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# The impact of strategic management on organizational creativity and its influence on the financial performance of SMEs

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## Abstract

**PURPOSE:** This research intends to help small and medium-sized enterprises (SMEs) in Ho Chi Minh City (HCMC) to understand the strategic management process. The study considers an inside-and an outside-in perspective and the intermediary role of organizational creativity in financial performance. It also aims to help SMEs achieve financial performance benchmarks and work towards sustainable development goals. This research is also significant and adds value to the performance management domain. Its overarching objective is to promote long-term business expansion through an exploration of the strategic management process and how organizational creativity and financial performance can be supported. **METHODOLOGY:** The sample data are collected from 411 SMEs in HCMC using convenience sampling. The data are rigorously screened and cleaned to select a reliable sample for analysis, and Smart PLS software is employed for data analysis to achieve the study's outcomes. **FINDINGS:** Factors such as the strategic management process, an inside-out perspective, an outside-in perspective, and the intermediary role of organizational creativity positively impact the financial performance of Vietnamese SMEs in HCMC. **IMPLICATIONS:** The results show that SMEs are making changes and influencing these factors to improve financial performance. This research contributes value and provides a holistic perspective on the strategic management process for Vietnamese SMEs in HCMC to improve financial performance. **ORIGINALITY AND VALUE:** The study offers insight into strategic management and highlights the pivotal role of creativity in managing the financial performance of enterprises. The overarching goal is to achieve sustainable development in an increasingly competitive environment. The study also provides a solid foundation for SME managers to restructure their operations for enhanced financial performance. It also offers valuable insights for future scholars to consider and apply in expanding available research models.

**Keywords:** SME, strategic management process, organizational creativity, financial performance, sustainable development goal.

## INTRODUCTION

Karaev (2023) argues that understanding the complex corporate landscape and the fiercely competitive global market is needed for firms to have a comprehensive understanding of the market and maintain growth. Corporate performance is emphasized in theoretical and practical studies, and it remains a primary concern for executives in modern business organizations (Mzera, 2024). Of particular concern are the effects of different approaches to company success. Taking a modern approach to strategic management is essential to enhancing company performance in the context of global competition. It requires that external and internal components of a strategic plan are considered during the planning

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process. This approach will give businesses a comprehensive understanding and will maximize the potential for resource exploitation, ultimately leading to sustainable development. Additionally, it allows enterprises to achieve their goals by taking into account the current competitive landscape.

Small and medium-sized enterprises (SMEs) are crucial in addressing unemployment and driving economic growth (Chauhan et al., 2019). SMEs play a crucial role in driving local, national, and regional economies (Kiranantawat & Ahmad, 2023) and promoting economic growth. SMEs reduce unemployment and, as supporting entities, supply larger corporations with vital resources and tools and enhance the effectiveness of manufacturing and commercial operations. However, SMEs exhibit a limited degree of innovation and technological advancement. Nasir et al. (2020) argue that a lack of innovation, effective leadership, and performance are responsible for these issues. These firms are crucial to the global economy and national development, as they often support large corporations and products that are essential for the local or international economy. Strategic management is vital to the success of large organizations and small businesses; this is especially true in emerging markets. Maximizing business success requires prioritizing strategic management and innovation. Senior executives in SMEs must effectively identify and maintain their company's sustainable competitive advantage, considering the entirety of internal and external factors. Performance assumes a central role in SMEs' strategic decisions, corporate culture and evaluation criteria, all of which are crucial to their success and development. The 'inside-out' approach emphasizes internal strengths, while the 'outside-in' perspective takes account of market dynamics. These perspectives form a robust management framework for long-term enterprise development. In addition, as a result of current opportunities to explore dynamic markets, SMEs' management and business perspectives are limited, particularly with respect to the implementation of strategic activities. SMEs need a comprehensive internal and external vision so that they can reduce their risks and seize market opportunities to maximize performance.

All organizations, especially SMEs in the developing world, should engage in effective strategic management to succeed (Alnawas & Abu Farha, 2020). Nguyen et al. (2023) investigate the associations between strategists' perspectives (both internal and external), creative organization and financial performance in small businesses in Vietnam. Organizational creativity has a significant role in developing the ability to innovate to produce new products, processes, and organizations. It also has a subjectively-based effect (De Vasconcellos et al., 2019). Businesses require a culture of innovation to successfully develop new products and services and enhance processes (Alosani et al., 2020). The literature recognizes the importance of innovation for corporate success and national economic growth (Nasir et al., 2022). Companies can enhance their operational effectiveness through innovation and strategic planning (Karaev, 2023). This research thus focuses on the significance of a strategic management process that incorporates inside-out perspective and outside-in perspective, as well as organizational creativity. These factors all impact the financial performance of SMEs in Ho Chi Minh City (HCMC) and are key to achieving long-term development in the competitive global market. This study is also intended to enhance the financial effectiveness of SMEs, preparing them for leadership, reorganization, innovation, and growth in the contemporary business environment.

