INTERNAL CAPABILITIES AND INNOVATION ACTIVITIES IN TRADE AND SERVICE ENTERPRISES: A THEORETICAL REVIEW AND PROPOSED RESEARCH MODEL FOR THE EASTERN AREA OF DONG THAP PROVINCE

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ABSTRACT:

In the context of intensifying competition and rapid digital transformation, innovation has become essential to enterprise competitiveness and performance. However, trade and service enterprises in emerging economies, particularly in Vietnam's Mekong Delta region, continue to face constraints in resources, managerial capacity, and institutional support. Using a theoretical review approach, this study develops a conceptual framework to examine the determinants of innovation activities among trade and service enterprises in the eastern area of Dong Thap Province. The model integrates the Resource-Based View, Market Orientation Theory, Innovation Theory, and Institutional Theory. The findings from the literature indicate that innovation is influenced by both internal capabilities and external environmental factors, including organizational learning, leadership capability, corporate strategy, customer orientation, competitive intensity, competitor orientation, and government support.

Keywords: innovation activities, internal capabilities, organizational learning, trade and service enterprises.

1. Introduction

In the context of globalization, digital transformation, and increasingly intense market competition, innovation has become a central driver of economic growth and enterprise competitiveness (Schumpeter, 1934; OECD, 2018). Contemporary studies suggest that innovation extends beyond product and technological development to include process innovation, business model innovation, managerial innovation, and new approaches to value creation for customers (Clauss, 2017; OECD, 2021). In highly dynamic business environments, innovation capability has increasingly become a prerequisite for enterprise survival and long-term adaptation.

For trade and service enterprises, innovation plays an even more critical role due to the specific characteristics of this sector. Compared with manufacturing firms, trade and service enterprises often face limitations in capital investment, technological capability, and research and development (R&D) capacity, while simultaneously confronting rapid changes in customer preferences and competitive pressures (Camisón & Villar-López, 2014). Under such conditions, innovation not only enhances operational efficiency but also enables firms to establish competitive advantages through service quality improvement, operational flexibility, and enhanced customer experience (Rosenbusch et al., 2011; Falahat et al., 2020).

Recent empirical studies indicate that enterprise innovation activities are simultaneously influenced by internal capabilities and external environmental factors. From the perspective of the Resource-Based View (RBV), internal resources and organizational capabilities are considered strategic determinants of innovation and sustainable competitive advantage (Barney, 1991). Leadership capability, organizational learning, strategic orientation, and market orientation have been identified as essential drivers of enterprise innovation (Calantone et al., 2002; Le & Lei, 2019). Conversely, external factors such as competitive intensity, government support, and institutional conditions may either facilitate or constrain innovation activities (Zhu et al., 2012; Nguyen et al., 2020).

In Vietnam, particularly in the Mekong Delta region, innovation studies have mainly focused on manufacturing sectors or large-scale enterprises, while research on local trade and service enterprises remains relatively limited (Tran et al., 2021). In the eastern area of Dong Thap Province, where the economic structure is gradually shifting toward trade and service development, enterprise innovation activities continue to be constrained by managerial limitations, human resource quality, and institutional conditions.

Furthermore, previous studies have generally examined isolated determinants of innovation rather than integrating multiple theoretical perspectives into a unified framework capable of explaining innovation activities in trade and service enterprises operating within transitional economies. This represents an important research gap requiring further investigation.

Based on these issues, this study aims to synthesize relevant theoretical foundations, review previous studies, and propose a conceptual research model examining the determinants of innovation activities among trade and service enterprises in the eastern area of Dong Thap Province. The study is expected to contribute in three major aspects. First, it enriches the theoretical understanding of enterprise innovation in transitional economies. Second, it proposes an integrated framework combining RBV, Market Orientation Theory, and Institutional Theory to explain innovation activities in trade and service enterprises. Third, it provides a theoretical foundation for future empirical studies and policy implications for enterprises and local policymakers.

2. Literature review and research gap

2.1. Literature review on enterprise innovation activities

Innovation has long been recognized as a critical driver of economic growth and enterprise competitiveness in the context of globalization and digital transformation. According to Schumpeter (1934), innovation encompasses not only new product development but also new production methods, managerial systems, and market expansion aimed at generating sustainable competitive advantage. Building upon this perspective, contemporary studies continue to affirm that innovation is essential for enterprises to adapt to rapidly changing business environments and improve organizational performance (OECD, 2018).

