

# Identify factors affecting the sustainable development of micro and small-sized enterprises - A case study of Vietnam

Nguyen Danh Nam<sup>1,\*</sup>, Uong Thi Ngoc Lan<sup>1</sup>, Nguyen Minh Ngoc<sup>2</sup>



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## ABSTRACT

Enterprises play a vital role in every economy, serving as the backbone of economic activities worldwide. In recent years, environmental sustainability has become an increasingly pressing global concern, affecting not just developed nations but also micro and small-sized enterprises in emerging economies. Hence, approaches to the sustainable development of enterprises are the best way to deal with the environmental impacts of natural resource depletion. Many large enterprises joined the World Business Council for Sustainable Development. In addition, micro and small-sized enterprises also pay various degrees of attention to environmental issues and sustainable operations. However, in Vietnam, the owners of micro and small-sized enterprises mainly focus on short-term business performance. This study analyzes the factors affecting the sustainable development of micro and small-sized enterprises in Vietnam based on fundamental theories such as institutional theory, stakeholder theory, and legitimacy theory. Applied quantitative research methods to analyze data collected from 211 managers at micro and small-sized enterprise managers in five centrally-governed cities in Vietnam. The hypotheses and structure equation models were tested using SmartPLS software. The results showed that Environmental, Social, and Governance (ESG) has the highest direct impact on the sustainable development of micro and small-sized enterprises in Vietnam.

Meanwhile, economic development has the lowest impact on the sustainable development of micro and small-sized enterprises in Vietnam. As a result, this study indicates that enterprises and governments must understand the importance of ESG practices for sustainable development in today's economy. It highlights the need for both enterprises and government bodies to recognize and prioritize ESG principles to foster a more sustainable and inclusive economic future. By doing so, they can develop strategies that promote the long-term viability of domestic enterprises.

**Key words:** ESG, sustainable development, micro and small-sized enterprises, Vietnam

<sup>1</sup>Thanh Dong University, Vietnam

<sup>2</sup>Ho Chi Minh City University of Economics and Finance, Vietnam

## Correspondence

Nguyen Danh Nam, Thanh Dong University, Vietnam

Email: namnd@thanhdong.edu.vn

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## 1 INTRODUCTION

2 In the context of declining natural resources, environ-  
3 mental degradation and especially the impact of the  
4 COVID-19 pandemic, sustainable development has  
5 become a goal that countries want to achieve. Sus-  
6 tainable development relates to meeting current needs  
7 without compromising or harming the ability of fu-  
8 ture generations to meet their needs<sup>1</sup>. In other words,  
9 sustainable development is the overarching concept of  
10 three crucial pillars of economy, society and environ-  
11 ment<sup>2</sup>.

12 Recently, sustainable development has been spread-  
13 ing at the enterprise level<sup>3</sup>. It is a common trend for  
14 enterprises globally towards sustainable development  
15 goals because they play a crucial role in the national  
16 economy, especially their central position in human  
17 development<sup>4</sup>. Sustainable enterprise development  
18 reflects the level of enterprises promoting social, eco-  
19 nomic and environmental development activities<sup>5</sup>.

In Vietnam (an emerging economy in Southeast Asia),  
micro and small-sized enterprises account for more  
than 80 per cent of enterprises, with about 1.7 million  
enterprises creating the most jobs and contributing  
more than 40 per cent of GDP per year<sup>6</sup>. These con-  
tributions supported economic, social, environmen-  
tal, poverty alleviation, and social justice programs.  
However, in the context of many new challenges, espe-  
cially the impact of climate change, it is becoming  
increasingly difficult to achieve sustainable develop-  
ment of micro and small-sized enterprises in Viet-  
nam<sup>7</sup>.

The study of Nguyen and Nguyen used the triple bot-  
tom line-3BL theory as an analytical framework for  
the sustainable development of small and medium-  
sized enterprises in Vietnam<sup>8</sup>. Or Nguyen and Tran  
based on the theory of planned behavior, identi-  
fied four factors that affect the sustainable business  
of small and medium-sized enterprises in Vietnam,  
including attitudes, ethical standards, perceived de-

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sires, and corporate culture<sup>9</sup>. Thus, although the sustainable development of enterprises has been studied, these research models have not comprehensively explained the factors affecting the sustainable development of micro and small-sized enterprises in Vietnam. Therefore, this study is carried out based on inheriting and perfecting several quantitative research models on enterprise sustainability that have been empirical in the world, as well as proposing and testing models to measure the impact of factors on the sustainable development of enterprises consistent with the practices of micro and small-sized enterprises in Vietnam. In particular, this study considered the term “ESG” as a crucial facet of the sustainable development of micro and small-sized enterprises in a developing country like Viet Nam.

This article is organized as follows. Section 2 presents a literature review and hypothesis development. Section 3 describes the methodology. Section 4 presents the crucial findings and discussions. Section 5 is the conclusion, implications, limitations, and suggestions for further research.

## LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

### Underpinning theory

#### Institutional theory

According to North, institutions are human constraints that shape political, economic, and social interactions<sup>10</sup>. They include informal (prohibitions based on customs, traditions and community codes of conduct) and formal (constitutional, legislative, legal regulations and property rights. This theory also shows that the political and legal framework creates the basic principles and rules for the functioning of individuals and enterprises, voluntary and cooperative arrangements between actors that affect the exchange of cultural values and beliefs. As a result, influencing the behavior of individuals and organizations through institutional influence leads to a willingness to participate and abide by principles and rules.