## LITERATURE REVIEW

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The resource-based view (RBV) suggests that a company gains its competitive edge more from its internal resources and abilities rather than its position in the external market (Monday et al., 2015). Achieving a competitive advantage depends on the distinct resources and skills that an organization possesses rather than market advantages and disadvantages. According to the RBV, organizations can gain a competitive edge and improve their performance by acquiring and effectively managing specific categories of resources. A company's resources include a broad range of assets, capabilities, organizational practices, inherent characteristics, information, knowledge and other elements that are within its direct influence or control. These resources allow the firm to formulate and implement strategies directed towards improving its operational efficiency and overall effectiveness (Barney, 1995). With respect to strategic management, the RBV posits that the primary determinants of exceptional company performance are closely linked to the characteristics of its resources and capabilities, which, according to Peteraf and Bergen (2003), are valuable and challenging to imitate. The organization's resources can give it a competitive edge, leading to improved performance (Ujwary-Gil & Potoczek, 2020). The strategic development of all resources within enterprises and a focus on human resources can improve overall efficiency. Other resources, such as tools, equipment and materials within the business, as well as financial resources, are essential to long-term business success. Strategic development should also prioritize and innovate in these areas.

Adejuwon (2018) argues that contingency theory allows a particular situation to be examined to isolate the factors influencing the decision-making process. Strategic management theory is particularly important given the ever-changing field and the significant uncertainty in the corporate landscape. The strategic management process is also pivotal in an organization's ability to adapt and innovate, influencing its financial performance and, in turn, enhancing overall operational efficiency. This underscores the need to consider internal and external perspectives to gain a competitive edge in the current market. The RBV also suggests that a company's internal resources are its primary competitive advantage. The market-based approach suggests that incorporating customer and competitor ideas into successful strategies is a more comprehensive approach. Tedla (2019) states that to execute a strategy, an organization should have sufficient resources, a well-defined decision-making procedure and have a transparent, supportive culture, modern information technology, rewarding and motivating systems, and communication channels that are streamlined. The strategic management process can include a dynamic perspective on capabilities, which involves the organization's capacity to respond to alterations in its external environment. This is accomplished by promoting innovation and internal improvements to the company's management, which will ultimately result in the company's successful development.

### **Financial performance**

The concept of corporate performance treats the organization as a unified assembly of productive resources comprising human, physical and capital assets that collaborate to achieve a common objective (Barney, 1995). Jean et al. (2018) explore how different strategic orientations affect innovation performance and find that companies adopting a customer-centric approach tend to have better innovation performance. Corporate performance thus encapsulates a business's ability to efficiently achieve its goals and its capacity for innovation. Vuong and Rajagopal (2022) propose that firm performance includes financial and non-financial aspects. Performance against financial goals is measured in terms of revenue and profit, while non-financial performance is measured in terms of employee and customer satisfaction and process innovation. Companies should adopt a holistic perspective that systematically includes non-financial components (resources, employees, and customers) and takes account of the culture of innovation and the corporate climate. This approach will have a significant role in enhancing the company's financial effectiveness and maintaining its sustainability.

As Powell (1996) explains, a corporation can attribute its innovation to internal and external resources, including knowledge, abilities and competencies. Employees' perspectives regarding the organization's policies, procedures, regulations and personal connections have a significant impact on the creation of a corporate climate that promotes creativity and innovation (Shafique et al., 2019). A person's degree of creativity at any given time is influenced by internal and external creative factors (Ndudi & Ononye, 2022). As a result, to achieve their management goals, SMEs should innovate and be creative in the production of business goods while also encouraging their employees to learn and think creatively to acquire knowledge, abilities and the appropriate attitudes in the rapidly changing business environment.

George et al. (2019) state that organizational performance is the speed with which and degree to which a company successfully meets its business objectives. The evaluation of organizational performance involves an assessment of an organization's results against its intended outputs or goals (Itohan et al., 2024). Tareque and Islam (2023) examine the relationship between leadership behavior, emotional intelligence, competitive advantage, corporate strategy and performance. The results of their study indicate that the implementation of relationship-building behaviors has a considerable impact on a company's performance, leading to a competitive advantage. Karaev (2023) indicates that firms can enhance their performance by incorporating innovation and strategic planning processes. Moreover, improving financial performance by achieving overall financial goals and profits is crucial to achieving management, business, and production goals and sustainable development. The strategic management process can also facilitate the alignment of SMEs with the efficient use of internal resources in response to market shifts and to promote effective growth.

### **Strategic management process**

A succinct description of strategic management focuses on the process by which managers make informed decisions and take corresponding actions to develop and implement a strategic plan, all with the ultimate goal of achieving organizational objectives (Wheelen & Hunger, 2007). Strategic management involves charting the organization's future path, establishing goals for performance, crafting plans to attain these goals and implementing those while adapting to both internal and external factors. Although the inside-out and outside-in methods may seem to be in opposition, there is a growing literature that advocates for their combined usage (Frau & Cabiddu, 2016). The outcome is a mixed strategy

that combines the advantages of the outside-in and inside-out perspectives (Frau et al., 2020). To maintain their ongoing presence, organizations should choose a suitable business strategy that allows them to make the most of environmental opportunities while taking into account their strengths and weaknesses (Ghaemi-Zadeh & Eghbali-Zarch, 2024). Therefore, SMEs should adopt a dual perspective in the strategic management process to achieve their performance goals. The outward perspective involves understanding the market and customer and partner expectations, among other factors. The inward perspective involves assessing the SME's potential and capabilities, including its financial situation, quality of human resources, production status, and corporate culture. This comprehensive viewpoint is essential for rational business management and innovation for SMEs to achieve common long-term business objectives.

