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The Influence of Organizational Capabilities on Operational Efficiency: A Study of Vietnamese Businesses

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Abstract

This research examines how the capabilities of firms, specifically learning orientation (LO) and entrepreneurial orientation (EO), affect their operational performance (OP). The study examined 276 businesses in Vietnam across different industries, sizes, ownership structures, and ages. The analysis, which included descriptive statistics, reliability tests, exploratory factor analysis, and multivariate regression using SPSS version 20, revealed that both LO and EO positively affect OP, with EO having a more significant effect. The study also identified differences between small and medium-sized enterprises, noting that medium-sized companies experience a greater impact of LO on OP than smaller firms. Based on these findings, the study suggests that Vietnamese businesses should enhance their capabilities to strengthen their competitive edge and improve OP. Furthermore, the research encourages investing in employee training to achieve higher efficiency and long-term sustainability, a strategy particularly relevant for the large number of small and medium-sized businesses in Vietnam.

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

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Introduction

Resources and capabilities are pivotal for a firm's performance, as highlighted by Hoskisson [1]. Competence is defined as the connection between resources and the processes used by organizations to manage, acquire, and utilize those resources effectively. It is through organizational competence that a firm's performance is measured, and it is also shaped by the knowledge of its employees which is reflected in how managers utilize this knowledge [2-4]. Various perspectives have been developed to assess the capabilities of enterprises, focusing on innovation, learning, and entrepreneurial orientation (EO). Among these, studies have paid particular attention to EO and learning orientation (LO) [5].

Several prior studies have established a positive relationship between EO, LO, and performance outcomes [5-7]. However, the simultaneous effect of both EO and LO on operational performance (OP) remains underexplored [8], and the existing findings are inconsistent. For instance, while Widener [6] demonstrated a positive effect of LO on performance, Orozco [9] did not observe such a link, arguing that small firms often prioritize short-term goals over investing in human resource development.

When examining EO, Ripollés and Blesa [5] emphasize that it is often seen as a crucial determinant of performance, though the results remain inconclusive. Orozco [9] suggested that the impact of EO on performance can differ by firm size, and

Wiklund and Shepherd [10] proposed that the relationship between EO and performance may be more intricate than traditionally understood.

This study aims to explore how the combination of LO and EO influences OP in Vietnamese enterprises. The paper is structured as follows: section 2 discusses the theoretical framework and hypotheses related to capabilities and performance, section 3 outlines the research methodology, section 4 presents the data analysis results, and section 5 concludes with the study's findings.

Theoretical Framework

This study utilizes the resource-based view (RBV) theory, which emphasizes that a firm's competitiveness is determined by how effectively it leverages its unique internal resources and capabilities. These resources are exclusive to the company and provide a sustainable competitive advantage. For firms to make the most of these resources, they must create an environment that encourages their effective use, supported by strong organizational processes and control [10, 11]. Key competencies within a firm can encompass various areas, such as learning, innovation, and entrepreneurial activity. Many researchers have focused on entrepreneurial and LO as central elements of organizational capability [2, 5].

LO is defined in several ways. According to Chenhall [12], LO involves creating systems and strategies that promote learning across the organization. Slater and Narver [13] link LO to the success of introducing new products, while Sinkula *et al.* [14] describe LO as the company's efforts to create and share knowledge, leading to a competitive advantage. Sinkula *et al.* [14] argue that LO involves challenging current practices and actively seeking new knowledge to improve OP. Le Sante *et al.* [15] suggest that when employees are provided with training opportunities, they are more motivated to perform, which leads to better outcomes. Similarly, Navarro *et al.* [16] highlight that LO can enhance motivation and, consequently, OP.

EO is defined in various ways as well. Some views connect EO to the activities and decisions involved in the launch of a new firm [13], while others understand EO as an ongoing entrepreneurial attitude that guides a company's strategy [17]. EO can also refer to the efforts of established firms to seek new opportunities or revitalize stagnant activities [13, 18]. Hitt [19] stresses the importance of EO as a process essential for a business's continued success and operations.

OP refers to the results a firm achieves in various domains, including customer satisfaction, employee satisfaction, product quality, and innovation, as well as other non-financial outcomes at all organizational levels [20]. There are two main types of performance: reported performance, which is based on internal or external data and includes both financial and non-financial indicators, and perceived performance, which reflects the subjective views of participants regarding the organization's success.

Link Between LO and OP

LO plays a key role in maintaining a competitive edge and driving OP. Tippins and Sohi [21] found that firms with a LO perform better, especially when their IT capabilities support the process. Calantone *et al.* [22] showed that LO improves a company's competitive advantage by enabling it to process information more rapidly than competitors, thereby enhancing OP. High-performing companies often depend on formal control systems that provide up-to-date information, which helps promote organizational learning. Yuan *et al.* [7] demonstrated that management control systems (MCS) positively influence employees' perception of their academic competencies. Similarly, Calantone *et al.* [22] and Tippins and Sohi [21] identified a positive link between LO and performance. Barros Martins *et al.* [23] indicated that using learning strategies to support self-evaluation is significantly related to better performance. Gil-Beltrán *et al.* [24] also highlighted that employee engagement in training is positively associated with performance. However, some studies have found weak or no significant relationships between LO and OP [25, 26].