#### Stakeholder theory

Stakeholder theory was first used by Freeman<sup>11</sup> in 1984 in his strategic management work<sup>12</sup>. Stakeholders include any person or group of people interested in the enterprise because they may be affected by its operations<sup>13</sup>. This theory refers to ethics and values in organizational governance. Stakeholders expect enterprises to behave consistently with their responsibilities to achieve legitimate society activities that will help them gain other economic benefits.

### Legitimacy theory

Legitimacy theory is rooted in the concept of organizational legitimacy. It is a condition or state of existence when an entity’s value system matches the value system of the large social system of which the entity is a part<sup>14</sup>. According to Donaldson and Preston, legitimacy is the conformity between institutional actions and social values, while legalization is actions that organizations take either to signal conformity to values or to change social values. Legitimacy is achieved by demonstrating that the enterprise’s activities are consistent with social values<sup>15</sup>.

### Research concepts

#### Sustainable development

The term “sustainable development” has existed since the 1980s due to the World Conservation Union (WCU). In 1987, the World Commission on Environment and Development (WCED) stated that the goal of protecting natural resources requires sustainable exploitation and use. Sustainable development is the process of development that meets the needs of the present while ensuring the integrity of natural resources to meet the needs of future generations<sup>16</sup>. Sustainable development is defined based on three main pillars including:

- Economic pillar: rapid economic growth, ensuring safety and quality.
- Social pillar: social justice and human development, in which the human development index is the highest criterion demonstrating social development, for example per capita income, intellectual level, education, health, life expectancy, cultural enjoyment level, civilization.
- Environment pillar: rational exploitation and use of natural resources, environmental protection and habitat quality improvement..

#### Enterprise sustainability

Based on the concept of sustainable development, from a business perspective, enterprise sustainability is the satisfaction of the needs of business stakeholders. Still, it does not detract from the interests of future stakeholders. Enterprise sustainability focuses on strategies and operational directions of ones according to three core pillars including economy, society and environment<sup>17</sup>.

The study of Lo identified enterprise sustainability as a process that integrates aspects including financial benefits, environmental protection and social responsibility in business operations and governance<sup>18</sup>.

139 However, van Marrewijk emphasized that there is  
 140 no fixed concept of enterprise sustainability, since  
 141 approaching the process of sustainable development  
 142 must depend on many internal factors such as organi-  
 143 zational structure, mode of operation, enterprise pur-  
 144 pose and so on<sup>19</sup>.

145 Enterprises need to develop sustainable development  
 146 strategies linked to their business models, using new  
 147 strategies, governance performance and stakeholder  
 148 engagement conscientiously to continuously improve  
 149 economic, environmental and social conditions on a  
 150 regional and global scale<sup>20</sup>.

151 In summary, although there are different perspectives  
 152 on enterprise sustainability<sup>21-23</sup>, but the similarities  
 153 are all directed at the concern for the three pillars of  
 154 economy, environment, and society, and they are sys-  
 155 tematically linked together at different levels that en-  
 156 terprises wish to address simultaneously.

### 157 Hypothesis development

158 Bansal approached the concept of sustainable devel-  
 159 opment in general and the sustainable development  
 160 of enterprises in particular by exploring fundamental  
 161 theories such as institutional theory, stakeholder the-  
 162 ory, and legitimacy theories. He proposed that for an  
 163 enterprise to pursue the trend of sustainable develop-  
 164 ment, it is necessary to fully integrate three factors:  
 165 economy, society, and environment. Without any of  
 166 these factors, enterprises cannot achieve sustainable  
 167 development<sup>24</sup>. Supporting this opinion, Lee and  
 168 Sean found a close connection between economic, so-  
 169 cial, and environmental development factors and sus-  
 170 tainable breakthroughs<sup>25</sup>. These three factors are ex-  
 171 plained as follows:

172 i) Economic development is a prerequisite for the sur-  
 173 vival or failure of enterprises. Most enterprises aim  
 174 for economic development to establish a position in  
 175 the market. The economic development of an enter-  
 176 prise is assessed through its level of growth, scale of  
 177 production and business, and long-term profits. It in-  
 178 volves achievements related to financial success and  
 179 crucial contributions to the national and local econ-  
 180 omy. Thus, economic development encompasses ex-  
 181 panding production and business activities, achieving  
 182 financial growth, strengthening the enterprise's mar-  
 183 ket position, and creating success for the enterprise.