Dess et al. (2007) demonstrate that strategic management involves a comprehensive process of in-depth assessment, strategic decision formulation and implementation to establish and maintain competitive advantage. Strategic management is a continuous process that involves the examination and supervision of a company and the industries in which it operates. This involves analyzing competitors, creating goals and strategies to be competitive with current and potential rivals and consistently assessing these in response to changing conditions, for example, technological advancements, new competitors, economic shifts and alterations in the social, financial, or political landscape (Muogbo, 2013). In a dynamic business environment, each organization should tailor its strategic management based on its distinctive strengths and the situation's specific demands (Adejuwon, 2018). In addition, Itohan et al. (2024) suggest that organizations should adopt strategic management approaches to boost their performance. This involves setting clear goals, refining decision-making procedures, efficiently distributing resources, adjusting to changing environments, encouraging creativity, maintaining organizational unity and using performance metrics effectively. The company should carefully consider the strategic management process to encourage strategic innovation internally. The focus should be on core issues such as human resources, physical resources, and financial factors to innovate in a way that is aligned with the firm's development goals. These elements allow SMEs to achieve business success by enhancing production, operations and financial efficiency. In turn, this supports their position in the competitive market.

Frau et al. (2020) state that the outside-in approach means prioritizing the well-being of external stakeholders, including consumers, shareholders, suppliers, and creditors. The objective is to produce value solutions that effectively meet the demands of these stakeholders. In the realm of strategic entrepreneurship, SMEs can strategically utilize their resources to recognize and take advantage of entrepreneurial opportunities (Alshagawi & Mabkhot, 2024). Thus, SMEs' strategic management processes should include an inside-out and outside-in perspective to optimize resource efficiency and capitalize on the external market opportunities crucial for performance. Based on the analyses above, the following hypotheses are proposed:

H1: The strategic management process positively affects Vietnamese SMEs' inside-out perspective.

H2: The strategic management process positively affects Vietnamese SMEs' outside-in perspective.

### **Inside-out perspective**

Organizational dynamic capabilities is a concept originating from evolutionary economics and is a dynamic version of the inside-out perspective (Saeed et al., 2015; Day, 2011; and Newbert, 2007). Developing internal action plans, devising successful tactics to boost organizational effectiveness, defining a coherent future path, cultivating collaboration, adeptly navigating external changes and uncertainties, efficiently managing processes and personnel and making well-judged decisions and priorities are vital (Momoh & Itohan, 2023). The inside-out perspective suggests that a company should focus on its internal resources rather than external opportunities. Successful companies focus on developing a strong portfolio of abilities and resources by taking advantage of internal resources, including human capital, management processes, and financial assets. SMEs can use this method to implement multiple efforts in manufacturing, business, and operations. Achieving this goal requires a significant financial commitment and a forward-thinking mindset, both of which have an effect on the culture and personality of the small business owner with respect to long-term success. Instead of solely focusing on physical assets, this approach focuses on maximizing capital in order to achieve disproportionate growth and develop special abilities.

The inside-out orientation, rooted in economics and strategic management, focuses on an organization's internal dynamics and its ability to achieve exceptional performance by adeptly nurturing, obtaining, using, and deploying strategic resources. These resources are unique, valuable and rare characteristics that are challenging for competitors to replicate (Miller et al., 2002). SMEs should allocate resources efficiently to cultivate and fortify their distinctive competencies, talents

and assets to become highly functional and adaptable in the current market. This commitment transcends mere financial investments and includes valuable intangible resources, such as intellectual property, human capital and technological infrastructure by which the organization can optimize its value. By nurturing and augmenting these internal resources, SMEs can enhance their potential for achieving enduring business activities and sustainable business, enabling them to successfully adapt to long-term activities in the new era.

Hung et al. (2021) indicate that the drawbacks of scale can negatively impact the growth trajectory of private companies in Vietnam; these companies struggle to obtain capital and face limitations on their production or productivity, impediments to growth, constraints on their competitiveness, and negative impacts on their growth trajectory. A strategist's outsider perspective can enhance the creativity of Vietnamese SMEs (Nguyen et al., 2023). The inside-out perspective is also important to those who want to promote creativity and innovation within small businesses in Vietnam. This approach grants power to small businesses to utilize their internal resources and promote a culture of innovation, as well as develop strategies that take advantage of their existing resources, all of which are beneficial in the real world. Taking this perspective can have long-term benefits and promote the growth and prosperity of small businesses in Vietnam. Additionally, internal resources and abilities have a significant positive impact on an organization's innovation and creative abilities, helping the company to create resources and utilize these to gain a competitive advantage.

Hung et al. (2021) study private Vietnamese enterprises and find that among the factors associated with firm size, total assets stand out as the primary determinant of firm performance, followed by total labor and the rate of growth. Embracing an inside-out perspective can improve internal resources and benefit the financial outcomes of Vietnamese SMEs by harnessing their inherent strengths and abilities. This strategy aids SMEs in adapting to the market, optimizing resource utilization, and achieving sustained growth. However, it is imperative that Vietnamese SMEs remain aware of external market conditions to ensure a comprehensive and well-balanced business strategy from inside and outside perspectives. Internally, a strategist can significantly boost the innovation and creativity of Vietnamese SMEs. This approach to innovation is conducive to innovation and has the potential to enhance financial performance by utilizing internal resources to deal with environmental change. The RBV centers around the value of internal resources, while the dynamic capabilities theory focuses on their adaptability. As such, the inside-out approach is probably beneficial for financial results and will facilitate the company's survival and growth. The facts above support the formulation of the following hypothesis:

H3: The inside-out perspective positively influences the organizational creativity of Vietnamese SMEs.

