

Factors Affecting Communication Activities of Small and Medium Enterprises in Thai Nguyen Province

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Abstract: *Effective communication plays a vital role in the sustainable development of small and medium enterprises (SMEs). Based on data collected from 320 SMEs operating in Thai Nguyen province, this study analyzes the impact of six factors on business communication activities: leadership style, employee communication skills, information technology application, external communication environment, financial capacity, and internal communication policy. The study utilizes a multivariate regression model to determine the level of influence of these factors. Results indicate that leadership style and financial capacity have the strongest effects. The paper proposes practical solutions for enhancing communication efficiency among SMEs in Thai Nguyen.*

Keywords - *Business Communication, SMEs, Thai Nguyen, Leadership, Financial Capacity, Technology Application*

I. INTRODUCTION

Small and medium enterprises (SMEs) play a crucial role in the economic and social development of Vietnam, accounting for over 97% of the total number of enterprises, contributing approximately 40% of the national GDP and employing more than 60% of the workforce. In Thai Nguyen province, a strategically located economic center in northern Vietnam, SMEs are vital drivers of industrialization, innovation, and employment generation. However, despite their growing presence and potential, these enterprises continue to face numerous challenges, among which communication effectiveness is one of the most underestimated yet impactful.

In an increasingly dynamic and competitive business environment, communication is not merely a support function but a strategic asset that determines an organization's ability to coordinate internally, build its brand externally, and respond to stakeholders swiftly. For SMEs, efficient communication is essential for team cohesion, customer retention, crisis management, and navigating market changes. Yet, communication in many SMEs remains informal, fragmented, or underdeveloped due to limited budgets, lack of skilled personnel, technological constraints, and weak organizational structures.

Thai Nguyen SMEs, particularly those in traditional industries and rural zones, often struggle to keep up with modern communication standards. Many businesses still rely heavily on word-of-mouth or basic tools for internal coordination and external promotion, limiting their competitiveness in a digital-first economy. Moreover, the COVID-19 pandemic has accelerated the demand for digital communication transformation, highlighting gaps in technological adoption and communication agility across SMEs.

This study is motivated by the urgent need to understand what drives or hinders communication effectiveness among SMEs in Thai Nguyen. While existing literature has explored communication in large enterprises and urban startups, there is a research gap in provincial-level, resource-constrained contexts. This paper aims to fill that gap by identifying and analyzing the factors influencing communication activities among SMEs in the region.

By examining internal and external factors—ranging from leadership style, employee skills, and financial capacity to technology application and communication policy—this research offers a comprehensive view of what shapes communication outcomes in SMEs. The findings are expected to support policymakers, SME owners, and business development agencies in designing more effective communication strategies, capacity-building initiatives, and digital transformation programs tailored to the real conditions of Thai Nguyen.

II. LITERATURE REVIEW

Communication is an integral component of organizational functioning, enabling the flow of information, coordination of activities, and alignment of strategic objectives (Robbins, 2018). In the context of small and medium enterprises (SMEs), where resources are often limited and structures are less formalized, effective communication becomes both a necessity and a challenge. This section explores the theoretical and empirical foundations related to six primary factors that potentially influence communication activities in SMEs: leadership style, employee communication skills, technology application, external communication environment, financial capacity, and internal communication policy.

Leadership has long been recognized as a determinant of organizational behavior and performance. According to Bass (1990), transformational leadership—characterized by charisma, intellectual stimulation, and individualized consideration—enhances internal communication by promoting openness, trust, and participation. Leaders who encourage feedback, articulate a clear vision, and engage with employees regularly foster a culture where information flows efficiently both vertically and horizontally (Yukl, 2017). In contrast, transactional or authoritarian leadership styles may impede communication by creating fear, limiting transparency, or reinforcing rigid hierarchies. In SMEs, where the owner often serves as both leader and manager, leadership style directly influences how communication is prioritized and operationalized (Le, 2024).

