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Enhancing business performance of small and medium-sized travel enterprises in Ho Chi Minh city, Vietnam

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Abstract: The purpose of this study was to investigate the innovation capabilities in tourism businesses in Ho Chi Minh City, Vietnam. Data for the study was gathered between May 4, 2024, and October 12, 2024, by surveying 443 managers who are directly in charge of tourism businesses in Ho Chi Minh City and who are also members of the Board of Directors. The authors, inheriting previous research, identified the most often observed variables for each factor using confirmatory factor analysis (CFA), and the SEM model also supported the idea that innovation capability acted as a mediator between the aforementioned factors. Based on these findings, the study has recommended managerial changes to enhance future investments in fostering market orientation, digital marketing, CRM, and innovation capabilities in order to attain strong business performance in Ho Chi Minh City, Vietnam's tourism SMEs.

Keywords: *Business performance, Customer relationship management, Ho Chi Minh City, Market orientation, Digital marketing, Tourism smes, Vietnam.*

1. Introduction

The tourism is a sustainable economic industry. Howerver, it's also sensitive for toursism to natural disasters and crises [1]. For instance, the COVID-19 pandemic is an epidemic crisis that can have a widespread and profound impact on the global tourism industry [1]. In a such context, Vietnamese tourism industry is also seriously affected by the covid epidemic [1]. Specifically, The COVID-19 pandemic inflicted unprecedented damage on Vietnam's tourism industry, marking the most severe crisis in the sector's history [1]. Both domestic tourism and international tourism confronted the massive declines, leaving tourism enterprises struggling to stay afloat and leading to widespread job losses across multiple tourism-dependent industries [1].

Furthermore, by the end of the COVID-19 pandemic year in 2020, the COVID-19 pandemic severely disrupted Vietnam's tourism sector, with 102,000 businesses closing down, including 4,300 travel businesses and 3,884 hotels and restaurants [1]. The sharp decline in international tourism led to massive layoffs and closures in the tourism and hospitality industries, with some hotels and businesses pivoting to domestic tourism or repurposing their spaces for alternative uses [1]. Many enterprises, including accommodation providers and tour operators, shifted to serving domestic tourists, but these efforts did little to recover the loss in revenue from international and local visitors completely [1].

SMEs play an important role in the Vietnam economy. With over 90% of businesses classified as SMEs, these enterprises are indispensable not only to the economic fabric of the country but also to social stability [2]. Particularly, SMEs contributed around 40% of Vietnam's GDP; paid about 30% of the state budget; Accounted for 33% of industrial output; Made up 30% of export value. However, in the context of the covid 19 epidemic, SMEs in the tourism industry are also heavily affected [2]. Many tourism SMEs were bankruptcy. The total revenue of the tourism industry decreased by more than 40% in 2020 compared to 2021 [2]. Besides, in 2019, international visitors contributed significantly to the

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economy, with $18 billion in revenue, outpacing the $14.5 billion from domestic tourists. This shows how vital international tourism is to Vietnam's overall tourism revenue.

However, by the first eight months of 2020, the pandemic's impact was evident, with a sharp 67.4% decline in international arrivals compared to the same period in 2019 [3]. This significant drop was primarily due to stringent entry restrictions and safety measures that were implemented to curb the spread of COVID-19. There given that international visitors generated more revenue than domestic tourism in 2019, this decline posed a serious problem to the recovery of the tourism sector [3].

Despite the covid 19 pandemic endded, its long-lasting effects that there continued still exist to tourism industry, especially by small and medium-sized travel enterprises. These enterprises were among the hardest hit, often facing severe financial strain, challenges and disruptions for operations, rebuilding customer trust and interest. At present, many small and medium-sized travel enterprises'recovery has been slow and the path to returning to pre-pandemic levels of business is fraught with uncertainty. There was absence of a clear, comprehensive strategy for regaining market share and achieving business performance is a common problem.

By literature, there existed two trends to create the business performance in strategic management theory that was intangible resources dynamic capabilities. These trends are gaining significant attention in the literature, and they are essential for understanding how firms achieve and sustain competitive advantage in today's fast-paced business environment.

