



2528-9705



## IMPACT OF CAPABILITIES ON OPERATIONAL PERFORMANCE: THE CASE OF VIETNAMESE ENTERPRISES

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### ABSTRACT

*This article aims to evaluate the impact of enterprise capabilities, including Learning Orientation (LO) and Entrepreneurial Orientation (EO), on Operational Performance (OP). The research surveyed 276 Vietnamese enterprises of different sizes, ages, ownership types, and industries. The main findings of descriptive and reliability statistics, exploratory factor analysis, multivariate regression analysis, and group comparison from SPSS 20 software show that learning orientation and entrepreneurial orientation positively impact operational performance, whereby entrepreneurial orientation has a stronger impact. These impacts are different among small and medium-sized enterprises in that medium-sized firms have a higher impact of learning the orientation on operational performance than small-sized ones. The research results suggest that Vietnamese enterprises promote their capabilities and enhance their competitive position to improve operational performance. These results also encourage Vietnamese enterprises to focus on training to achieve higher efficiency and sustainable development. It is more suitable when Vietnamese enterprises are mostly small and medium-sized.*

**Keywords:** Capabilities, Entrepreneurial orientation, Learning orientation, Operational performance.

### INTRODUCTION

According to Hoskisson *et al.* (1999), firms' resources and capabilities are key performance factors. Competence is understood as the link between resources and their exploitation by organizational processes to integrate, re-establish, acquire, and release resources. In this way, organizational competence is reflected in the firm's performance and the knowledge of individuals, which is reflected in the different uses by managers (Henri, 2006a; Mundy, 2010; Prieto-Díez *et al.*, 2022). There are many approaches to the capabilities of enterprises, such as innovation, learning, and entrepreneurial orientation. In previous studies, the capabilities of enterprises through Entrepreneurial Orientation (EO) and Learning Orientation (LO) were more interested (Ripollés & Blesa, 2005).

Based on the literature review and theoretical concepts, previous studies both support LO and EO to be positively related to performance (Ripollés & Blesa, 2005; Widener, 2007; Yuan *et al.*, 2008). However, the simultaneous impact of EO and LO on operational performance has not been known much (Hult, 2004). On the other hand, the results on this issue have been inconsistent. Specifically, Widener (2007) said that learning orientation positively affects

performance. However, on the contrary, Orozco (2016) did not find a basis to support the impact of learning orientation on performance because small firms aimed for short-term, unsustainable development, so they did not invest in human training.

For EO, Ripolles and Blesa (2005) pointed out that several studies emphasize the importance of EO as a determinant of performance. However, this result is still controversial in previous studies. Orozco (2016) shows that the influence of EO on performance varies across firms by size. Wiklund and Shepherd (2003) also indicate that the relationship between EO and performance can be more complex.

In this study, our purpose is to determine how the combination of Vietnamese enterprises' capabilities, including learning orientation and entrepreneurial orientation, affects the operational performance of companies. The rest of this paper is arranged as follows: Section 2 shows the Theoretical framework developing theoretical models and hypotheses of the capabilities and performance. Section 3 presents research methods, next to Section 4 with the data analysis results. Section 5 summarizes the findings and conclusions.

### *Theoretical Framework*

The research uses the Resource-based View (RBV) theory. This theory is based on the principle that the competitiveness of enterprises is the strength, exploitation, and utilization of specific internal resources and capabilities of the enterprise. The resources attached to a company are specific and idiosyncratic, a sustainable competitive advantage of the enterprise. To exploit resources, enterprises must create favorable conditions for their use and business organization and control (Wiklund & Shepherd, 2003). Enterprise competencies include many categories such as innovation, learning, and entrepreneurship. Many scholars have chosen research papers referring to entrepreneurial orientation and learning orientation (Ripollés & Blesa, 2005; Henri, 2006a).