The effectiveness of organizational communication also depends on individual competencies. Serrat (2017) defines communication skills as the ability to effectively convey, interpret, and respond to messages through verbal, non-verbal, and written communication. In SMEs, where multitasking is common, employees are often required to interact with both internal stakeholders (colleagues, supervisors) and external ones (customers, suppliers). Studies have shown that communication skills are positively correlated with customer satisfaction, team collaboration, and error reduction (Sokoł & Figurska, 2017). A workforce lacking in basic communication competencies is more prone to misunderstandings, low morale, and conflict, which in turn diminish productivity and reputation.

In the digital age, technology serves as a backbone for communication across all levels of the organization. Tools such as email, enterprise messaging platforms (e.g., Slack, Zalo), customer relationship management (CRM) systems, and video conferencing applications have transformed how businesses operate. Patil (2022) emphasize that adopting modern communication technologies can increase responsiveness, improve knowledge sharing, and enhance customer engagement. However, SMEs often face barriers to adoption including high costs, lack of digital literacy, and resistance to change (Cheng et al., 2024). The degree to which SMEs integrate communication technology reflects both strategic intent and operational capability, making it a critical factor in their communication performance.

The external environment encompasses factors beyond the firm's control but which influence how it communicates with its stakeholders. This includes customer expectations, media dynamics, cultural norms, legal regulations, and competitive pressures. According to Kotler and Keller (2016), companies must align their messaging with external trends and feedback to remain relevant. For SMEs, particularly those operating in provincial contexts like Thai Nguyen, limited access to market research or public relations support can hinder their ability to craft effective external communication strategies. Karadag (2015) finds that enterprises with greater sensitivity to external cues—such as shifts in consumer behavior or media narratives—are more likely to build trusted brands and avoid crises.

Communication is often perceived as a cost center rather than a value driver, especially in financially constrained SMEs. Yet numerous studies have shown that investment in communication—be it through hiring skilled personnel, developing promotional content, or acquiring tools—yields long-term benefits in customer retention, employee engagement, and strategic alignment (Pandey & Risal, 2022). According to Mura et al. (2017), financial capacity not only determines the scope and sophistication of communication but also affects its consistency and credibility. Inadequate funding often leads SMEs to rely on ad hoc, informal, and reactive communication practices.

Formal communication policies provide a structural framework for information flow within organizations. These include rules on meeting frequency, reporting lines, feedback loops, and documentation standards. Robbins (2018) notes that structured communication reduces ambiguity, accelerates decision-making, and builds accountability. In SMEs, however, such policies are often either non-existent or inconsistently

applied. Bryson et al. (2014) argue that while informality allows for agility, the absence of clear protocols can result in information silos, redundancy, and confusion. The presence of a coherent communication policy thus marks organizational maturity and strategic awareness.

III. RESEARCH METHODOLOGY

This research adopts a quantitative methodology, grounded in the positivist paradigm, which assumes that business phenomena such as communication effectiveness can be objectively measured and explained through empirical analysis. The study employs a cross-sectional design, collecting data at a single point in time to identify the relationships between the proposed independent variables and the dependent variable—communication performance in SMEs. A structured questionnaire was developed based on the literature and expert consultation. It was pre-tested with 30 SME managers to ensure reliability and clarity.

The survey instrument was a structured questionnaire developed based on validated scales from prior studies (Bass, 1990; Robbins, 2018; Patil, 2022). The questionnaire was divided into four sections: (1) General information about the enterprise (size, sector, years of operation); (2) Current communication practices; (3) Perceptions of influencing factors; (4) Recommendations for improvement.

Each independent variable was measured using a group of 3–5 items on a 5-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree). The author uses a 5-scale Likert scale to collect the responses' evaluations as the following table:

Table 1. Likert Scale

Point	Range	Interpretation
5	4.20 - 5.0	Strongly Agree
4	3.40 - 4.19	Agree
3	2.60 - 3.39	Neither Agree or Disagree
2	1.80 - 2.59	Disagree
1	1.0 - 1.79	Strongly Disagree

Leadership Style measured through items on openness to feedback, clarity of vision, and participative communication. Employee Communication Skills included articulation, listening, and writing ability. Technology Application gauged via frequency and types of tools used (email, social media, CRM). External Communication Environment reflected by responsiveness to market demands, media engagement, and stakeholder alignment. Financial Capacity measured by the availability of budgets for communication, training, and media outreach. Internal Communication Policy included formal communication guidelines, protocols for meetings, and feedback mechanisms.