The overview of the tourism industry shows that intangible resource's factors directly affect business performance such as: Use of e-commerce [4]; competitor-oriented strategy, customer-oriented strategy [5]; Company reputation [6]; Information technology, Information sharing [7]; human capital, relational capital, structural capital [8]; relational capital, structural capital [9]; diversification [10]; management capacity [11]; Customer capital, Technology capital [12]; Social media usage, business planning level, innovation practices [13]; Advanced training skills practice [14]. The results show that the factors belonging to intangible resources directly impacting business performance at tourism enterprises in different countries are still very different, there is no general consensus, there are still debates and conflicts among the studies on the factors belonging to intangible resources directly affecting business performance

The overview of the tourism industry shows that dynamic capability's factors directly affect business performance such as: information synthesis and innovation level [15]; Innovation capability and logistics service capability [16]; Interaction orientation, Establishing marketing trust, Customer empowerment, Superior interaction response capability, Customer value management capability [17]; Work performance [18]; Organizational learning [19]; Knowledge acquisition, Knowledge application [20]; Innovation in service delivery process [21]; Employee knowledge acquisition [22]; Product innovation, Process innovation [23]; Innovation [24]; Absorptive capacity, Strategic agility [25]; Learning organization innovation, Knowledge management system [26].

In short, there still existed conflicting views on factors to impact on business performance and therefore there need to continue research to increase the general overview in the factors to affect the business performance of tourism companies, especially on SMEs' business peformance in toursim industry. Researches have not been found that focuses on market orientation (second order scale), digital transformation and Customer relationship management (second order scale) to create the business performance in SMEs of tourism Sector in Vietnam. Therefore, the purpose of this research focus the impact of market orientation market, digital marketing and customer relationship management on business performance of travel SMEs in Vietnam.

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2. Literature Review

2.1. Resource-Based Theory (RBT) and Theory Dynamic Capabilities

The resource-based view, as it developed through the 1980s, emphasized that not all resources are equal. For resources to contribute to a sustained competitive advantage, they must meet certain criteria, such as being valuable, rare, inimitable, and non-substitutable (VRIN) [27]. This perspective shifted the focus from external market conditions to the internal strengths of the firm, marking a significant change in the way scholars and managers thought about competitive advantage.

Evolution of the resource-based view (RBV) of the firm and its distinction from earlier perspectives on firm performance [27]. Specially, the idea that a firm's resources are crucial to its success can be traced back to Edith Penrose's work, where she emphasized that resources—such as human capital, physical assets, and organizational processes—are central to a firm's growth and performance [27]. This concept foreshadows what would later become the foundation of the RBV. Furthermore, Michael Porter's work in the 1970s and 1980s on competitive strategy focused on the role of industry-level factors (e.g., market structure, competition, and industry forces) in determining a firm's profit potential [27]. According to Porter, firms should focus on positioning themselves effectively within their respective industries to gain a competitive advantage. His Five Forces Model illustrated that external industry forces primarily shaped a firm's strategy and profitability [27]. Around the mid-1980s, scholars like Birger Wernerfelt began to challenge the external, industry-based focus. Wernerfelt argued that a firm's internal resources and capabilities—such as unique assets, skills, and knowledge—are the key drivers of sustained competitive advantage [27]. This shift laid the groundwork for the RBV, which posits that differences in firms' resources, rather than industry conditions, explain variations in firm performance [27].

The concept of dynamic capabilities draws from several main sources and offers a comprehensive view of this important strategic management theory [28]. As detail, dynamic capabilities are organizational abilities that help firms to transform their existing capabilities over time [28]. The challenges they face include erosion (the decline of capabilities over time), substitution (replacement by new capabilities), and learning about higher-order capabilities (acquiring knowledge about more advanced or strategic capabilities). Furthermore, dynamic capabilities as a firm's ability to integrate, develop, and reconfigure its resources and capabilities in response to rapidly changing environments [28]. This is a more process-oriented view, emphasizing adaptability and flexibility [28]. Besides, dynamic capabilities include activities like product development, strategic decision-making, and alliances [28]. They argue that these processes are identifiable and can be seen across firms, but their application and intensity vary across industries [28].

In short, dynamic capabilities focus on a firm's ability to adapt, innovate, and reconfigure resources to maintain a competitive advantage, especially in environments characterized by rapid change. These capabilities are often linked to high-level strategic decisions, resource management, and organizational learning.