### **Outside-in perspective**

The outside-in perspective underscores the importance of crafting a strategic outlook focused on market positioning and understanding and adapting to external change (Nguyen et al., 2023). The inside-out perspective focuses on organizational resources and then considers competitors and customers. In contrast, the outside-in perspective reverses this order, starting with customers and competitors and then assessing the firms' response to them, implicitly considering organizational resources (Saeed et al., 2015). Strategists who favor an outside-in perspective prioritize acknowledging the external business environment when devising organizational strategies and capitalizing on market opportunities. Flourishing SMEs are market-driven, continuously adjusting to seize opportunities, confront challenges, meet customer demands and respond to competitive pressures. This approach involves evaluating market opportunities, strategically positioning the organization, understanding the dynamics among market players, researching changing customer behavior, and effectively overcoming obstacles to the implementation of business strategies that favor long-term success.

Tallman (1991) argues that taking an outside-in approach allows the identification of customers' obvious and hidden needs. This includes valuable information regarding competitors' abilities, strategies, and products. This method prioritizes providing customers with exceptional value, recognizing the importance of the composition of the market for a product, and understanding the direct relationship between market structure and future revenue. Additionally, SMEs that adopt an outside-in perspective have a greater chance of market success if they engage in customer-driven processes to develop superior products or services. This method focuses on meeting customer needs, recognizing demand gaps and addressing issues in the market by combining external information and resources. This approach supports the capacity of small businesses to succeed in a competitive market.

There is considerable research supporting the idea that embracing an outside perspective makes a significant contribution to achieving positive results, particularly in terms of innovation (De Luca & Atuahene-Gima, 2007). The outside-in perspective helps SMEs gain an overall view of their market and customers. Using this perspective in combination with business innovation and creativity allows them to adapt and exploit the business's potential, aiding their survival and growth. Based on the above factual observations and in-depth analyses, the following hypothesis is proposed:

H4: The outside-in perspective positively influences Vietnamese SMEs' organizational creativity.

### **Organizational creativity**

The growing popularity of creative industries demonstrates the importance of creativity in the real world. In a competitive environment, this resource becomes even more important as it allows quick problem-solving (De Vasconcellos et al., 2019). Balazs et al. (2023) state that innovation is essential to maintaining a significant lead, providing value to customers, and increasing market share. Prioritizing creativity in the management process is essential for developing new concepts and quickly solving company problems in a complex, dynamic environment. Creativity is also essential for developing new management concepts, new products and services, manufacturing technologies, business processes, and customer service, all of which help companies adapt to customers' changing needs and the ever-changing business environment.

Fetrati et al. (2022) describe creativity as the capacity to produce original ideas through the innovative application of prior knowledge. The creative process involves connecting existing knowledge and experiences to devise unique solutions to challenges. In addition, there is an urgent need to expand research efforts focused on creativity in SMEs across a broad spectrum of subjects (Castillo-Vergara & Lema, 2022). Entrepreneurial creativity refers to the creation and execution of new and relevant concepts aimed at launching a new business endeavor (Amabile, 1997). Renko et al. (2009) suggest that innovation involves blending an organization's internal expertise and insights with the external needs of consumers and users to create a distinct and novel approach. Innovation is widely recognized as essential for the economic sustainability of businesses and nations. It is fundamental in achieving long-term success and establishing a competitive edge, as Baker and Sinkula (2002) emphasize. Moreover, creativity and innovation are essential for a company's overall success and performance (Anderson et al., 2014). SMEs wishing to secure a competitive advantage should foster innovation and cultivate creativity. Hence, creativity and innovation assume a pivotal role in the sustainable development of SMEs, as they allow them to adjust to market fluctuations and address management challenges. Creativity in SMEs will help them to change and adapt to the evolving market. As the competitive landscape intensifies and customer preferences shift, SMEs should innovate to continually offer new products and services, serve customers, generate profits, and thereby facilitate business growth.

Numerous studies present convincing evidence of the association between embracing an external perspective and achieving positive outcomes in innovation (Kahn, 2001). According to Im and Workman (2004), an external focus or an outside-in orientation in high-tech enterprises is linked to improved innovation, creativity, and overall company performance. It is impossible to overemphasize the significance of innovation in modern businesses to catalyze and sustain competitive advantage (Zhou et al. 2021). Creativity and innovation play a crucial role in ensuring the survival of enterprises and in promoting their long-term and sustainable growth. Creativity can help SMEs adapt to changes in the business environment and generate profits; therefore, stimulating a culture of creativity within the business is essential. This analysis and the underlying empirical evidence motivate the following proposed hypothesis:

H5: There is a positive relationship between SMEs' organizational creativity and financial performance.

The strategist's perspective, which can be either an inside-out or an outside-in orientation, is a vital aspect of strategic management (Nguyen et al., 2023). The strategic management process, incorporating internal and external perspectives, can help SMEs gain comprehensive insights and enhance efficiency in internal operations while seizing market opportunities. Therefore, the strategic management process is crucial in improving SMEs' financial efficiency. Organizational creativity plays an equally important role in innovating business activities, promoting creativity in product development, improving management processes, and enhancing customer satisfaction. Organizational creativity is a source of development and adaptation in today's fiercely competitive market. This study leverages practical experience and includes a comprehensive analysis based on relevant studies, taking into account the connections between the suggested hypotheses, including an inside-out perspective, an outside-in perspective and the intermediary role of organizational creativity in financial performance. The study's conceptual framework is set out below.