The dependent variable - Communication Performance - was assessed via perceived effectiveness in internal coordination, external branding, and responsiveness to stakeholders.

The target population comprised SMEs in Thai Nguyen province across manufacturing, service, and trade sectors. Using Slovin's formula with a 95% confidence level and 5% margin of error, the minimum sample size was calculated to be 300. A total of 350 questionnaires were distributed using purposive sampling, targeting SME owners and communication-related managers. After screening for completeness and validity, 320 responses were retained for analysis. Data collection was conducted over a 2-month period through both online distribution (Google Forms) and face-to-face surveys. Respondents were assured of confidentiality and anonymity to increase response reliability.

Regression analysis using the Enter method in SPSS 26.0 was employed to identify the influence of the six independent variables. Reliability tests yielded Cronbach's alpha values above 0.7 for all constructs.

The research hypothesis of the model is as follows:

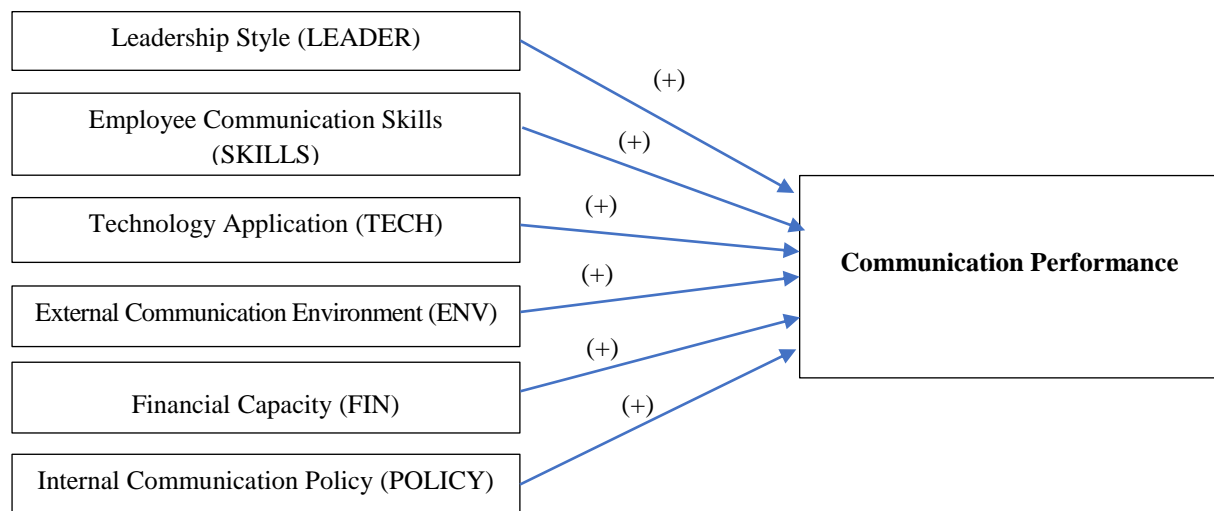


Figure 1. Research framework

Based on the theoretical background and literature review, the study proposes the following hypotheses:

H1: Leadership style has a positive and significant impact on the communication performance of SMEs in Thai Nguyen.

H2: Employee communication skills have a positive and significant impact on the communication performance of SMEs in Thai Nguyen.

H3: The application of information and communication technology (ICT) positively affects communication performance in SMEs.

H4: External communication environment has a positive influence on SME communication performance.

H5: Financial capacity is positively associated with improved communication performance in SMEs.

H6: Internal communication policies positively affect the effectiveness of SME communication activities.

These hypotheses are tested through a multivariate regression model to assess the strength and direction of each factor's influence on the dependent variable.

IV. RESULTS AND FINDINGS

Out of 320 valid responses, 52.5% of participants were from the manufacturing sector, 28.1% from services, and 19.4% from trade. Most enterprises (67.8%) had fewer than 50 employees, and 72.3% had been operating for over five years. Regarding communication practices, 48.6% of firms reported lacking formal internal communication policies, while only 37.2% used advanced digital communication tools such as CRM or integrated messaging systems.