184 ii) Social development involves minimizing the nega-  
 185 tive impacts of the enterprise on the community and  
 186 the environment where it operates while strength-  
 187 ening social relationships with stakeholders directly  
 188 related to the enterprise, including employees, lo-  
 189 cal communities, customers, suppliers, and govern-  
 190 ment. Additionally, the enterprise should aim for

honesty and transparency in its production and busi- 191  
 ness activities, comply with legal regulations, uphold 192  
 business ethics, create conditions for human develop- 193  
 ment, promote creativity and innovation, and ensure 194  
 fairness and respect for the common interests of soci- 195  
 ety. The enterprise also participates in community 196  
 support activities such as education, health, poverty 197  
 alleviation, infrastructure development, and focuses 198  
 on the health of customers and employees. Thus, so- 199  
 cial development represents the responsibility of en- 200  
 terprises in achieving social improvement goals. 201

202 iii) Environmental development involves using cor- 202  
 porate governance methods to minimize environ- 203  
 mental impact, reduce the use of natural resources 204  
 and fossil fuels, and minimize emissions. Addition- 205  
 ally, enterprises should apply green technologies to 206  
 manage, protect, and improve environmental qual- 207  
 ity; promote green consumption and green payment 208  
 practices; and develop detailed environmental devel- 209  
 opment plans to prevent potential pollution risks. 210  
 This includes recycling waste and products to reduce 211  
 impact on the ecological environment. Therefore, en- 212  
 vironmental development is the process by which en- 213  
 terprises engage in environmental protection activi- 214  
 ties while still achieving economic benefits and main- 215  
 taining efficiency in production and business opera- 216  
 tions. 217

218 Several domestic and foreign studies, using qualita- 218  
 tive and quantitative research methods, have revealed 219  
 that without one of the three factors of economic, so- 220  
 cial, and environmental development. It is pretty dif- 221  
 ficult for enterprises to increase competitiveness and 222  
 develop sustainably. These three factors are always 223  
 considered fundamental for businesses aiming to de- 224  
 velop sustainably in the future<sup>7,26,27</sup>. Based on the ar- 225  
 gument above, hypotheses are proposed as follows: 226

227 *H1: Economic development will be positively associated*  
 228 *with enterprise sustainability*

229 *H2: Social development will be positively associated*  
 230 *with enterprise sustainability*

231 *H3: Environment development will be positively asso-*  
 232 *ciated with enterprise sustainability*

233 Schein suggested that enterprise culture is the foun- 233  
 dational factor that shapes the behaviors and activi- 234  
 ties of each employee, serving as a unique intangi- 235  
 ble product of each organization<sup>28</sup>. Kotter and Hes- 236  
 kett proposed that enterprise culture consists of a set 237  
 of intertwined values and behaviors that commonly 238  
 occur within enterprises and tend to spread and per- 239  
 sist over time<sup>29</sup>. Pham described enterprise culture 240  
 as a synthesis of values and both material and spiri- 241  
 tual assets created during the formation, operation, 242

and development of enterprises. These values influence and govern the thinking and behavior of employees<sup>30</sup>. Nguyen et al. proved that enterprise culture is one of the essential factors for businesses to conduct sustainable business<sup>31</sup>. In the industrial revolution 4.0, if enterprises want to develop sustainably, they need to determine the leading role of enterprise culture<sup>9</sup>. Based on the argument above, hypotheses are proposed as follows:

*H4: Enterprise culture will be positively associated with enterprise sustainability*

Brand identity is expressed through image design, image positioning or expression of the physical form of the organization through the logo and colors of the enterprise<sup>32</sup>. Brand identity is the authentication of the existence, activities and business behavior of an enterprise<sup>33</sup>. Brand identity is used to find the differences between enterprises, and it is reflected in the core characteristics and long-term orientation of ones<sup>34</sup>. Alcívar et al. emphasized that an appropriate brand identity policy will help enhance the image and create crucial impacts on enterprise sustainability in the long run<sup>27</sup>. In other words, brand identity is one factor that motivates businesses to easily achieve sustainable development goals<sup>7</sup>. Green brand identity generally involves building an enterprise's reputation and creating an environmentally friendly image through activities or commitments to environmental protection during business operations. These activities include using environmentally friendly materials, ensuring that all products meet environmental standards or can be recycled, saving energy and resources, minimizing emissions, communicating about environmental protection initiatives, supporting community environmental efforts, and so on. Thus, green brand identity is an important lever to help enterprises approach the sustainable development process more quickly and drastically. Based on the argument above, hypotheses are proposed as follows:

*H5: Green brand identity will be positively associated with enterprise sustainability*

The precursor to ESG (Environment, Social and Governance) was corporate social responsibility (CSR), which first appeared in a book by Bowen<sup>35</sup>. The term ESG (Environment, Social and Governance) first appeared in a United Nations Global Compact report in late 2004 titled "Who Cares WIN Connecting Finance Marketing to a Changing World". At the time, the report highlighted the need for responsible investment, considering environmental, social and governance factors. ESG is explained as follows:

- E - Environmental: a group of standards that measure the level of a business's impact on the environment and natural resources. For instance, reducing carbon emissions and maintaining the sustainability of physical assets; reducing pollution of soil, water, air, and other types of pollution; effectively reducing, treating, and recycling waste; and efficiently using resources and energy. An enterprise focusing on ESG implementation can consider appropriate actions to both ensure business operations and protect the environment<sup>36</sup>.
- S - Social: The standards group measures factors related to relationships both inside and outside the business, including relationships with partners, customers, and employees. For instance, focusing on improving the basic needs, working environment, welfare, and career opportunities of employees; providing quality products and services; ensuring the privacy and security of customer information; and ensuring sustainable business models and products that are accessible and beneficial to the community<sup>36</sup>.
- G - Governance: A group of standards that measure efficiency, transparency, business ethics, and compliance with local regulations in business operations. For instance, they should adhere to ethical principles in business; ensure transparency in the disclosing information related to business activities; protect intellectual property rights; select the board of directors responsibly; and be accountable to shareholders. The enterprise must be transparent, accurate, and fair in selecting board members. At the same time, measures should be taken to combat bribery and corruption in the process of corporate governance<sup>36</sup>.