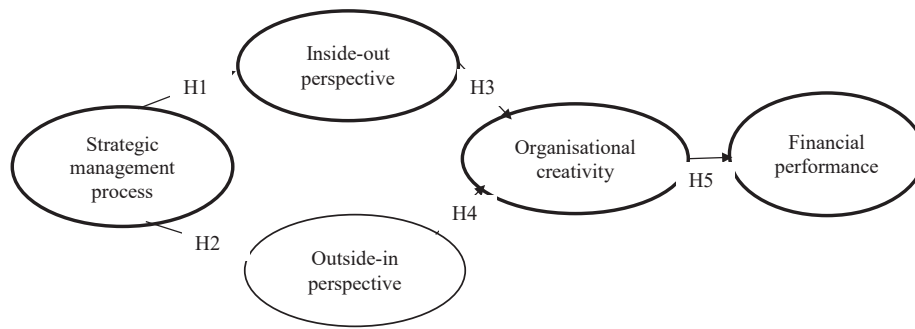


Figure 1. Conceptual framework for this study

## METHODOLOGY

This study analyses SMEs operating in HCMC, which, as one of Vietnam’s principal urban centres, hosts myriad businesses and offers a rich sample pool for research in manufacturing and service-based enterprises. This study employs a convenience sampling method (selecting samples based on convenience in HCMC). Sampling is conducted based on the ease of access or convenience of the sampling units for this research.

The research sample is diverse and representative, including technicians, specialists, middle managers, and directors of SMEs in HCMC. The convenience sampling method enables the collection of a diverse range of participants, including technicians, experts, middle managers and directors of SMEs in HCMC, thereby ensuring a diverse research sample. This convenient sampling method was used to collect data and analysis was then conducted to obtain the research results.

Regarding the measurement of variables in the research model, the scales of measurement are adapted from prior studies and customized to suit the research context in Vietnam. Specifically, the strategic management process (SMP) construct consists of *SMP1*, *SMP2*, *SMP3*, *SMP4* and *SMP5*, following Adejuwon (2018). The inside-out perspective (IOP) construct includes *IOP1*, *IOP2*, *IOP3*, *IOP4* and *IOP5*, referencing and adapting the construct in Meyer (2007). The outside-in perspective (OIP) consists of four items referenced by Meyer (2007): *OIP1*, *OIP2*, *OIP3* and *OIP4*. This study references and adapts the organizational creativity (OCR) construct from Mikalef & Gupta (2021), and the measurement scale includes *OCR1*, *OCR2*, *OCR3*, *OCR4* and *OCR5*. The financial performance (FIP) construct is adapted from Adejuwon (2018), and the measurement scale includes *FIP1*, *FIP2*, *FIP3*, *FIP4* and *FIP5*.

The survey questions were collected from SMEs in HCMC between May 2022 and August 2023. Data were collected and cleaned, and good samples were selected for analysis; that is, surveys that were not missing information or answered carelessly. Problematic observations were discarded, and suitable ones were selected for analysis. The valid data collected were then imported into the Smart PLS software for analysis to assess the reliability of the measurement scales, scrutinize the suitability of the research model, and extract valuable research findings. This evaluation supports the formulation of conclusions and observations regarding the research outcomes. Table 1 presents the information collected, detailing the demographic characteristics of the study participants.

Table 1. Demographic characteristics

	Frequency	Percent	Valid percent	Cumulative percent
Gender				
Male	249	60.6	60.6	60.6
Female	162	39.4	39.4	100.0
Total	411	100.0	100.0	
Qualification				
Certificate	47	11.4	11.4	11.4
Diploma	125	30.4	30.4	41.8
Bachelor	232	56.5	56.5	98.3

	Frequency	Percent	Valid percent	Cumulative percent
Postgraduate	7	1.7	1.7	100.0
Total	411	100.0	100.0	
Position in company				
Technician	18	4.4	4.4	4.4
Specialist	234	56.9	56.9	61.3
Manager	138	33.6	33.6	94.9
Director	21	5.1	5.1	100.0
Total	411	100.0	100.0	
Working experience				
Less than 1 year	37	9.0	9.0	9.0
1–3 years	198	48.2	48.2	57.2
4–9 years	125	30.4	30.4	87.6
Over 10 years	51	12.4	12.4	100.0
Total	411	100.0	100.0	

Table 1 reveals that the percentage of men participating in the survey was 60.6%, while women accounted for 39.4% of the total sample of 411 participants. The characteristics of the research sample reflected in the data include gender, education level, job position within the company and work experience, as detailed in Table 1. The study sample is diverse and includes technicians, specialists, managers and directors as participants to provide a diverse range of perspectives on the research issue. The study pays special attention to the professional backgrounds of the individuals in the sample-gathering process to achieve a diverse range of participant viewpoints. The study also evaluated employees with experience ranging from 1 year to over 10 years. For specific information, refer to Table 1.

## RESULTS AND DISSCUSION

The analysis criteria here required items to be greater than 0.7 to meet statistical standards. Item OCR5 is excluded because its value is less than 0.7. Rerunning the analysis for a second review results in the exclusion of item OCR5. Given that all items then met the 0.7 threshold, the conclusion is that all items are valid.

DeVellis (2012) indicates that if Cronbach's Alpha for all scales is greater than 0.7, then these are all reliable. The findings in Table 2 clearly indicate that the value of Cronbach's Alpha exceeds 0.8 for all factors, suggesting that the measurement scales meet the requirements for reliability.

