{,}0673508X_{PROCESS} + 0{,}004804X_{ORG} - 0{,}0490965X_{MAR} + 0{,}1478332X_{PRODUCT} + 0{,}0669063X_{GEN} - 0{,}0212026X_{EDU} + 0{,}0005205X_{EXP} - 0{,}000350X_{AGE} - 0{,}0027725X_{LnSIZE}$$

Based on regression results (table 5), the production process innovation ($X_{PROCESS}$) had a positive impact on the business performance of SMEs in the Mekong Delta with a statistical significance of 1% ($\beta_{PROCESS}$ = 0.0673508; p <0.05).

Table 5. The linear regression results of factors affecting the performance of SMEs in the Mekong Delta region

	Model 1		Model 2		Model 3		Model 4	
	Coefficient	**Std. Coef.**	**Coefficient**	**Std. Coef.**	**Coefficient**	**Std. Coef.**	**Coefficient**	**Std. Coef.**
Constant	0.713	0.727	0.008	0.080	0.012	0.065	-0.060	0.067
Independent variables								
$X_{PROCESS}$	0.120*	0.030					0.067*	0.028
X_{ORG}							0.005	0.028
X_{MAR}			0.117*	0.032			0.049	0.028
$X_{PRODUCT}$					0.182*	0.027	0.48***	0.028
Control variables								
X_{GEN}	0.078**	0.048	0.057	0.033	0.063**	0.029	0.067**	0.027
X_{EDU}	-0.021	0.050	0.004	0.035	-0.012	0.030	-0.021	0.029
X_{EXP}	-0.001	0.003	-0.001	0.002	-0.001	0.002	0.001	0.002
X_{AGE}	0.002	0.002	0.002	0.001	-0.001	0.001	-0.001	0.001
X_{SIZE}	-0.024	0.018	-0.008	0.013	-0.006	0.011	-0.003	0.011
R^2	0.243		0.224		0.518		0.595	
N	89		89		89		89	
P value	0.0007		0.0016		0.0000		0.0000	

****, **, * indicate significance of 10%, 5%, and 1% respectively*

Based on that the findings of process innovation applied are consistent with the expectations of Hypothesis 2, which is on the impact of the innovation in the production process on the business performance of SMEs in the Mekong Delta region. Therefore, Hypothesis 2 of the research cannot be theoretically disproved. Research on innovation types in Turkey (Atalay et al., 2013) also confirmed that process innovation has a positive impact on the business performance of enterprises. For product innovation ($X_{PRODUCT}$) had a positive impact on the business performance ofSMEs in the Mekong Delta region with a statistical significance of 10% (βPRODUCT = 0.1478332; p <0.01). This also accords with the expectation of Hypothesis 1, which is on the impact of product innovation on the business performance of SMEs in the Mekong Delta region. In addition to the resource theory (Wernerfelt, 1984; Barney, 1991) employed in this study, Terziovski (2010), Kostopoulos (2013), Zawawi et al (2016) also applied it to study innovation.Product innovation helps businesses not only improve their competitiveness but also take advantage of the opportunities offered by international markets (Eriksson et al., 1997). Interms of control variables, like most of the above-mentioned models, the manager's gender (X_{GEN}) was positively correlated with the business performance of SMEs at a statistical significance level of 5% (βGEN). = 0.0669063; p <0.05). This means that the gender of the business owners was significantto the performance of the business.Productecifically,if the majority of managerswere female, the business performance had a tendency to be higher. As stated by Krishnan and Parsons (2008), enterprises run by female managers or having more female members in the board of directors would gain higher stock returns after an initial public offering as compared to those with fewer female members in managerialpositions.

Conclusions And Limitations

Employing the resource theory (Werner felt, 1984; Barney, 1991) and the theory of creativity (Schumpeter, 1942), this study aims to develop theories of innovation on the business performance of SMEs in the Mekong River Delta region. Aligned with the research subjects and the study objectives of the study, 89 enterprises were extracted from the data set used for this study in 2019.

Table 6. Comparison of regression results with expectations

INDEPENDENT VARIABLES	EXPECTATIONS	REGRESSION RESULTS		
$X_{PROCESS}$	+	+		
X_{ORG}	+		+	(*)
X_{MAR}	+		+	(*)
$X_{PRODUCT}$	+	+		

Source: *Aggregate data, 2019, (*) This variable is not statistically significant*

As revealed in Table 6, the innovation of organizational process and product innovation contributed to improving the business performance of SMEs, which is true to the initial expectation that the author suggested. In contrast, the organizational innovation and marketing innovation failed to meet the initial expectations set by the author. This can be explained by the fact that enterprises have not taken the innovation seriously and the massive impact of the COVID-19 pandemic on SMEs in the Mekong Delta region. The results from the research model confirm that production process innovation had a positive impact on the business performance of SMEs in the Mekong Delta region. In fact, when enterprises invest (i.e. procure, import, improve) machinery and equipment, their productivity and output will be ameliorated. This improvement thus contributes remarkably to the efficiency of business operations and allows it to keep pace with the relentless scientific and technical advancement. In that manner, business development will be maintainedso that it will not be surpassed by competitors. Furthermore, product innovation also helped increasebusiness performance. In reality, it can be claimed that enterprises thatinnovate and improve their products in terms of form and quality willacquire their prestige and customers' trust, thereby enhancing the business performance of the business. Product innovation and improvement not only help businesses lead the trendand the market to create competitiveadvantages, but also increase revenue and develop the business themselves. In general, however, the majority of SMEsin the Mekong Delta region have not implemented innovation methods effectively because they do not have a comprehensive vision of innovation activities. Besides, the virulent strikes of COVID-19 in the world in general and Vietnam in particular, pose a considerable impact on the financial and external activities of businesses. To improve business performance with innovation, businesses should have a detailed plan to kick start innovative activities. Indeed, if a business would like to invest in innovation, it should make a plan with long-term goals by choosing the types of innovation that are aligned with its strategy and budget. Besides, it can also establish an R&D center to study the business environment, competitors, and opportunities in the market. A business should also consider investing in human resources and headhunt to acquire experts in innovation. Innovation is supposed to be invested continuously to create a steady cycle of innovation activities. In addition, businesses can turn to non-governmental and/or non-profit organizations for funding, or seek talents and experts to plan their innovation activities and offer consultation regarding investment. When the model is applied effectively, businesses will be able to reinvest in innovation in the next phase, forming a solid foundation for long-term development. This research was conducted to clarify the impact of various types of innovation on the business performance of SMEs in the Mekong Delta region. However, the findings in this report are subject to at least two limitations. Firstly, in this study, only enterprises consenting to provide their data were considered, which means many other businesses in the Mekong Delta region were not covered. Thus, research results may not be universal. Second, although the data were collected from reliable websites, it was ineluctable that enterprises try to whitewash their financial statements, which potentially reduces the accuracy of the research results.

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