Thus, the essence of ESG is the measurement and evaluation based on three key factors that are directly related to the sustainable development of the enterprise. In addition, recent recommendations suggest that ESG needs to be integrated with the business strategy of enterprises and become the main orientation for enterprises to implement development plans geared towards green and sustainable growth, effective use of resources, and enhanced social and community responsibility. To develop sustainably, enterprises must meet the criteria set by ESG. Therefore, ESG is considered a fundamental factor affecting the sustainable development of enterprises. Based on the argument above, hypothesis are proposed as follows:

*H6: ESG will be positively associated with enterprise sustainability*

The research model is illustrated in Figure 1.

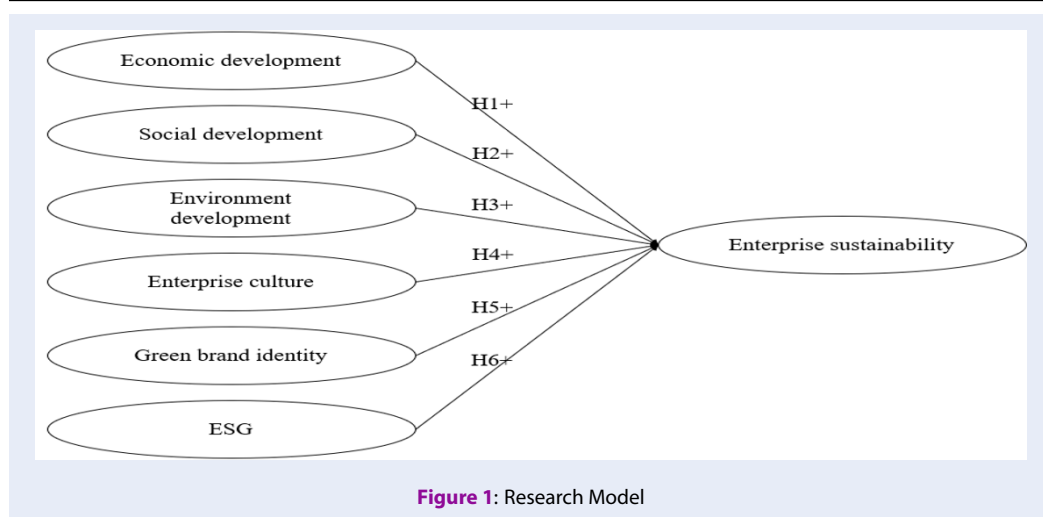


Figure 1: Research Model

### RESEARCH METHODS AND DATA

#### Scale

The scales are inherited from domestic and foreign studies by Bansal<sup>24</sup>, Chow and Chen<sup>26</sup>, Alcivar et al.<sup>37</sup>, Sinha et al.<sup>36</sup>, Tran<sup>7</sup>, Nguyen et al.<sup>9</sup>. We use a 5-degree Likert scale with 1 - strongly disagree, 3 - neutral, 5 - strongly agree.

This study was conducted in Vietnam, which is a developing country, but the initial scale was mainly verified in developed countries. So, the discovery study was conducted through in-depth interviews with experienced experts in the field of sustainable development and group discussions with target respondents (five micro and small-sized enterprise owners) using a purposeful sampling method to ensure that it is consistent with the practical context in Vietnam in general and the five cities selected for the survey in particular. The discovery results showed that experts and target respondents agreed on the scales and items in the proposed research model. Nevertheless, when translated from the original English questionnaire into Vietnamese, some items have been worded to be consistent with the grammar of Vietnamese people (see Table 1).

Before conducting the formal survey, the authors conducted a preliminary study of 35 micro and small-sized enterprise owners to check their reliability and adjust the formal scale again. The results showed that the Cronbach's Alpha coefficient of the scales all exceeded the threshold of 0.7 and the Corrected Item - Total Correlation was more significant than 0.4. Thus, the scales met the conditions for conducting the formal survey.

#### Data collection

Managers at micro and small-sized enterprises in five centrally-governed cities (Hai Phong, Hanoi, Da Nang, Ho Chi Minh and Can Tho Cities) were selected for this study using a convenient non-probability sampling method. Since they are Vietnam's most critical economic development localities, more than 80 per cent of the country's operating enterprises are concentrated in these areas. The minimum sample was 240 samples according to the formula of Hair et al. (2016) with a significance level of 1 per cent. Still, after cleaning, the formal sample size for analysis was 211 samples, a rate of 87.9 per cent. The survey was conducted online via Google form for 16 weeks (from January to April 2024). Of the 211 respondents, 75.3 per cent were male, and 24.7 per cent were female. The respondents were service enterprises accounting for 54 per cent, and manufacturing enterprises accounting for 36.5 per cent, most of which operate with a capital of less than VND 50 billion. Additionally, the number of employees working at enterprises between 51 and 100 employees accounts for 45 per cent and from 11 to 50 employees accounts for 24.6 per cent. 42.2% of enterprises operate from 6 to 10 years and from 1 to 5 years, accounting for 36.5%.