**Table 2.** Cronbach's alpha, composite reliability, and average variance extracted

Variables	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
FIP	0.845	0.848	0.890	0.618
IOP	0.821	0.823	0.875	0.583
OCR	0.864	0.866	0.908	0.711
OIP	0.808	0.813	0.874	0.634
SMP	0.834	0.836	0.883	0.600

Following the criteria outlined in Bagozzi and Yi (1988), when the composite reliability (CR) coefficients for all measurement scales exceed 0.7 and all AVE values are greater than 0.5, the convergent validity of the scales is confirmed. The data in Table 2 clearly demonstrate that all measurement scales fulfill these requirements, ensuring convergent validity.

Henseler et al. (2015) state that where all Heterotrait-Monotrait (HTMT) values fall below 0.9, discriminant validity is guaranteed. The data in Table 3 make evident that all HTMT values meet the statistical requirements, confirming discriminant validity.



**Table 3.** Heterotrait-Monotrait Ratio (HTMT)

Variables	FIP	IOP	OCR	OIP	SMP
FIP					
IOP	0.388				
OCR	0.780	0.613			
OIP	0.522	0.731	0.819		
SMP	0.194	0.609	0.460	0.765	

Using 5,000 bootstrap samples is a robust approach to assessing the structural model. The findings in Table 4 indicate that all the connections between the variables in the model are statistically acceptable, supported by p-values less than 0.05.

**Table 4.** Mean, STDEV, t-values, p-values

Paths	Beta ( $\beta$ )	Sample Mean (M)	Standard Deviation (STDEV)	t statistics ( $ O/STDEV $ )	p-values
IOP -> OCR	0.167	0.170	0.047	3.5510	0.000
OCR -> FIP	0.668	0.670	0.029	23.289	0.000
OIP -> OCR	0.589	0.588	0.041	14.281	0.000
SMP -> IOP	0.510	0.513	0.040	12.826	0.000
SMP -> OIP	0.634	0.636	0.036	17.793	0.000

The results in Table 4 make evident that all hypotheses in the study model have been supported (all p-values < 0.005). Therefore, the hypothesised relationships are statistically supported: *SMP* has a significant positive effect on *IOP* ( $\beta = 0.510$ ; P-value = 0.000 < 0.005); *SMP* has a significant positive effect on *OIP* ( $\beta = 0.634$ ; P-value = 0.000 < 0.005); *OIP* has a significant impact on *OCR* ( $\beta = 0.589$ ; P-value = 0.000 < 0.005); *IOP* has an effect on *OCR* ( $\beta = 0.167$ ; P-value = 0.000 < 0.005); *OCR* has a significant positive effect on *FIP* ( $\beta = 0.668$ ; P-value = 0.000 < 0.005). In summary, the model is statistically meaningful, and the hypotheses are supported.

The variance inflation factor (VIF) is a statistical tool employed to evaluate multicollinearity within a regression model (Table 5). An elevated VIF, surpassing a predefined threshold (e.g., 10 or 5), suggests the presence of multicollinearity among the independent variables in the regression model. This can impact the model's inferences and the estimations of the regression coefficients.

**Table 5.** Inner VIF values

	FIP	IOP	OCR	OIP
FIP				
IOP			1.561	
OCR	1.000			
OIP			1.561	
SMP		1.000		1.000

Hair et al. (2011) state that the condition of all inner VIF values remains below 5, suggesting the absence of multicollinearity within the model. This study shows that the inner VIF values consistently fall below this threshold, implying the absence of multicollinearity in the model.

Several studies in the literature consider the influence of strategic management on organizational performance (Monday et al., 2015; Omar et al., 2020; Kumar, 2021; Aliyu et al., 2022; Gede & Huluka, 2023). Adejuwon (2018) finds that strategic management positively impacts the financial performance of manufacturing companies, and Gede and Huluka (2023) find that strategic management emphasizes the harmonious creation of human resource practices to enhance the expertise, competencies and capabilities of employees. The aim is to fortify competitive strategies and achieve business objectives. Strategic management is particularly relevant, not only in academia but for practical purposes. Its implementation in SMEs' business and management processes should enhance their financial performance. The strategic management of SMEs should focus on carefully analyzing market opportunities, customer preferences, and

changes in the competitive landscape. Internally, the SME should optimize processes that relate to budgeting, human resource management, recruitment, and reasonable training. They should also build a corporate culture that encourages employee creativity to generate new ideas in production, business, and management activities to improve business outcomes. In addition, the strategic management process should link the inside-out and outside-in perspectives to balance SMEs' internal resources, seize external market opportunities, and thereby maximize financial efficiency.

The findings of my research support Hypothesis 1, which posits that the strategic management process has a positive impact on the inside-out perspective of SMEs in HCMC ( $\beta = 0.510$ ,  $p\text{-value} < 0.005$ ). This shows that a strategic management process that takes an inside-out approach has a significant impact on the financial success and performance of small businesses in the competitive commercial environment of HCMC. This essential process requires top managers to include an internal and external perspective while integrating principles of creativity and an entrepreneurial spirit; this will allow the SME to effectively respond to changing customer preferences, market forces, and uncertainty. Donkor et al. (2018) indicate that there is a significant, positive association between achieving strategic goals and achieving financial success. Small businesses in HCMC should exercise caution regarding the alignment of performance with an internal perspective; they should maximize the probability of a strong association when executing the strategic process. Achieving this goal in financial performance is dependent on the SMEs' careful and specific planning, dedicated implementation and the capacity to alter strategies as necessary. It is important to understand that the strategic management process is not always linear. Modification may be needed, depending on the particular circumstance and the business's environmental context. Furthermore, small enterprise's management should consider and adapt to particular business scenarios. SMEs can engage in strategic management, uphold sustainability, and meet financial targets if they can master these core skills. Small firms must consistently assess, learn, and adjust their strategies to stay competitive in the ever-changing business market, and it is thus essential to engage in strategic management.