2.2. Market Orientation (MO), Innovation Capability (IC) And Business Performance (BP).

Market Orientation (MO) is conceptualized as a firm's ability to implement the marketing concept, which emphasizes a customer-centric approach [29]. Besides, Narver and Slater [30] was foundational in shaping the concept of market orientation, which emphasizes a company's ability to generate and use market intelligence to better align its activities with customer needs, competitor actions, and internal coordination. These early studies identified key elements of market orientation that could drive enterprise success. Furthermore, market orientation consisted of three behavioural dimensions: customer orientation, competitor orientation and interfunctional coordination [30]. In particularly, Chin, et al. [29] explained that MO is directly linked to superior firm performance, as firms that are market-oriented can better anticipate and meet customer demands, thus gaining a competitive edge. Research results show that market orientation has an impact on business performance [31].

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Next, both Agarwal, et al. [32] and Sampaio, et al. [33] also proved that market oriention has affected business performance.

The definition of innovation as "the generation, acceptance, and implementation of new ideas, processes, products, or services" [34] captures the full scope of what innovation entails. It's not just about idea generation but also about how those ideas are embraced and brought to life within an organization. This process requires more than just creativity; it demands the systems, processes, and culture that enable new ideas to be realized effectively [34].

For a company to successfully foster innovation, as Al Koliby, et al. [34] suggests, it must possess the capability to do so. This innovation capability (IC) enables a firm to translate its creative ideas into practical, competitive products or services. Without this capability, even the most promising ideas may remain just that—ideas [34]. Innovation capability isn't a one-off effort but an ongoing process that requires the right organizational structures, leadership, and resources in place to ensure that innovative activities can thrive [34]. Specially, Huhtala, et al. [35] showed that market oriention impacted on innovation capability and even [36] also affirmed that market oriention affected to innovation capability.

Recent research highlights a positive relationship between organizational innovation capability and financial performance all indicate that organizations with strong innovation capabilities tend to outperform their competitors in terms of financial performance [37, 38]. This implies that companies able to innovate regularly are more likely to achieve better market share, profitability and overall growth, as innovation helps firms respond to optimize operation, market demands and enhance product offerings [35]. Therefore, hypothesis is suggested.

H_1: Market orientation (customer orientation, competitor orientation and interfunctional coordination) impact on business performance

H_2: Market orientation (customer orientation, competitor orientation and interfunctional coordination) impact on innovation capability.

H_3: Innovation capability impact on business performance

There based on H1, H2 and H3 that hypothesis 4 is suggested

H_4: Innovation capability has a positive mediating effect on the relationship between market orientation (customer orientation, competitor orientation and interfunctional coordination) and business performance

2.3. Digital marketing (DM), Innovation Capability (IC) and Business Performance (BP)

Hagberg, et al. [39] state that digitalization is an open and dynamic concept because digital technologies are continually evolving, reshaping how businesses operate and interact with customers and stakeholders. The fluidity and ongoing development of digital technologies make digitalization a constantly shifting landscape, which presents both opportunities and challenges for organizations [34]. Digital Marketing Capabilities, as described by Wang [40] relate to the capabilities that enable companies to adapt their resources and acquire new skills to engage with the real-time interconnectedness of stakeholders. This adaptability is critical because in today's digital economy, the ability to quickly respond to changes in customer preferences, market conditions, or technological advancements can provide a significant competitive edge [34]. Digital Marketing Capabilities involves not just the ability to implement digital tools but also the agility to adjust and evolve as digital technologies and consumer expectations shift [34]. Specially, both Kerdpitak [41] and Giantari, et al. [42] proved that digital marketing has directly impact the business performance and enhance both financial and non-financial performance. Moreover, Moschogianni [43] affirmed that there invested the digital marketing to be able to boosted the innovation capacity. Besides, both Han, et al. [37] and Hull and Rothenberg [38] confirmed that organizational innovation capability has a positive relationship to financial performance. Hence, hypothesis is suggested.

H_5: Digital marketing has a significant impact on business performance

H_6: Digital marketing has a significant impact on innovation capacity

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H_7: Innovation capability has a mediating role between digital marketing and business performance