#### Data analysis

This study used partial least square-structural equation modeling (PLS-SEM) to analyze data through the SmartPLS 4.0 program. Data analysis includes the measurement model (reliability, convergent validity, discriminant validity) and structural model.

### FINDINGS AND DISCUSSION

413 **Measurement model**

414 Table 1 describes the items for the structural model  
415 and summarises the results of the analysis of reliability and convergent validity. The analysis results  
416 showed the outer loadings exceeding 0.4 ( $p < 0.05$ ),  
417 the average variance extracted (AVE) over threshold  
418 0.5<sup>38</sup>. Cronbach's Alpha value and composite reliability (CR) exceed the threshold of 0.7 suggested by  
419 Hair et al.<sup>39</sup>. So, the constructs achieve internal consistency reliability.  
420  
421  
422

**Table 1: The results of the reliability and convergent validity**

Items	Sign	Cronbach's $\alpha$ , CR, AVE	$\lambda$	Source
Economic development (Eco)				
Enterprises make maximum use of waste in business operations to minimize costs	Eco4	0.896 0.911 0.620	0.807	Chow and Chen <sup>26</sup> , Alcívar et al. <sup>37</sup> , The authors
Enterprises minimize unimportant input costs to focus on developing output products	Eco5		0.741	
Enterprises comply with requirements and legal documents of State management agencies in business operations to maintain growth	Eco6		0.796	
Enterprises cooperate with research institutes to apply modern technologies to improve productivity and quality in business operations	Eco3		0.772	
Enterprises implement marketing strategies with the aim of making a difference to achieve profits and drive business efficiency	Eco1		0.743	
Enterprises diversify product categories to meet customer needs to increase revenue and ensure development	Eco2		0.819	
Social development (Soc)				
Enterprises focus on the health and safety of employees and the local community during business operations	Soc1	0.835 0.849 0.700	0.723	Chow and Chen <sup>26</sup> , The authors
Enterprises actively participate in projects that support local community development	Soc3		0.800	
Enterprises protect the rights and act in the interests of the local community	Soc5		0.711	
Enterprises are willing to disclose the impacts and risks that will occur to the environment to the local community	Soc4		0.868	

Continued on next page

*Table 1 continued*

Enterprises have direct dialogue with the local community before making investment decisions	Soc2		0.782	
Environment development (Env)				
Enterprises seeking to reduce the use of fossil energy sources and emissions in their business operations	Env4	0.881 0.904 0.603	0.825	Chow and Chen <sup>26</sup> , The authors
Enterprises seek to use materials that are less polluting to the environment and can be recycled	Env1		0.757	
Enterprises seeking to minimize the impact of products, goods or services on the natural environment	Env6		0.833	
Enterprises build and install wastewater treatment systems to protect the environment	Env7		0.739	
Enterprises aim to protect the environment along with economic benefits	Env5		0.764	
Enterprises sponsor and respond to local environmental protection activities	Env8		0.805	
Enterprises comply with regulations and participate in training courses on environmental protection of local authorities	Env2		0.830	
Enterprises develop plans and set aside funds to respond to environment-related incidents	Env3		0.783	
Enterprise culture (EC)				
Mission, vision and core values of the enterprise towards green development and growth	EC5	0.801 0.817 0.542	0.728	Nguyen et al. <sup>9</sup> , The authors
Enterprises implement training courses on environmental protection to raise employees' awareness of environmental matters	EC1		0.837	
Enterprises encourage employees to improve their professional qualifications and competencies	EC2		0.809	

*Continued on next page*



*Table 1 continued*

Enterprises focus on improving the internal and external working environment of employees	EC4		0.813	
Enterprises propagating and organizing movements to respond to environmental protection	EC6		0.748	
Enterprises promulgate regulations on standard culture and behavior in the working process	EC3		0.777	
Green brand identify (GBI)				
Enterprises build an environmentally friendly image	GBI1	0.792 0.799 0.591	0.760	Alcívar et al. <sup>37</sup> , The authors
Enterprises promote and position green brands in the hearts of customers	GBI3		0.854	
Enterprises focus on developing products with environmental protection characteristics	GBI2		0.861	
Businesses use blue tones as the main color Environment, Social and Governance (ESG)	GBI4		0.872	
Enterprises replace equipment, tools, machinery, offices and factories with environmentally friendly materials	ESG4	0.906 0.914 0.685	0.709	Sinha et al. <sup>36</sup> , The authors
Enterprises maximize the application of technology in the working process to minimize operating costs	ESG8		0.717	
Enterprises care and treat employees fairly	ESG3		0.808	
Enterprises respect confidentiality and are willing to provide benefits and risks of products and services to customers	ESG6		0.791	
Enterprises listen to feedback from employees and customers	ESG7		0.793	
Enterprises encourage employees to use environmentally friendly items	ESG2		0.784	
Enterprises ensure working conditions and compliance with legal regulations for employees	ESG1		0.843	

*Continued on next page*

Table 1 continued

Enterprises publicize annual business results	ESG5		0.826	
Enterprises take measures to prevent negative behaviors arising in business activities	ESG9		0.758	
Enterprise sustainability (ES)				
Enterprises want to develop sustainably in the future	ES	-	1,00	The authors

Source: Authors' analysis

In addition, this study found that the square root values of the AVE coefficient range from 0.736 to 1.00, and they are more significant than the correlation between the factors. At the same time, the HTMT correlation index does not exceed the threshold of 0.85 and is less than CR (see Table 2). Thus, the results indicated that the constructs are reliable, convergent and discriminant and can be used to evaluate structural models<sup>38,39</sup>.