The findings of this research also support Hypothesis H2, which posits that the strategic management process has a notable and positive effect on the outside-in perspective ( $\beta = 0.634$ ;  $p\text{-value} = 0.000 < 0.005$ ). The strategic management process is beneficial to SMEs in HCMC, as it emphasizes the important role of the outside-in or external perspective and responding to external forces and changes to achieve financial performance. This external perspective can support SMEs in HCMC in making informed decisions, maintaining their competitive position, and achieving their long-term goals. HCMC SMEs should take the external perspective into account and consider the market, customers and competitors to design a strategy that is both effective and sustainable. Additionally, when SMEs take an external perspective, they have a full understanding of the situation, which enables them to comprehend and analyze the market and examine all of the information to identify potential opportunities. They can then take advantage of internal resources to implement strategies and maximize profits. This perspective facilitates understanding and alterations that are relevant to business development and taking advantage of market opportunities to generate revenue.

Nguyen et al. (2023) suggest that an inside-out orientation that prioritizes internal strengths, self-awareness, continual enhancement and nurturing a sense of purpose all contribute to creating an environment conducive to creative thinking. Regarding Hypothesis H3, the inside-out perspective positively influences the organizational creativity of Vietnamese SMEs ( $\beta = 0.167$ ;  $p\text{-value} < 0.005$ ). The inside-out perspective is an approach SMEs can use to focus on strengthening their internal assets and inherent value to capture the attention of employees and generate creativity in management, business, and manufacturing processes to achieve financial performance.

Applications of the inside-out perspective advance creativity within SMEs in HCMC in the following ways. First, understanding fundamental values requires that SME executives have a comprehensive understanding of their business's core values, the customer solutions they provide and the unique attributes of their products or services that differentiate them from competitors. Second, organizational development requires SMEs to formulate a strong and inspiring mission and vision for their business. These strategic statements can guide the entire organization and inspire its customer base. Third, HCMC SMEs should allocate substantial resources to research and development (R&D) and the creation of new products. Regular investments of time and finances in enhancing product and service quality through R&D are crucial for attracting and maintaining a loyal client base. Fourth, human resource development requires that organizations prioritize training and personnel development, which are essential for remaining adaptable in a constantly changing market. Ensuring that employees can become experts in their respective areas is pivotal, guaranteeing the delivery of high-quality solutions to customers and bolstering the SME's reputation. Finally, SMEs should optimize their internal management processes and focus on doing so to stay competitive. This involves a continuous effort to maximize the potential of products, services, and business procedures. Adopting an inside-out perspective can offer management insight into SME

resources and allow comparison with the market. This understanding of the market fosters innovation and creativity within the workforce, encouraging them to learn, innovate and adapt to external market dynamics. Consequently, they work diligently to implement strategies, leading to their ultimate success and development.

Regarding Hypothesis H4, an outside-in perspective has a positive influence on the organizational creativity of Vietnamese SMEs ( $\beta = 0.589$ ;  $p$ -value  $< 0.005$ ). Hence, the outside-in perspective assumes a pivotal role in the management of SMEs in HCMC. It equips SME managers with an external viewpoint on the market and fosters organizational innovation to realize common objectives in business management. Whitley and Puto (2020) indicate that a strategist who uses an outsider's perspective emphasizes understanding the external environment while formulating a company strategy. Other studies, such as Nguyen et al. (2023), demonstrate the value of taking an outside-in perspective and creating a creative corporate environment that enhances performance and competitiveness. SME managers in the HCMC region should thus promote a focused external approach that involves extensive research on the market and competition. This method allows a comprehensive understanding of the SME's assets, liabilities, opportunities, and threats in the larger global competitive landscape. This analysis is crucial for identifying opportunities and challenges for small businesses. Additionally, the management of SMEs in HCMC should prioritize understanding their customers and value systems by understanding customers' interests and perceptions and the values associated with its products or services. These concepts are essential to creating quality products and services that result in customer satisfaction. Additionally, small businesses should concentrate on establishing their brand and increasing their popularity in the global market; this will increase their market share. This involves employing digital advertising and social media marketing across various platforms to create a powerful brand reputation that will expand the audience, generate revenue, and increase business opportunities for HCMC SMEs. Moreover, managers of SMEs in HCMCs should ensure that they remain adaptable and poised for growth in the rapidly changing business environment. Moreover, they should closely monitor key business and management metrics and apply management indicators and performance measurements to track and assess the implementation of the outside-in strategy. This may involve key performance indicators (KPIs) for evaluating employee and customer satisfaction and market trends to formulate well-informed strategies for product and service delivery.

Donkor et al. (2018) find that financial success is closely associated with the ability to innovate. Additionally, the integration of creative abilities has a significant effect on financial performance, improving financial performance. Nguyen et al. (2013) emphasize the importance of recognizing organizational creativity to mediate the relationship between strategy and financial performance. As a result, companies that prioritize innovation and creativity may take advantage of their resources and potential in the ever-present business landscape, leading to a competitive advantage. In addition, Hypothesis H5 posits a significant relationship between organizational creativity and the financial performance of SMEs ( $\beta = 0.668$ ;  $P$ -value  $< 0.005$ ). As such, this research centers on the role of organizational creativity in combining the inside and outside perspectives on financial performance. This highlights the significance of creativity in the various approaches that can be employed to achieve financial success and diversity. This research confirms existing studies, such as Saeed et al. (2015); the authors identify the importance of creativity in the association between various attributes and company performance. As a result, promoting the creativity of staff is of paramount importance to the management of small businesses in HCMC, Vietnam. In strategic management, creativity is crucial to driving business growth and improving financial performance. Managers can promote creativity in the workplace by creating a positive environment that promotes the development of ideas and innovation and providing the required resources and opportunities. Creative destruction begins with creating an open environment that allows everyone to discuss their ideas and proposals without fear of judgment. This can promote a culture of innovation that is significant in improving the long-term financial performance of an organization.