2.4. Customer Relationship Management (CRM), Innovation Capability (IC) and Business Performance (BP).

The origins of Customer Relationship Management (CRM) indeed trace back to the concept of relationship marketing, first articulated in the early 1980s [44]. Besides Battor and Battor [44] definition of relationship marketing emphasizes the importance of attracting, maintaining, and enhancing long-term relationships with customers. Moreover, relationship marketing shifted the focus from one-time transactions to fostering ongoing, meaningful relationships with customers. This laid the groundwork for CRM as a strategy aimed at long-term customer retention and satisfaction [44]. On the other hand, Kotler extended the relationship marketing concept by defining CRM as a strategy focused on retaining current customers and building profitable, long-term relationships with them. This definition emphasizes customer retention as a key aspect of CRM, highlighting the financial benefits of nurturing existing customer relationships rather than constantly seeking new customers [44]. Specially, Battor and Battor [44] defining CRM as a second-order construct that consists of three first-order components – relationship orientation, configuration, and customer information. In addition, Battor and Battor [44] was certified that CRM had impact both innovation and business performance. Thereto, Battor and Battor [44] affirmed that indirect effect of CRM on firm performance through role mediation of innovation is significant. Next, Migdadi [45] authenticated that CRM had effect on the innovation capability. In other respects, Sanasam, et al. [46] advocated that there existed relationship between CRM and business performance. Consequently, hypothesis is proposed

H_8: CRM (relationship orientation, configuration, customer information) has a significant impact on business performance

H_9: CRM (relationship orientation, configuration, customer information) has a significant impact on innovation capability

H_{10}: Innovation capability has a mediating role between CRM (relationship orientation, configuration, customer information) and business performance

3. Research Methodology

3.1. Sample

The research aims to investigate the relationship between market orientation, digital marketing, customer relationship management, and innovation capability, and their total impact on business performance. To ensure high reliability of the findings, authors handed over 490 survey questionnaires in Ho Chi Minh City, Southern of Vietnam. A total of 443 valid sheets were received, response rate of survey was 90.41%. Firstly, the key informant approach involved face-to-face interviews with senior managers. Secondly, self-completed questionnaires are sent to conferences and conventions in the tourism industry in Ho Chi Minh City – Vietnam by author. The survey was accomplished on from May 04th, 2024 to October 12th, 2024.

3.2. Measures

Constructs delved out being market orientation (customer orientation, competitor orientation and interfunctional coordination), digital marketing, customer relationship management (relationship orientation, configuration, and customer information), innovation capacity, business performance. There based on the research of Farrell [47] and Menguc, et al. [48] four items were used to assess the competitor orientation, customer orientation is measured by six items, interfunctional coordination is evaluated by five items in the market orientation construct. Next, digital marketing (DM) is measured by four items [34]. In addition, CRM is measured by a second-order construct that consists of three first-order components – relationship orientation, configuration, and customer information – assessed by four items for relationship orientation, four items for configuration, and six items for customer

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information [44]. furthermore, Business performance is measured by four items [49]. Finally, Innovation capability is assessed by threer items [34]. All scales were evaluated by a five-point Likert scale, as detail by 1: strongly disagree and 5: strongly agree. The antecedent of the survey questionnaires was excerpted from English through research articles.