A multiple linear regression analysis was conducted to examine the relationships between six independent variables and the dependent variable—communication performance. The regression model yielded the following summary:

Table 2. Model summary

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
0.865	0.748	0.741	0.39502	2.021

The R^2 value of 0.748 indicates that approximately 74.8% of the variance in communication performance can be explained by the six predictors. The Durbin-Watson statistic (2.021) suggests no serious autocorrelation among the residuals, ensuring the robustness of the model.

Table 3. ANOVA of the Model

	Sum of Squares	DF	Mean Square	F	Sig.
Regression	132.74	6	22.12	141.27	0.000
Residual	44.86	313	0.143		
Total	177.60	319			

The F-statistic is significant at the 0.01 level, affirming the model's explanatory power and the joint significance of the independent variables.

Table 4. Empirical results

Variable	Standardized Coefficients	t	Sig.	VIF
LEADER	0.324	6.43	0.000	1.321
SKILLS	0.219	4.88	0.000	1.298
TECH	0.174	3.77	0.000	1.365
ENV	0.138	2.94	0.004	1.281
FIN	0.342	6.92	0.000	1.336
POLICY	0.127	2.45	0.015	1.198

The Variance Inflation Factor (VIF) values for all independent variables ranged from 1.198 to 1.365, which are well below the commonly accepted threshold of 10 (and even the more conservative threshold of 5), indicating that multicollinearity is not a concern in this model. This suggests that each predictor variable provides unique and meaningful information about the variance in communication performance without significant redundancy or overlap with other variables.

Financial Capacity ($\beta = 0.342$): This variable exhibited the strongest effect, reaffirming that communication in SMEs depends heavily on available financial resources. In the Thai Nguyen context, where many SMEs operate on tight budgets, the ability to invest in communication systems, hire skilled professionals, and conduct marketing or stakeholder engagement activities often hinges on financial stability. A well-funded SME can deploy tools like customer relationship management (CRM) software, professional content development, and media campaigns, all of which improve clarity, consistency, and public image. Moreover, access to funds allows for structured internal communication processes such as employee onboarding materials, training manuals, and regular internal updates.

Leadership Style ($\beta = 0.324$): This factor emerged as nearly as influential as financial capacity. Effective communication begins at the top. In SMEs, leaders typically serve as both visionaries and implementers, so their communication approach sets the tone for the entire enterprise. Transformational leaders who model openness, clarity, and consistency foster an environment where staff feel encouraged to speak up,

share knowledge, and collaborate. In Thai Nguyen, where many SMEs are family-owned or founder-led, leadership development in communication remains a critical area of improvement. Participatory leadership that encourages employee feedback and transparency is particularly vital for knowledge transfer and team cohesion.

Employee Communication Skills ($\beta = 0.219$): Communication skills among staff—such as clarity in writing, professionalism in verbal interactions, and responsiveness in digital communication—have direct implications for business outcomes. In the context of Thai Nguyen's SMEs, which often lack formal HR development systems, employees frequently perform multiple roles, making communication a cornerstone of their effectiveness. SMEs that invest in employee communication training can reduce misunderstandings, strengthen client relationships, and improve overall efficiency.

Technology Application ($\beta = 0.174$): While digital transformation is gaining traction across Vietnam, many SMEs in Thai Nguyen still struggle with limited infrastructure or digital literacy. However, those that do embrace communication technology—such as collaboration platforms, automated email systems, or centralized information databases—report greater agility, fewer delays, and more professional interactions with clients and partners. Though not as strong as leadership or financial factors, technological application is essential in modernizing communication, especially in hybrid work environments.

External Environment ($\beta = 0.138$): SMEs operate within dynamic environments shaped by customer preferences, media narratives, regulatory frameworks, and competitor behavior. This factor reflects how well an SME interprets and responds to external cues. For example, SMEs that track customer sentiment via social media or proactively adjust messaging to regulatory changes can maintain better reputations and trust. In Thai Nguyen, where many SMEs serve both local and national markets, adaptability to external communication demands is essential to brand sustainability.