Nham et al. (2016) show that the concept of innovation, which includes product, process, marketing and organizational innovation, is recognized as essential to businesses' long-term survival and growth. These early attempts not only create value but also grant competitive advantages to companies that succeed. Additionally, to maintain a competitive advantage, a company should have the capacity for innovation that is consistently altered by the evolution of the environment (Baláz et al., 2023). Furthermore, integrating creativity into the organizational culture enhances non-financial objectives, thus boosting financial efficiency. Vietnamese SMEs in HCMC should innovate in production, business processes, and customer care to increase productivity and decrease expenses. This will improve financial performance in the face of competition and foster sustainable growth.

## Implications for theory and practice

By enhancing the theoretical understanding of the strategic management process, this study highlights the importance of organizational creativity and both inside-out and outside-in perspectives in managing a company's financial performance. The ultimate goal is to develop knowledge regarding the important role of strategic management in improving the sustainability of SMEs by providing insights regarding performance management for long-term growth and viability in a competitive market. This study indicates that SMEs in HCMC can significantly improve their financial performance by adopting a comprehensive strategic management approach that integrates inside-out and outside-in perspectives with the mediating role of organizational creativity. Strategic management processes that cultivate a culture of creativity within SMEs are vital, as creativity profoundly influences the financial outcomes of business processes. Through a dedicated commitment to ongoing refinement and adaptation, SMEs can strategically leverage these insights to optimize their business operations, thereby enhancing their competitiveness in the market and facilitating sustainable growth in the current market. A workplace culture that nurtures creativity creates an environment where employees feel empowered to explore innovative ideas, take calculated risks and challenge conventional norms to enhance their business performance and sustainability in today's dynamic business landscape.

## CONCLUSION

This research study collected samples from 411 Vietnamese SMEs in HCMC to analyze and present the results. The results indicated that the constructs in this research model have statistical acceptance. Factors such as the strategic management process, inside-out perspective, outside-in perspective, and the intermediary role of organizational creativity positively impact the financial performance of Vietnamese SMEs in Ho Chi Minh City. Creativity also plays a crucial role in enhancing financial efficiency because personnel working in a creative environment will not be constrained. SMEs can then develop skills, participate in strategic creativity, and encourage a passionate business ethic, all of which will contribute to their growth. If Vietnamese SMEs in HCMC pay attention to and take action on these issues, it will lead to changes and improvements in financial performance. Based on the information obtained, managers in HCMC can utilize this model as a means of auditing and reorganizing their companies to achieve non-financial results and, ultimately, improve financial performance. This approach will facilitate the survival and growth of Vietnamese SMEs, including in the prevailing competitive environment. Lastly, this research provides the basis for the academic community to develop and improve the theory of performance management, making a significant contribution to the field of performance management. The ideas provided by this research can be considered a significant resource for future academic research in this area.

Other scholars may find value in investigating the creative aspects of organizations, external and internal perspectives, strategic management, organizational creativity, and the financial viability of SMEs in HCMC. They may take this information and use it in their own investigations and even in practical business scenarios in their field. A corporation from a different country can deduce the research model's evidence by comprehending the effects of these components on financial performance. They can also explore ways to diversify their resources and maximize their effectiveness in various environments, all of which can ultimately lead to increased efficiency.

## Limitations and future studies

This research has a number of limitations that are caused by the financial limitations and the research timeframe. Specifically, the investigation has a deficiency in categorizing Vietnamese SMEs in HCMC. Notably, it avoids categorizing these SMEs into different-sized classes; it instead provides general solutions to problems in all classes using a generalized approach. Additionally, the research fails to differentiate and categorize SMEs by their specific fields of business, such as specialization in production or services. This omission precludes a comparison of the differences between these different types of SMEs. In view of these limitations, future research endeavors could augment the research framework by systematically categorizing SMEs by their size and the specific industries they serve. This refinement would facilitate a more comprehensive comparative analysis and the formulation of precise solutions tailored to the unique characteristics of each type of enterprise.

Additionally, the age of the SMEs can significantly impact their operational effectiveness and financial performance. Older companies often take advantage of learned effects that augment their existing routines and abilities, and this has

a positive effect on their financial results. Conversely, younger companies have less experience and are typically subject to greater uncertainty, which can negatively affect their performance. As a result, future research could explore how SMEs' ability to learn can support their financial performance. Additionally, the age of the company is important in determining its growth and financial viability. Future studies could investigate the relationship between firm size and age in regard to strategic management and the effects of each on financial performance. This type of research can establish a comprehensive understanding and customizable solutions for new and veteran SMEs.

Finally, this research focuses on the strategic and managerial aspects of financial efficiency for SMEs. It has not examined other equally important factors for improving financial efficiency, such as the organizational culture and corporate social responsibility. Future research could expand to diversify the research variables and provide a broader and more diverse perspective.

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## Biographical note

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## Authorship contribution statement

**Vuong Khanh Tuan** was responsible for all aspects of the study.

## Conflicts of interest

The author declares no conflict of interest.

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