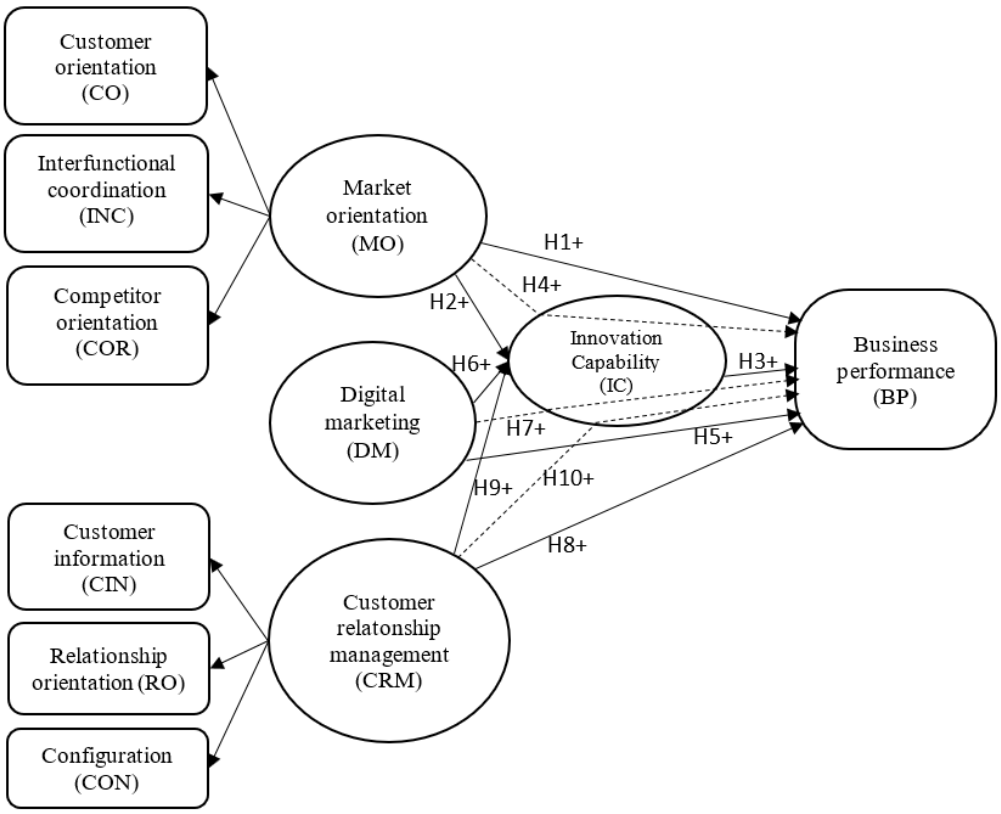

Figure 1.
Suggested research model.

3.3. Data Analysis

In this research, the confirmatory factor analysis (CFA) was used to evaluate and reaffirmed reliability and validity of scales. The author jogged in two steps to measure validation. The CFA model of market orientation (customer orientation, competitor orientation and interfunctional coordination), digital marketing, customer relationship management (relationship orientation, configuration, and customer information), innovation capability, business performance were first measured before being conjoined with second-order constructs (market orientation and customer relationship management) to build to a final measurement model.

4. Results

4.1. Construct Validity of Research Model

Firstly, there used exploratory factor analysis (EFA) to evaluated construct validity; next to, there applied confirmatory factor analysis (CFA) to measure [50]. The factor analysis was used to explore how various items within every construct interplay with one another and to build scales for use in subsequent Interconnection analysis. The Promax Rotation was used in the exploratory factor analysis.

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The result of the variance percent, the cumulative percent of variance and eigenvalues are explained as shown in table 1 for factor analysis; all of principal components loadings for KMO are greater than 0.8, attaining the mini the minimum loading criteria. KMO accounts for 78.918 percent of the total variance. The mean value of every component in KMO analysis was over than 2 and this mean that senior managers had an agreement this variable at low level. The value of KMO = 0.937 > 0.5 and sig (Bartlett test) = 0.00 < 0.05. Moreover, there used tool of cronbach Alpha to assessed the scale reliability; every component was recorded at level of 0.892 and this mean that evaluation of respondents for each item is not low agreement. Each item loading must be higher than 0.7 for precise validity and 0.5 for adequate validity due to convergent validity. In addition, the Average Variance Extracted (AVE) indexes of each factor must be over 0.5 to affirm the validity and reliability. The square root of the AVE for each component that there must be over the shared variance among all constructs in the conceptual framework due to discriminant validity.

Table 2 exposes the items for every component with Composite Reliability (CR), Cronbach's alpha and AVE scored and it's clear that result of all constructs are completely reasonable for this research, with values of Cronbach Alpha was higher than 0.7; CR higher than 0.7 [51], and AVE significantly greater than 0.5 [52]. Furthermore, Table 2 shows that the correlations amid internal constructs to assessed discriminant validity and affirms that all standardized factor loadings are higher than the recommended > 0.50 threshold [53]. Finally, it's clear that for convergent or discriminant invalidity issues. In summary, it's completely reasonable for data to explore further.

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Table 1.
Mean, Reliability Test, and Exploratory factor analysis.

	Factor								
	Customer orientation	**Customer information**	**Interfunctional coordination**	**Digital marketing**	**Business performance**	**Relationship orientation**	**Competitor orientation**	**Configuration**	**Innovation capability**
CO5	0.906								
CO2	0.884								
CO4	0.839								
CO6	0.839								
CO1	0.821								
CO3	0.814								
CIN6		0.850							
CIN2		0.850							
CIN3		0.795							
CIN1		0.781							
CIN5		0.750							
CIN4		0.737							
INC3			0.894						
INC4			0.893						
INC1			0.866						
INC5			0.862						
INC2			0.803						
DM4				0.931					
DM1				0.912					
DM2				0.882					
DM3				0.878					
BP1					0.929				
BP4					0.899				
BP2					0.886				
BP3					0.862				
RO4						0.900			
RO2						0.896			
RO1						0.866			
RO3						0.865			
COR1							0.904		
COR4							0.896		
COR3							0.880		
COR2							0.823		
CON3								0.885	
CON1								0.871	