### Structural model analysis

Table 3 shows the VIF values don't exceed the threshold 5 so the structure model does not have multicollinearity. Additionally, the  $f^2$  values are more than 0.2 so the independent variables have a high effect size on the dependent variable in the research model<sup>40</sup>.

Table 4 also shows  $R^2$  value has an appropriate predictive power since the endogenous latent variable "Enterprise sustainability" exceeds the threshold of 0.5 recommended by Hair et al.<sup>40</sup>. Moreover, the analysis results also found  $Q^2 > 0$ , so the structural model achieved overall quality.

Besides, we conducted Bootstrap 5000 times<sup>40</sup> to consider the value of the standardized impact factor ( $\beta$ ), the significance level (p), and the value of the test t.

Table 5 and Figure 2 confirm that the proposed research hypotheses are accepted. Independent factors (Eco, Soc, Env, EC, GBI, ESG) have a positively impact on the dependent factor "Enterprise sustainability". The factor of ESG has the highest impact, while the factor of social development has the lowest impact on the sustainable development of micro and small-sized enterprises.

## DISCUSSION

In this study in Vietnam, six factors directly affect enterprise sustainability: economic development, social development, environment development, enterprise culture, green brand identity, and ESG. The results of the study are similar and different from those of previous studies.

To begin with the H1 hypothesis, economic development positively impacts enterprise sustainability. This finding is similar to the study of Chow and Chen<sup>26</sup>. Economic development opens up opportunities for profit growth and business scale for micro and small-sized enterprises. As the economy grows, micro and small-sized enterprises have better financial capacity to invest in technology, human resources, and sustainability initiatives.

Next, unraveling the H2 hypothesis, social development positively impacts enterprise sustainability. This result is consistent with the findings of Chow

and Chen<sup>26</sup>. In fact, Vietnamese micro and small-sized enterprises have also begun to be more aware of their role in contributing to the development of society through activities such as supporting education, health, environmental protection and the community, which have contributed to improving the image and reputation of enterprises, at the same time, creating sustainable value for both enterprises and society.

Next up, the H3 hypothesis is that environmental development positively impacts enterprise sustainability. This finding is similar to the study of Chow and Chen<sup>26</sup>. In fact, environmental development encourages enterprises to use natural resources effectively and sustainably. Currently, many enterprises have applied measures to save energy, manage waste and use renewable resources to reduce production costs, increase business efficiency and protect the environment.

Regarding the H4 hypothesis, enterprise culture positively impacts enterprise sustainability. This finding is similar to the study of Nguyen et al.<sup>31</sup>. Enterprise culture promotes long-term vision instead of focusing only on short-term benefits. Currently, micro and small-sized enterprises are tending to invest in sustainable activities, from resource management to human resource development, as a result creating a solid foundation for the sustainable development of the enterprise.

Next, the H5 hypothesis is that green brand identity positively impacts enterprise sustainability. This result is consistent with the findings of Tran<sup>7</sup>. Currently, consumer trends are shifting towards eco-friendly products and services. A green brand identity is a tool for micro and small-sized enterprises to meet the growing market demand for sustainable products due to expanding the market and increasing sales.

Finally, the H6 hypothesis states that ESG has positive enterprise sustainability. This finding is the highlight of our study. So far, no formal study in Vietnam has proven the relationship between ESG and enterprise sustainability. Nowadays, investors are increasingly interested in ESG factors when making investment decisions. Micro and small-sized enterprises with good ESG practices attract more investors, since they are less risky and have the potential for sustainable development. Besides, ESG practices contribute to building and improving corporate reputation and image. Enterprises with social and environmental responsibility are more appreciated by consumers, communities and stakeholders, thereby increasing their profits.

**Table 2: The result of discriminant validity**

	Soc	Eco	Env	EC	GBI	ESG	ES
Soc	0.836						
Eco	0.562 0.573	0.787					
Env	0.695 0.707	0.288 0.291	0.776				
EC	0.208 0.213	0.712 0.717	0.633 0.636	0.736			
GBI	0.324 0.329	0.403 0.416	0.189 0.192	0.409 0.411	0.769		
ESG	0.581 0.586	0.590 0.600	0.088 0.094	0.117 0.122	0.662 0.671	0.827	
ES	0.622 0.630	0.444 0.448	0.375 0.382	0.223 0.225	0.227 0.230	0.354 0.355	1.00

Source: Authors' analysis

**Table 3: The values VIF and f<sup>2</sup>**

Hypothesis	VIF	f <sup>2</sup>
H1	3.219	0.321
H2	2.543	0.432
H3	2.110	0.355
H4	4.206	0.367
H5	1.943	0.412
H6	2.704	0.501