International studies indicate that innovation activities are influenced by both internal organizational capabilities and external environmental conditions. According to the Resource-Based View (RBV), internal capabilities constitute strategic resources that enable firms to achieve competitive advantage and innovation capability (Barney, 1991). Leadership capability, organizational learning, strategic orientation, and market orientation are widely recognized as key drivers of enterprise innovation and performance improvement (Calantone et al., 2002; Wiklund & Shepherd, 2005).

In trade and service sectors, innovation possesses distinctive characteristics because firms often face limitations in capital investment, technological resources, and human capital. Consequently, innovation depends not only on technological investment but also on managerial capability and organizational adaptability (Camisón & Villar-López, 2014). Empirical studies reveal that highly innovative firms tend to achieve superior business performance through service quality enhancement, customer experience improvement, and operational optimization (Rosenbusch et al., 2011; Falahat et al., 2020).

Besides internal capabilities, Market Orientation Theory emphasizes the importance of understanding customer needs and responding to competitive dynamics in promoting innovation activities (Narver & Slater, 1990). Previous studies suggest that customer orientation and competitor orientation enable firms to identify market opportunities and improve innovation capability (Zhou et al., 2005; Tajeddini, 2015; Boso et al., 2013).

Moreover, Institutional Theory highlights the role of institutional environments and government support in influencing innovation through financial assistance, innovation policies, and business environment improvement (North, 1990; Zhu et al., 2012). Nevertheless, the effectiveness of institutional support largely depends on firms' absorptive capacity and market development conditions.

2.2. Research gap

Although innovation has been extensively studied across various contexts, several important research gaps remain unresolved.

First, previous studies have primarily concentrated on manufacturing industries or high-technology sectors, whereas trade and service enterprises, particularly in local transitional economies, have received relatively limited attention (Ngo & O'Cass, 2012; Tran et al., 2021). This creates a lack of empirical evidence regarding the determinants of innovation in Vietnamese trade and service enterprises.

Second, many prior studies have examined innovation from fragmented perspectives by focusing separately on either internal capabilities or external environmental factors. However, innovation is inherently multidimensional and simultaneously influenced by organizational resources, market orientation, and institutional conditions.

Third, within transitional economies, the relative importance of internal capabilities and external factors in driving innovation remains controversial. Some studies argue that competitive pressure and government support are primary drivers of innovation, whereas others emphasize the dominant role of internal organizational capabilities (Crespi & Zuniga, 2012; Radosevic & Yoruk, 2013).

Fourth, in the Mekong Delta region in general and the eastern area of Dong Thap Province in particular, research on enterprise innovation remains limited despite increasing pressures from digital transformation, regional competition, and economic restructuring. These conditions create an urgent need for studies examining innovation determinants appropriate to local enterprise contexts.

Based on these research gaps, this study proposes an integrated framework combining the Resource-Based View, Market Orientation Theory, and Institutional Theory to explain innovation activities among trade and service enterprises in the eastern area of Dong Thap Province.

3. Theoretical foundation and proposed research model

3.1. Theoretical foundation

3.1.1. Resource-based view (RBV)

The Resource-Based View argues that sustainable competitive advantage is derived from valuable, rare, inimitable, and non-substitutable organizational resources and capabilities (Barney, 1991). In innovation research, RBV emphasizes the role of leadership capability, organizational learning, and strategic orientation in enhancing firms' innovation capability (Teece et al., 1997).

For trade and service enterprises, where competitive advantage is largely knowledge-based, intangible resources and managerial capabilities become particularly important. Previous studies demonstrate that firms possessing strong organizational capabilities tend to achieve higher innovation performance and superior business outcomes (Calantone et al., 2002; Camisón & Villar-López, 2014). Therefore, RBV serves as the central theoretical foundation of this study.

3.1.2. Market orientation theory

Market Orientation Theory emphasizes firms' ability to collect, analyze, and respond to market information in order to create superior customer value (Narver & Slater, 1990). Customer orientation and competitor orientation are considered core dimensions that facilitate organizational adaptation and innovation.

Customer orientation enables firms to identify market demands and develop suitable innovative products and services, whereas competitor orientation supports firms in responding effectively to competitive pressures (Kohli & Jaworski, 1990). Prior studies confirm the positive relationship between market orientation, innovation capability, and enterprise performance (Ngo & O'Cass, 2012; Tajeddini, 2015).

3.1.3. Innovation theory

According to Schumpeter (1934), innovation represents the central mechanism driving economic growth and enterprise competitiveness. Innovation may take the form of new products, new processes, or new organizational methods designed to establish competitive advantage.