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CON2								.835	
CON4								.830	
IC2									.921
IC3									.914
IC1									.911
Eigenvalue	11.526	6.725	3.367	2.758	2.159	1.394	1.347	1.240	1.052
% of variance	28.816	16.812	8.416	6.895	5.398	3.484	3.368	3.101	2.629
Cumulative %	28.816	45.628	54.044	60.939	66.337	69.821	73.189	76.290	78.919
Mean	2.82	3.22	2.28	3.11	2.97	2.78	2.50	2.74	3.12
Cronbach alpha	0.943	0.892	0.930	0.927	0.917	0.921	0.942	0.906	0.902

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EFA creates a factor loading estimate for each variable on all factors by evaluating how each assessed variable loads on all factors. Simple constructs are produced when each measured variable has lesser loadings on all other factors (e.g., loadings <.4) and a heavy loading on only one factor. When determining which variables have little in common with the other variables being considered, EFA becomes helpful. Rather than coming from theory, EFA factors are derived from data runs. This entails launching the program and allowing the data to dictate the factor structure.

Table 2.
Construct Validity of market orientation and customer relationship management.

	CR	AVE	MSV	MaxR(H)	CO	INC	CIN	RO	CON	COR
CO	0.944	0.736	0.512	0.944	0.858					
INC	0.930	0.727	0.512	0.931	0.715	0.853				
CIN	0.899	0.602	0.427	0.914	0.113	0.068	0.776			
RO	0.922	0.746	0.489	0.923	0.242	0.141	0.621	0.864		
CON	0.906	0.708	0.489	0.907	0.266	0.199	0.653	0.700	0.841	
COR	0.943	0.806	0.502	0.944	0.708	0.675	0.070	0.151	0.248	0.898

Source: Chi-square/df=.904; df=362; GFI=.952;TLI=1.004;CFI=1.000;RMSEA=.000

After testing the construct's validity, model fit was measured using five incremental fit indices: CMIN/DF = 3, TLI ≥ 0.90, CFI ≥ 0.90, GFI ≥ 0.90 and RMSEA = 0.08. [50].

Table 3.
Construct Validity.

	CR	AVE	MSV	Max. R (H)	CO	INC	CIN	BP	RO	CON	DM	COR	IC
CO	0.943	0.735	0.511	0.944	0.857								
INC	0.930	0.728	0.511	0.931	0.715	0.853							
CIN	0.899	0.601	0.427	0.915	0.111	0.066	0.776						
BP	0.918	0.737	0.180	0.921	0.247	0.214	0.425	0.858					
RO	0.922	0.746	0.490	0.923	0.240	0.143	0.620	0.182	0.864				
CON	0.906	0.708	0.490	0.907	0.264	0.194	0.653	0.228	0.700	0.841			
DM	0.927	0.760	0.101	0.927	0.317	0.159	0.064	0.273	0.201	0.192	0.872		
COR	0.942	0.803	0.500	0.942	0.707	0.674	0.071	0.163	0.148	0.254	0.180	0.896	
IC	0.902	0.755	0.081	0.908	0.252	0.202	0.284	0.239	0.184	0.196	0.217	0.244	0.869

Source: Chi-square/df=.946; df=704; GFI=.931; TLI=1.003; CFI=1.000; RMSEA=.000

Following that, the model attained a good model fit with the following indexes: CMIN/DF = 0.946,

TLI = 1.003 CFI = 1.000, GFI = 0.931 and RMSEA = 0.000; hence, energetic support for confirmatory factor analysis of all constructs.

4.2. Structural Model Results

Table 3 shows the mean, and bivariate correlation, as well Cronbach's and market orientation (customer orientation, competitor orientation, interfunctional coordination), customer relationship management (relationship orientation, configuration, customer information), digital marketing, innovation capability values, and business performance constructs. As detail, BP has a mean value of 2.97; CIN has a mean value of 3.22; CO has a mean value of 2.82; CON has a mean value of 2.74; COR has a mean value of 2.50; DM has a mean value of 3.11; IC has a mean value of 3.12; INC has a mean value of 2.28; RO has a mean value of 2.78. This result meant that these senior managers agree with each component in this study model but it's not strong agreement. The composite reliabilities (CR) ranged from 0.899 to 0.944, all of which was greater than the recommended cut-off value of 0.7. The average variance extracted (AVE) for all of components was higher than 0.601, outdoing the 0.5

minimum threshold for convergent validity. Cronbach's alpha ranged from 0.892 to 0.943, exceeding the threshold of 0.7, showing good internal consistency and scale stability.