Source: Authors' analysis

**Table 4: The values R<sup>2</sup> and Q<sup>2</sup>**

	R <sup>2</sup>	R <sup>2</sup> adjust	Q <sup>2</sup>
ES	0.746	0.733	0.594

Source: Authors' analysis

**Table 5: Results of the hypothesis test**

Hypothesis	$\beta$	SD	t	Conclusion
H1	0.487	0.017	4.003**	Accepted
H2	0.514	0.023	2.876**	Accepted
H3	0.493	0.024	5.553**	Accepted
H4	0.556	0.015	3.985**	Accepted
H5	0.572	0.022	4.691*	Accepted
H6	0.601	0.020	5.124*	Accepted

$\chi^2 = 742.371$  ( $p < 0.05$ ),  $df = 632$   
 $\chi^2 / df = 1.454$ , GFI = 0.887, NFI = 0.895, TLI = 0.909, CFI = 0.911, RMSEA = 0.068  
 Notes: \* significant at  $p < 0.05$ ; \*\* significant at  $p < 0.01$

Source: Authors' analysis

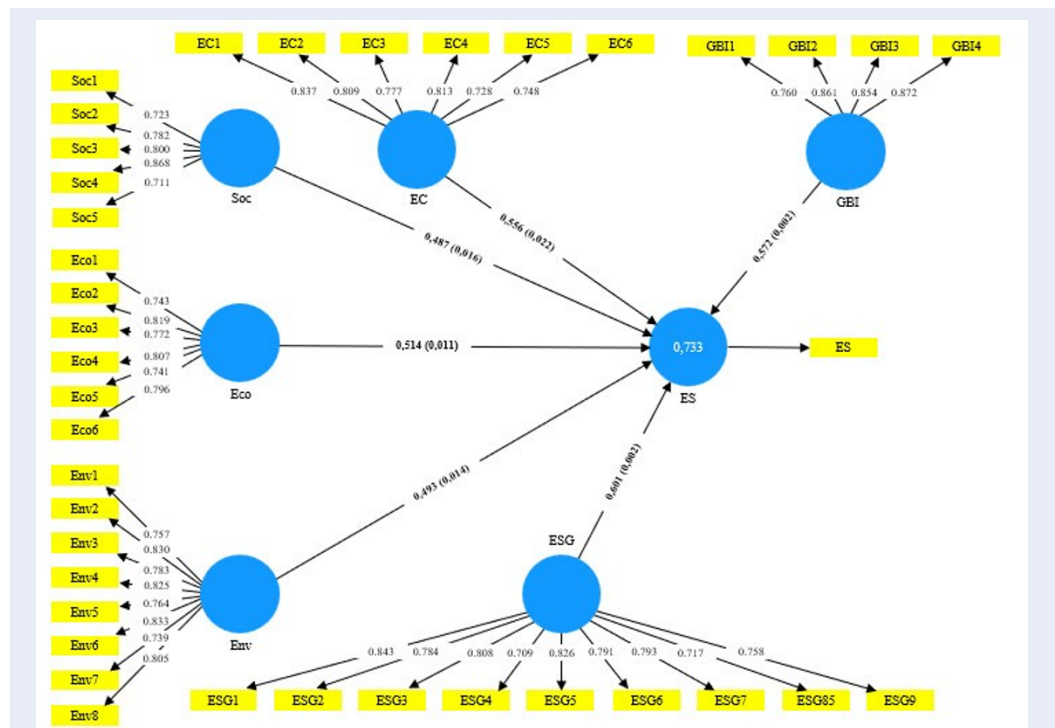


Figure 2: PLS-SEM showing positive relationships in variables (Source: Authors' analysis)

226 Theoretically, the findings of this study are consistent  
 227 with institutional theory<sup>10</sup>, stakeholder theory<sup>11</sup>, and  
 228 legitimacy theory<sup>14</sup> in explaining the factors that  
 229 affect enterprise sustainability. The Least Squares  
 230 Structural Equation Modeling (PLS-SEM) has also accepted  
 231 the proposed factors. This provides empirical  
 232 evidence that economic development, social develop-  
 233 ment, environment development, enterprise culture,  
 234 green brand identity, and ESG are positively related to  
 235 the sustainable development of micro and small-sized  
 236 enterprises in Vietnam – a developing country.  
 237 Practically, the research results are a crucial signal  
 238 for managers of Vietnamese micro and small-sized  
 239 enterprises to pay special attention to the aspects of  
 240 economic development, social development, environ-  
 241 mental development, enterprise culture, green brand  
 242 identity, and ESG to build enterprise sustainability.

### 543 CONCLUSION

544 Based on empirical data and insights from previous  
 545 studies, our study highlights the crucial impact of  
 546 economic development, social development, environ-  
 547 ment development, enterprise culture, green brand  
 548 identity, and ESG in achieving enterprise sustainabil-  
 549 ity. And we've also expanded on the scant documenta-  
 550 tion of these constructs. Although the literature on

the construct relationships in this study is increas-  
 ing, this study provides more concrete evidence in the  
 context of an emerging economy. Besides, this study  
 considered ESG to be a crucial factor in enterprise  
 sustainability.

In addition to the results achieved, the study still has  
 several limitations as follows:

Firstly, this study has only focused on collecting  
 data from micro and small-sized enterprises in five  
 centrally-governed cities, so the scope is not wide. So,  
 future studies should expand the scope to other local-  
 ities to increase the sample size and generality.