Contemporary innovation studies suggest that innovation capability depends not only on R&D activities but also on organizational learning and managerial capability (Damanpour, 1991; Hurley & Hult, 1998). In trade and service enterprises, innovation is often manifested through service innovation, process innovation, and business model innovation aimed at improving market responsiveness and operational efficiency.

3.1.4. Institutional theory

Institutional Theory argues that enterprise activities are significantly influenced by policy environments, legal frameworks, and government support mechanisms (North, 1990). Institutional factors may either facilitate or constrain innovation activities through access to resources, information, and policy incentives (Scott, 2008).

In developing and transitional economies, government support plays a particularly important role for SMEs facing resource and technological constraints (Zhu et al., 2012). Therefore, examining the effects of government support and competitive environments is necessary for understanding enterprise innovation within the research context.

3.2. Hypothesis development

Company Strategy and Innovation Activities: Company strategy reflects long-term organizational orientation and resource allocation for achieving competitive advantage. According to RBV, firms with clear strategic direction are more capable of promoting innovation through effective resource concentration and market adaptation (Porter, 1985). Previous studies indicate that competitive strategy positively influences enterprise innovation capability (Acquaah, 2013; Anwar & Shah, 2021).

H1: Company strategy positively affects enterprise innovation activities.

Competitive Intensity and Innovation Activities: Competitive pressure compels firms to innovate in order to maintain market position and improve operational performance (Porter, 1985). In highly competitive environments, enterprises are more likely to improve products, services, and operational processes to create differentiation. Previous studies confirm that competitive intensity can stimulate innovation activities through adaptation pressure (Auh & Menguc, 2005).

H2: Competitive intensity positively affects enterprise innovation activities.

Organizational Learning and Innovation Activities: Organizational learning reflects firms' ability to acquire, share, and apply knowledge in managerial and operational activities. From the RBV perspective, knowledge is considered a strategic resource that promotes innovation capability. Prior studies indicate that organizational learning enhances adaptability and creativity within enterprises (Calantone et al., 2002; Real et al., 2014).

H3: Organizational learning positively affects enterprise innovation activities.

Leadership Capability and Innovation Activities: Leadership capability is considered a central factor promoting innovation through strategic direction, motivation creation, and change management. According to Teece et al. (1997), leadership represents a dynamic capability enabling firms to reconfigure resources in response to environmental change. Previous research confirms the positive influence of leadership capability on innovation and organizational performance (Le & Lei, 2019).

H4: Leadership capability positively affects enterprise innovation activities.

Customer Orientation and Innovation Activities: Customer orientation enables firms to identify market needs and develop suitable innovative solutions. According to Narver and Slater (1990), customer-oriented firms tend to exhibit stronger innovation capability.

H5: Customer orientation positively affects enterprise innovation activities.

Competitor Orientation and Innovation Activities: Monitoring competitors' strategies and market behavior enables firms to respond more effectively to market changes. Previous studies indicate that competitor orientation can stimulate innovation through competitive pressure (Zhou et al., 2009).

H6: Competitor orientation positively affects enterprise innovation activities.

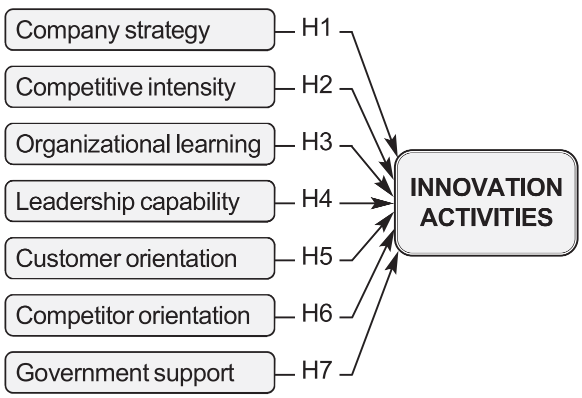
Government Support and Innovation Activities: Government support policies may facilitate enterprise innovation through financial assistance, training programs, and business environment improvement (Zhu et al., 2012).

H7: Government support positively affects enterprise innovation activities.

3.3. Proposed research model

Based on the synthesis of theoretical perspectives and previous empirical studies, this research proposes a conceptual framework comprising seven independent variables directly influencing innovation activities of trade and service enterprises in the eastern area of Dong Thap Province. The model emphasizes the central role of internal organizational capabilities from the RBV perspective while integrating market and institutional factors to reflect the characteristics of enterprises operating within a transitional economy.

Figure 1. Conceptual model



4. Theoretical implications of the proposed research model

The proposed framework provides several important theoretical implications for innovation research in transitional economies.