LO has been defined in many different ways. According to Chenhall (2005), LO is the creation of structures and strategies that facilitate learning by all organization members. Slater and Narver (1995) consider LO as a phenomenon directly related to the success of new products.;

LO refers to the activities undertaken by the organization in creating and disseminating knowledge to achieve superior results and develop a competitive advantage (Sinkula *et al.*, 1997). Baker and Sinkula (2002) pointed out that learning orientation can be viewed as the extent to which companies question their beliefs and actions to actively seek new knowledge to maximize operational performance. Le Sante *et al.* (2021) shows that employees who are given good training opportunities will put their best efforts in their work, thereby increasing their performance. Navarro *et al.* (2022) also indicated that learning orientations is a way to motivate employees, thereby increasing the OP.

EO is also defined in many ways. Some view EO associated with entrants as the decision-making processes and activities undertaken to successfully manage the entry of a new firm (Slater & Narver, 1995) or EO is seen as the concept of organizational entrepreneurship (Lumpkin *et al.*, 2009). Some other views believe that EO can still be associated with existing businesses, which is the permanent attitude of the company to actively seek new business opportunities (Covin & Slevin, 1991); businesses that innovate or revive activities that are stagnant or need to transform



(Slater & Narver, 1995). In the opinion of Hitt *et al.* (2001), EO has been identified as an important process that contributes to the existence and operation of the business.

Operational Performance (OP) is understood as the various outcomes within the organization (customer satisfaction, employee satisfaction, quality, innovation, etc.) and non-financial outcomes at all levels of the organization (Henri & Journeault, 2010). Enterprise performance is divided into two categories: reported performance and perceived performance. The reported performance is based on internal or external information and can be financial or non-financial. Perceived performance is based on feedback from study participants' perceptions of company performance, which can be measured both objectively and subjectively.

#### *Relationship between Learning Orientation and Operational Performance*

Learning orientation is important to maintaining a competitive edge and is tied to improved operational performance. Tippins and Sohi (2003) studied information technology capabilities and found that operational performance is better if an organizational learning orientation exists. Calantone *et al.* (2002) showed that LO is an important driver of competitive advantage by improving a company's information processing activities faster than its competitors, creating linkages between learning orientation and operational performance in the company.

Several studies report that high-performing firms rely on information provided by regularly updated formal control systems to promote organizational learning. Yuan *et al.* (2008) proved that MCS significantly positively influences employees' perception of academic competence. Calantone *et al.* (2002), and Tippins and Sohi (2003) showed a direct positive relationship between LO and performance. Barros Martins *et al.* (2019) indicated that in self-evaluation behavioral transfer was predicted by learning strategies were significantly related to performance. The findings of Gil-Beltrán *et al.* (2020) pointed out that there are positive relationships between engagement of training and performance. However, some studies point out little or no significant relationship between LO and OP (Farrell & Oczkowski, 2002).



#### *Relationship between Entrepreneurial Orientation and Operational Performance*

EO can be seen as a habit of senior management, ability about the strategic position of the enterprise and related to superior results. EO enhances the relationship between MCS and operational performance when used to discover and exploit opportunities. Many empirical studies have found a direct positive relationship between EO and outcomes (Wiklund & Shepherd, 2003). Besides, there are still opposite results; Orozco (2016) shows that large-sized enterprises do not have the impact of EO on operational performance.

In conclusion, incremental innovations resulting from knowledge gained in LO and business innovation as a result of EO will support the growth of enterprises. Previous studies prove that academic and entrepreneurial orientation (LO & EO) positively contributes to performance (Hult, 2004). Therefore, the proposed research model is:

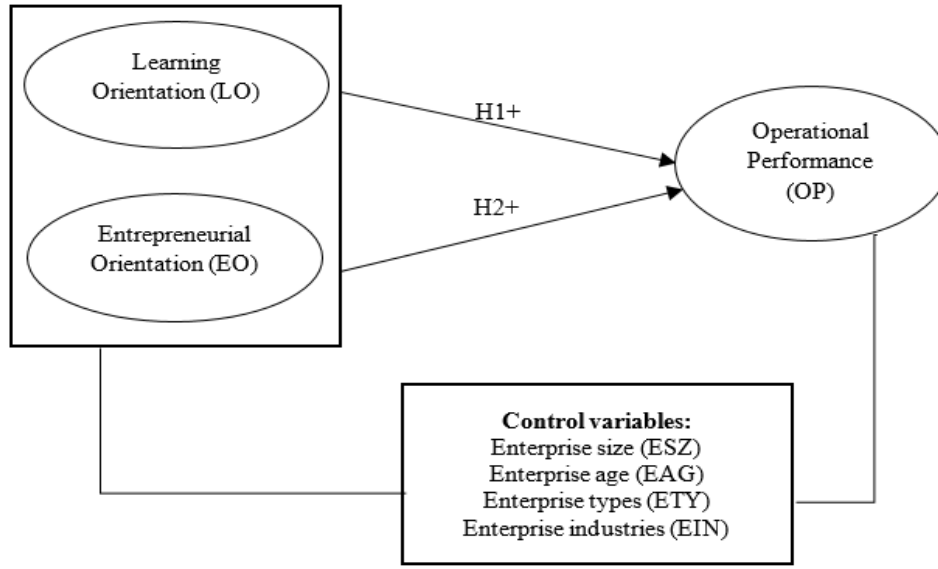


Figure 1. Proposed Research Model

Although some studies cast doubt on the existence of a relationship between a firm's capabilities and performance, still favor the positive effects of LO, and EO on performance, therefore, specific hypotheses supporting the direct relationship between learning and entrepreneurial capabilities of enterprises to performance are formulated as follows:

H1: Learning orientation capabilities have a positive impact on operational performance.

H2: Entrepreneurial orientation capabilities have a positive impact on operational performance.

## MATERIALS AND METHODS

### Research Process

The implementation stages, from data collection and processing to analysis:

*Step 1:* Outline a draft scale, then sent it to some experts, including 02 directors of enterprises, 03 chief accountants, and 05 lecturers in Vietnam via email, to ask for their feedback on the perspicuity and the relevance of each question. We adjusted the questionnaire and released the final version based on their feedback.

*Step 2:* Build the official questionnaire from google forms and send it to accountants and business managers via email. The convenient sampling method sends survey respondents to friends, relatives, partners, etc.

*Step 3:* The collected data is 285 votes. After coding and cleaning, the data obtained 276 valid votes to perform quantitative analysis.

*Step 4:* Analyzing data on SPSS 20 software by (1) Reliability analysis; (2) EFA exploratory factor analysis. (3) Multivariate regression analysis.

### Research Scale

Regarding the LO scale, Sinkula *et al.* (1997) developed a 13 - item scale to measure LO. Then, Hult (1998) adjusted this scale to 4 items to be more general about the learning orientation applied to the whole company. We inherited 04 LO items from Hult (1998) in this study.

Regarding the EO scale, Henri (2006a) suggested the original observed variables, which were later modified and supplemented by many scholars (Yuan *et al.*, 2008; Lumpkin *et al.*, 2009). We selected the vial and adjusted the scale with 08 items inherited from the previous study of Lumpkin *et al.* (2009).

Regarding the OP scale, we use a scale that includes financial (sales, return on investment, and profit) of Henri (2006a) and non-financial indicators of Gómez-Villanueva (2008) and Orozco (2016).

Regarding control variables, enterprise size in terms of the number of employees, the age of enterprises; types of enterprises; the industry of enterprise. In terms of the number of employees, the majority of enterprises are small, with less than 100 employees (150; 54.3%). Regarding the age of firms, from 5 to 10 years, enterprises are more than the rest (136; 49.2%). Most enterprises are privately owned (240; 86.9%), enterprises mainly operate in the field of trade and services (150; 54.3%); next to manufacturing enterprises (82; 29.7%). These features are suitable to represent Vietnamese enterprises because most are small and medium-sized, and a large number of start-ups, private ownership, and trading and services are the main ones.