Table 3 shows that discriminant validity was attained by comparing the square root of AVE to the correlations of the constructs. Because the correlations between the latent constructs' composite and all the other constructs were less than 0.7 or approximate 0.7, indicating discriminant validity and sufficient differences between the constructs, the diagonal insertions of the matrix (bold), which reflect the square root of AVEs, were all higher than the corresponding inter-construct correlations. Moreover, by examining the cross-loadings and verifying that the overall indicator loadings were greater than their individual cross-loadings, discriminant validity was proven. The measurement model that was produced fit well: CMIN/DF = 1.121, TLI = 0.993, CFI = 0.994, GFI = 0.918 and RMSEA = 0.017, and was hence deemed reasonable for further structural equation.

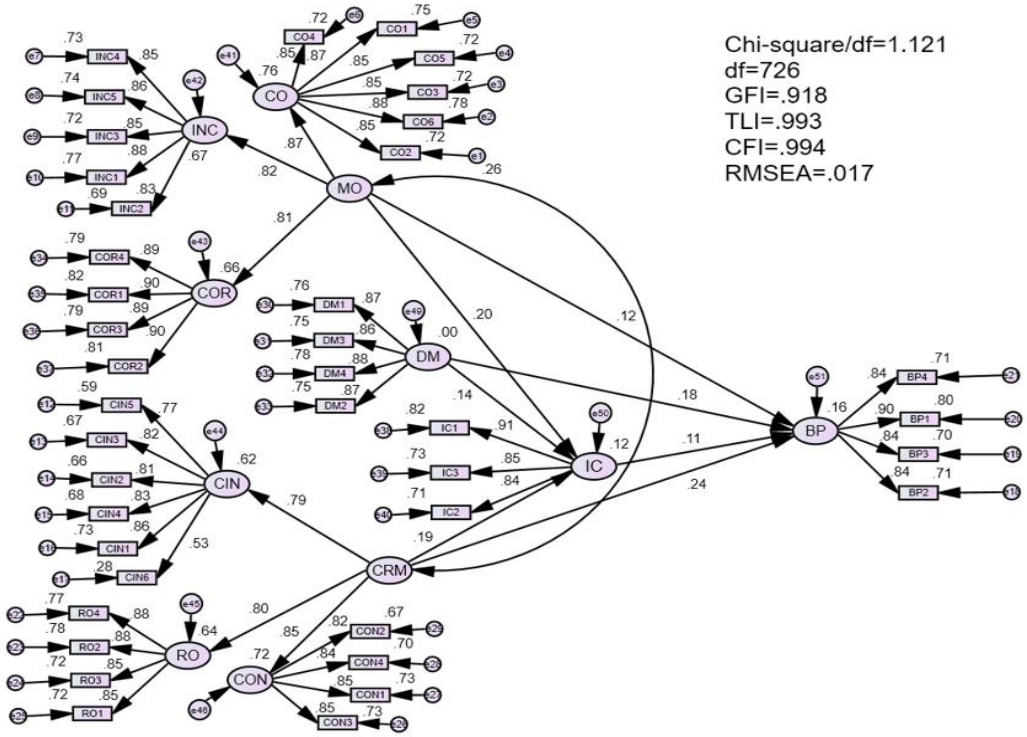

Figure 2.
Results from the Structural Equation Model (SEM).

Table 4.
Structural Model Results.

Hypothesis	Effect	Coefficient	P-value	Conclusion
H1	MO ➔ BP	0.117	0.031	Supported
H2	MO ➔ IC	0.197	0.000	Supported
H3	IC ➔ BP	0.106	0.044	Supported
H4	IC mediates MO and BP	0.021	0.039	Supported
H5	DM ➔ BP	0.183	0.000	Supported
H6	DM ➔ IC	0.140	0.005	Supported
H7	IC mediates DM and BP	0.015	0.034	Supported
H8	CRM ➔ BP	0.244	0.000	Supported
H9	CRM ➔ IC	0.193	0.000	Supported
H10	IC mediates CRM and BP	0.021	0.024	Supported

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The findings support each hypothesis and are consistent with earlier formulations and testing of different hypotheses (Table 4). The majority of the empirical findings related to the resource-based theory are supported by the findings. The findings indicate that every hypothesis is accepted in detail.