Internal Communication Policy ($\beta = 0.127$): Despite being the least impactful in terms of beta value, this factor remains significant. It suggests that even basic formalization—such as regular staff meetings, internal newsletters, or reporting hierarchies—can enhance clarity and accountability. Most SMEs in Thai Nguyen lack written communication policies, relying instead on informal or reactive exchanges. The institutionalization of communication policies could provide structure and predictability, especially for growing or multi-unit SMEs.

Collectively, the model demonstrates that communication performance in SMEs is the product of not only financial or technological inputs but also leadership dynamics, staff competencies, environmental responsiveness, and procedural discipline. The confirmation of all six hypotheses provides a strong empirical foundation for a multidimensional communication strategy tailored to the SME context in Thai Nguyen.

V. CONCLUSIONS AND POLICY RECOMMENDATIONS

This study investigated the factors influencing communication activities of small and medium enterprises (SMEs) in Thai Nguyen province, Vietnam. Drawing upon a comprehensive review of literature and data collected from 320 SMEs, the findings demonstrate that communication performance is shaped by a multidimensional set of internal and external factors. Among these, financial capacity and leadership style emerged as the two most significant determinants, followed by employee communication skills, technology application, external communication environment, and internal communication policy.

The regression analysis confirmed the explanatory strength of the proposed model, with 74.8% of the variation in communication performance explained by the six identified variables. All hypotheses were supported, and the model was validated through robust statistical diagnostics including the ANOVA F-test and multicollinearity checks.

These results reinforce the critical role of communication as a strategic capability that enables SMEs to enhance internal coordination, external visibility, stakeholder engagement, and overall competitiveness. The findings also emphasize that communication performance is not the result of isolated factors but rather the outcome of integrated organizational systems, competencies, and resource allocation.

To translate the empirical findings into actionable policy, this section outlines targeted recommendations for each of the six key factors influencing communication performance among SMEs:

Firstly, enterprise owners and managers should be supported in developing transformational leadership qualities that prioritize communication. Local training programs—possibly offered in collaboration with business support organizations or universities—should emphasize the role of clear messaging, active listening, and inclusive dialogue in shaping communication culture. Encouraging participative leadership will foster open

communication channels and enhance trust within teams.

Secondly, the development of communication skills across all organizational levels should be integrated into human resource development strategies. This includes regular training in customer service, interpersonal communication, email etiquette, and conflict resolution. Vocational schools and SME support centers in Thai Nguyen can collaborate to offer short courses tailored to the communication needs of small businesses.

Thirdly, adoption of communication technology tools such as instant messaging platforms, CRM systems, and cloud-based collaboration tools should be promoted. Government agencies can provide subsidies or tax incentives for SMEs to adopt digital tools. In addition, awareness campaigns and user-friendly guides can help overcome technological resistance or knowledge barriers among SME staff.

Fourthly, SMEs must proactively monitor and respond to changes in customer expectations, regulatory requirements, and media narratives. Regular customer feedback surveys, market trend analyses, and communication audits should be conducted to align communication content and tone with stakeholder demands. Provincial trade promotion agencies can offer support in scanning and interpreting market information.

Fifthly, it is crucial for SMEs to allocate a specific budget line for communication in their annual planning. This includes funds for staff training, marketing content creation, and communication infrastructure. Local banks and credit institutions should consider offering targeted credit lines or micro-loans for communication upgrading purposes.

Sixthly, SMEs should be encouraged to document internal communication practices in the form of written policies and guidelines. These documents should outline procedures for meetings, reporting, and performance feedback. Even basic internal newsletters or team briefings can substantially improve coordination and information transparency. Advisory services from SME development organizations can help firms design practical and scalable internal policies.

In sum, improving communication practices is a crucial step toward sustainable SME development in Thai Nguyen. By implementing a comprehensive and context-sensitive strategy that addresses leadership, skill development, technology, finance, and structure, SMEs can build resilient communication systems that support long-term growth and innovation.

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