Secondly, the results of this study are based on causal  
 model analysis with cross-sectional data. It is not  
 optimal because the chronological order of the con-  
 struct, one of the crucial factors in causal modeling  
 analysis is omitted. Future studies should collect a  
 time series, and cross-sectional data aggregated for in-  
 vestigation, or the studies can be designed vertically to  
 collect data at different times, and the results of this  
 research design can clearly describe the changing pat-  
 terns and the extent of the causal relationship between  
 the variables.

### 574 ABBREVIATIONS

575 AVE: Average Variance Extracted

576 CR: Composite Reliability  
 577 CSR: Coporate Social Responsibility  
 578 ESG: Environmental, Social, and Governance  
 579 GDP: Gross Domestic Product  
 580 HTMT: Heterotrait-monotrait

581 **CONFLICT OF INTEREST**

582 The authors declare that they have no conflicts of in-  
 583 terest.

584 **AUTHORS' CONTRIBUTION**

585 Nguyen Danh Nam: conceptualization  
 586 Nguyen Danh Nam, Uong Thi Ngoc Lan and Nguyen  
 587 Minh Ngoc: data collection and curation  
 588 Nguyen Danh Nam, Uong Thi Ngoc Lan and Nguyen  
 589 Minh Ngoc: formal analysis  
 590 Nguyen Danh Nam: methodology  
 591 Uong Thi Ngoc Lan: writing - original draft  
 592 Nguyen Danh Nam and Uong Thi Ngoc Lan: writing  
 593 - review & editing

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# Nhận diện các yếu tố ảnh hưởng đến phát triển bền vững của các doanh nghiệp siêu nhỏ và nhỏ - Nghiên cứu trường hợp Việt Nam

Nguyễn Danh Nam<sup>1,\*</sup>, Ông Thị Ngọc Lan<sup>1</sup>, Nguyễn Minh Ngọc<sup>2</sup>



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## TÓM TẮT

Doanh nghiệp đóng vai trò quan trọng trong mọi nền kinh tế, là xương sống của các hoạt động kinh tế trên toàn thế giới. Trong những năm gần đây, sự bền vững của môi trường đã trở thành mối quan tâm toàn cầu ngày càng cấp bách, không chỉ ảnh hưởng đến các quốc gia phát triển mà còn ảnh hưởng đến các doanh nghiệp siêu nhỏ và nhỏ ở các nền kinh tế mới nổi. Do đó, tiếp cận phát triển bền vững của doanh nghiệp là cách tốt nhất để giải quyết các tác động môi trường do cạn kiệt tài nguyên thiên nhiên. Nhiều doanh nghiệp lớn đã tham gia Hội đồng Doanh nghiệp Thế giới vì sự Phát triển Bền vững. Ngoài ra, các doanh nghiệp siêu nhỏ và nhỏ cũng dành nhiều mức độ quan tâm khác nhau đến các vấn đề môi trường và hoạt động bền vững. Tuy nhiên, tại Việt Nam, chủ sở hữu các doanh nghiệp siêu nhỏ và nhỏ chủ yếu tập trung vào hiệu quả kinh doanh ngắn hạn. Nghiên cứu này phân tích các yếu tố ảnh hưởng đến sự phát triển bền vững của các doanh nghiệp siêu nhỏ và nhỏ tại Việt Nam dựa trên các lý thuyết cơ bản như lý thuyết thể chế, lý thuyết bên liên quan và lý thuyết tính hợp pháp. Áp dụng các phương pháp nghiên cứu định lượng để phân tích dữ liệu thu thập được từ 211 nhà quản lý tại các doanh nghiệp siêu nhỏ và nhỏ tại năm thành phố trực thuộc trung ương của Việt Nam. Các giả thuyết và mô hình phương trình cấu trúc đã được kiểm định bằng phần mềm SmartPLS. Kết quả cho thấy Môi trường, Xã hội và Quản trị (ESG) là tác động trực tiếp cao nhất đến phát triển bền vững của các doanh nghiệp siêu nhỏ và nhỏ tại Việt Nam. Trong khi đó, phát triển kinh tế có tác động thấp nhất đến phát triển bền vững của các doanh nghiệp siêu nhỏ và nhỏ tại Việt Nam. Do đó, nghiên cứu này chỉ ra rằng các doanh nghiệp và chính phủ phải hiểu được tầm quan trọng của các hoạt động ESG đối với phát triển bền vững trong nền kinh tế hiện nay. Nghiên cứu nhấn mạnh rằng cả doanh nghiệp và các cơ quan chính phủ cần phải công nhận và ưu tiên các nguyên tắc ESG để thúc đẩy một tương lai kinh tế bền vững và toàn diện hơn. Bằng cách đó, có thể xây dựng các chiến lược thúc đẩy khả năng tồn tại lâu dài của các doanh nghiệp trong nước.

**Từ khoá:** ESG, phát triển bền vững, doanh nghiệp siêu nhỏ và nhỏ, Việt Nam

<sup>1</sup>Trường Đại học Thành Đông, Việt Nam

<sup>2</sup>Trường Đại học Kinh tế - Tài chính Thành Phố Hồ Chí Minh, Việt Nam

## Liên hệ

**Nguyễn Danh Nam**, Trường Đại học Thành Đông, Việt Nam

Email: namnd@thanhdong.edu.vn

## Lịch sử

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