5. Discussion

Firstly, according to the study's hypothesis, tourism SMEs' business performance and innovation capability would rise as market orientation (customer orientation, competitor orientation and interfunctional coordination) levels rose in Vietnam. Therefore, managers should need to build customer-oriented cultures to aim at helping tourism SMEs adjust to the ever-changing business environment. It improves their performance and gives them a competitive edge over their bigger rivals. Next, Customer orientation helped tourism SMEs identify and satisfy the demands of their customers; competitor orientation forced them to keep an eye on their competitors' actions, respond quickly to any attack, and identify their best competitors; Long-term focus helps tourism SMEs emphasize enduring, long-term activities and investments that deliver and communicate value to customers, the firms themselves, and all other stakeholders; inter-functional coordination results in effective coordination of tourism SMEs' personnel and activities for optimal performance; and, there finally realized that objective of tourism SMEs' business performance and innovation capability attained if they invested the market orientation (customer orientation, competitor orientation and interfunctional coordination).

Secondly, As a result, Digital Marketing (DM) play in enhancing the tourism SMEs' business performance and innovation capability. Therefore, the managers should invest the DM by supplying resources, tools of digital platforms and social media to enhance innovation capability and business performance. Moreover, managers can greatly benefit from the tools and insights offered by digital platforms and social media. These platforms provide: (1) Valuable insights into market trends, customer behavior, and demand forecasting, allowing tourism SMEs to improve their production planning and business forecasting; (2) Enhanced resource allocation through data-driven insights, leading to more efficient decision-making and better alignment with consumer needs; (3) Opportunities to expand networks and build relationships, both of which are crucial for business growth and sustainability.

Finally, the research result showed that CRM (relationship orientation, configuration, and customer information) significantly impacted on both tourism SME's business performance and innovation capability; consequently, managers should care for and focus CRM. It's CRM that there contributes to business performance and innovation capability. CRM practices involve gathering data on customer preferences, behaviors, and needs, allowing firms to better anticipate future trends and develop products or services that meet those needs. By staying close to customers through CRM, toursim SME can gain deep insights that can inform product development and service innovation, allowing firms to stay ahead of competitors and be more responsive to market changes. Next, customer satisfaction is a key output of CRM, as the strategy centers on personalizing interactions, improving service quality, and addressing customer pain points. When customers feel understood and valued, their loyalty grows. This leads to repeat business and higher lifetime value, which in turn fosters sustained profitability.

6. Conclusions and Limitations

First of all, there are important limitations to this research that need to be addressed. In order to address a potential limitation of this study, this research concentrated on three key contextual factors that impact business outcomes: market orientation, digital marketing, customer relationship management, and innovation capacity. Future studies can determine whether other factors have an effect on company performance. Second, each tourism business is only represented by one respondent in this study due to time constraints. This study's representativeness is low because it was only conducted in Ho Chi Minh City, Vietnam. Future studies can be conducted in other Vietnamese cities. Only 443 respondents make up the sample size in this study; larger numbers of respondents must be surveyed for big data in subsequent studies. Lastly, this study.

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Second, both innovation capability and the business performance of tourism SMEs were directly and strongly impacted by the second-order scale of dynamic capability (market orientation, customer relationship management). Therefore, managers of tourism businesses must create customer-focused programs that include customer conferences and customer-focused activities. Additionally, in order to plan the strategy, confront competitors, and adapt to the behavior of their clients, managers of tourism businesses need constantly examine the market competitive context, which includes the market situation, customer behavior, competitor conduct, and strategy. Last but not least, in order to improve corporate performance, managers had to share innovative and good ideas with all employees. They also had to write and announce incentive plans for ideas that improved performance.

This study has significant problems that must be resolved. Focusing on two significant contextual aspects that influence business performance (such as innovation capability and factors of dynamic capability) may limit this study. Future research can determine whether other elements affect the business performance of different types of firms. Second, because of time limits, only one respondent per target enterprise is included in this study. Researchers typically look for response data from informants inside businesses when studying organizational issues. The authenticity of the results and the caliber of the data are enhanced when several informants from the same company are used. In the future, a high number of informants from each responding organization should be surveyed. Lastly, this research was only tested in Ho Chi Minh City, Vietnam, which means it is not high enough to explain and generalize; therefore, further research in another country is required to improve the explanation and generalization.

Transparency:

The authors confirm that the manuscript is an honest, accurate, and transparent account of the study; that no vital features of the study have been omitted; and that any discrepancies from the study as planned have been explained. This study followed all ethical practices during writing.

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