## RESULTS AND DISCUSSION

### *Reliability Analysis*

The observations in each scale (**Table 1**) all have coefficients greater than 0.6, which are suitable for performing exploratory factor analysis.

**Table 1.** Reliability Statistics

Groups	Cronbach's Alpha	N of Items
1. Operational Performance (OP)	0.983	6
2. Learning Orientation (LO)	0.950	4
3. Entrepreneurial Orientation (EO)	0.948	8

### *Factor Analysis Exploratory EFA*

KMO and Bartlett's test results show that Sig. = 0.000 < 0.05; high KMO coefficient (0.941 > 0.5). This result shows that the observed variables correlate, and the EFA factor analysis is very appropriate. Eigenvalues greater than 1, with 02 factors and extracted variance of 78.379% (greater than 50%) meet the requirements.

The results of exploratory factor analysis showed that the observed variables combined into 2 factors, consistent with the LO (04 items) and EO (08 items) groups according to the original observed variables.

### *Multivariate Regression Analysis*

The model's Adjusted R Square coefficient is 50.6 (P-value < 0.01), showing that the model can explain 50.6% of the total impact of the factors LO and EO on OP. The results of **Table 2** show that the factors LO and EO are statistically significant (Sig. < 0.05).



Table 2. Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.379	.229		-1.653	.099
1 LO	.503	.082	.391	6.147	.000
EO	.522	.091	.366	5.759	.000

a. Dependent Variable: OP

The regression equation is presented as:

$$Y = 0.391 * X_1 + 0.366 * X_2 + \varepsilon \quad (1)$$

Research results (Table 3) show that both learning orientation and business ability positively impact performance, whereby entrepreneurial orientation has a stronger impact.

Table 3. Summary of hypotheses

Hypothesis	Causal path	Coefficients	t	Hypothesis supported
H1	LO -> OP	.373	5.803***	Yes
H2	EO -> OP	.389	5.998***	Yes

Legend: \*\*\*p < 0.01 level

The awareness of training towards sustainable development that positively affects performance is appropriate. Previous studies have argued that through the use of governance control systems, managers seek to understand, and set up programs and action plans, as well as new initiatives to implement business strategy (Simons, 1991), thereby guiding enterprises to learn. This research result agrees with the previous study by Widener (2007) that learning ability positively impacts performance.

As for EO positively affecting performance, this result is similar to Orozco's study (2016), Ripolles and Blesa (2005). However, studies still have not shown a relationship between EO and performance. The explanation is that EO is also influenced by many other factors such as internal characteristics of the company, access to human resources, or external factors (Wiklund & Shepherd, 2003). This can be explained because of the initiative and simplicity in the leadership; these enterprises are more responsive to changes in the business environment, thus achieving higher efficiency.

## CONCLUSION

The research pointed out that learning orientation and entrepreneurial orientation positively impact operational performance, and entrepreneurial orientation has a stronger impact than learning orientation. The research results will be suggestions for Vietnamese enterprises in enhancing their capabilities to training to promote business efficiency, towards sustainable



development, especially when the majority of Vietnamese enterprises are small and medium-sized.

**ACKNOWLEDGMENTS:** We would like to thank the Directors of the Academy of Finance and Academy of Policy and Development, Hanoi, Vietnam, for supporting us in completing the project and the manuscript. To complete the study, we also are very thankful for the sharing and feedback of the scientists, managers and accountants who have accompanied us during implementation. We appreciate the Associate Editor for proving additional comments that help us a lot to improve our work.

**CONFLICT OF INTEREST:** None

**FINANCIAL SUPPORT:** None

**ETHICS STATEMENT:** We will conduct ourselves with integrity, fidelity, and honesty. We will openly take responsibility for our actions.

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