First, the study reinforces the relevance of the Resource-Based View by emphasizing internal organizational capabilities, particularly leadership capability, organizational learning, and company strategy, as core drivers of innovation activities. This suggests that innovation capability in trade and service enterprises is primarily determined by internal organizational quality rather than solely by external market conditions.

Second, the study extends innovation research by integrating RBV, Market Orientation Theory, and Institutional Theory into a unified analytical framework. The simultaneous consideration of internal capabilities, market orientation, and institutional conditions enables a more comprehensive understanding of enterprise innovation within developing economies.

Third, the study contributes to the literature by focusing on local trade and service enterprises, whereas previous innovation studies have predominantly concentrated on manufacturing industries or developed economies. This expands the applicability of innovation theories to local enterprises characterized by limited resources, technological constraints, and institutional challenges.

Finally, the proposed model provides a theoretical foundation for future quantitative studies examining the relative influence of internal and external determinants on enterprise innovation activities. The framework also opens new research directions concerning the mediating and moderating roles of absorptive capacity, digital transformation, and organizational adaptability in innovation processes.

5. Conclusion

This study synthesizes major theoretical perspectives related to enterprise innovation, including the Resource-Based View, Market Orientation Theory, Innovation Theory, and Institutional Theory, to propose a conceptual framework explaining innovation activities among trade and service enterprises in the eastern area of Dong Thap Province.

The literature review indicates that innovation activities are simultaneously influenced by internal organizational capabilities, market orientation factors, and institutional conditions. Among these determinants, internal capabilities such as leadership capability, organizational learning, and company strategy are identified as fundamental drivers of enterprise innovation and adaptability within competitive and transitional economic environments. In addition, the proposed framework highlights the complementary role of market and institutional factors in facilitating innovation activities.

From a theoretical perspective, the study contributes to innovation literature by integrating multiple theoretical approaches into a unified analytical framework for trade and service enterprises. More importantly, the study supports the argument that in transitional economies, enterprise innovation depends primarily on the development and effective utilization of internal organizational capabilities rather than relying solely on external environmental conditions.

The proposed research model serves as an important theoretical foundation for future empirical studies examining the relationships between organizational capabilities and innovation activities across different industrial and regional contexts ■

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NĂNG LỰC NỘI TẠI VÀ HOẠT ĐỘNG ĐỔI MỚI SÁNG TẠO TRONG CÁC DOANH NGHIỆP THƯƠNG MẠI VÀ DỊCH VỤ: TỔNG QUAN LÝ THUYẾT VÀ MÔ HÌNH NGHIÊN CỨU ĐỀ XUẤT CHO KHU VỰC PHÍA ĐÔNG TỈNH ĐỒNG THÁP

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TÓM TẮT:

Trong bối cảnh cạnh tranh ngày càng gay gắt và chuyển đổi số diễn ra nhanh chóng, đổi mới sáng tạo đã trở thành yếu tố thiết yếu đối với năng lực cạnh tranh và hiệu quả hoạt động của doanh nghiệp. Tuy nhiên, các doanh nghiệp thương mại và dịch vụ ở các khu vực, vùng kinh tế mới nổi, đặc biệt là khu vực Đồng bằng sông Cửu Long của Việt Nam, vẫn đang đối mặt với nhiều hạn chế về nguồn lực, năng lực quản trị và sự hỗ trợ thể chế. Trên cơ sở phương pháp tổng quan lý thuyết, nghiên cứu này xây dựng khung khái niệm nhằm xem xét các yếu tố quyết định hoạt động đổi mới sáng tạo của các doanh nghiệp thương mại và dịch vụ tại khu vực phía Đông tỉnh Đồng Tháp. Mô hình nghiên cứu tích hợp các lý thuyết nền tảng gồm Quan điểm dựa trên nguồn lực, Lý thuyết định hướng thị trường, Lý thuyết đổi mới sáng tạo và Lý thuyết thể chế. Kết quả tổng quan cho thấy đổi mới sáng tạo chịu tác động của cả năng lực nội tại và các yếu tố môi trường bên ngoài, bao gồm học tập tổ chức, năng lực lãnh đạo, chiến lược doanh nghiệp, định hướng khách hàng, cường độ cạnh tranh, định hướng đối thủ cạnh tranh và sự hỗ trợ của Nhà nước.

Từ khóa: hoạt động đổi mới, năng lực nội bộ, học tập tổ chức, doanh nghiệp thương mại và dịch vụ.