Connection Between EO and OP

EO is often regarded as a strategic mindset within senior management, reflecting the company's ability to position itself effectively and achieve superior outcomes. EO plays a significant role in enhancing the relationship between Management Control Systems (MCS) and OP by enabling firms to identify and capitalize on new opportunities. Numerous empirical studies have established a positive direct link between EO and business outcomes [10]. However, some contradictory findings have also emerged. For instance, Orozco [9] observed that large firms do not experience the same impact of EO on OP as smaller companies.

To summarize, incremental innovations stemming from the learning acquired through LO and the business innovations driven by EO contribute to the growth and success of firms. Prior research has shown that both LO and EO positively influence organizational performance [27]. Consequently, the research model proposed in this study is as follows (**Figure 1**).

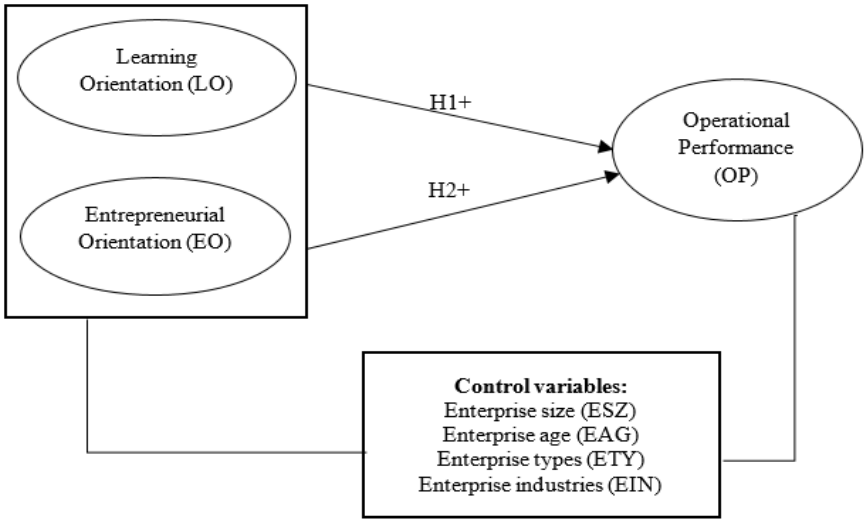

Figure 1. Proposed research model

Although some research casts doubt on the existence of a direct correlation between a company's capabilities and its performance, the prevailing view remains that LO and EO positively affect performance. Hence, the following hypotheses are proposed to examine the direct relationship between these capabilities and operational outcomes:
H1: LO capabilities have a positive effect on OP.
H2: EO capabilities have a positive effect on OP.

Materials and Methods

Research Process

The study was conducted in several stages, from data collection to analysis:
Step 1: A draft scale was created and reviewed by experts, including two business directors, three chief accountants, and five university professors in Vietnam. Feedback was gathered on the clarity and relevance of each question. Adjustments were made based on this input, and the final version of the questionnaire was prepared.
Step 2: The finalized questionnaire was distributed via email to accountants and business managers. A convenience sampling approach was adopted, wherein survey links were forwarded to contacts such as friends, family, and business associates.
Step 3: A total of 285 responses were collected. After coding and cleaning the data, 276 valid responses were retained for analysis.
Step 4: Data analysis was performed using SPSS 20 software, employing reliability analysis, exploratory factor analysis (EFA), and multivariate regression analysis.

Research Scales

For measuring LO, Sinkula *et al.* [14] initially developed a scale with 13 items. This scale was later revised by Hult (1998) to include only 4 items, making it more universally applicable to LO across organizations. This study adopted the 4-item scale as adjusted by Hult [27].
In the case of EO, Henri [2] proposed an initial set of observed variables, which were subsequently modified and expanded by researchers such as Yuan *et al.* [7] and Lumpkin *et al*. [17]. For this study, we selected and refined the EO scale to include 8 items based on the work of Lumpkin *et al.* [17].
For OP, the scale utilized in this research combines financial metrics (such as sales, return on investment, and profits) proposed by Henri [2] and non-financial performance indicators drawn from Gómez-Villanueva [28] and Orozco [9].

Control Variables

The study also considered several control variables, including the firm size (measured by the number of employees), firm age, ownership type, and industry sector. Most of the companies in the sample were small, with 54.3% employing fewer than 100 people. Regarding company age, 49.2% of the firms had been in operation for 5 to 10 years. The majority of the companies (86.9%) were privately owned, and most were involved in trade and services (54.3%), followed by manufacturing firms (29.7%). These characteristics align well with the typical profile of Vietnamese businesses, where small and medium-sized companies are prevalent, along with a high number of startups, private ownership, and a strong emphasis on trade and services.

Results and Discussion

Reliability Analysis

As shown in **Table 1**, the coefficients for each observation within the scales exceed 0.6, indicating that they are reliable for conducting exploratory factor analysis.

Table 1. Reliability statistics

Groups	Cronbach's alpha	No. of items
1. OP	0.983	6
2. LO	0.950	4
3. EO	0.948	8

Exploratory Factor Analysis (EFA)

The KMO and Bartlett's test yielded a significance value of 0.000, which is less than the threshold of 0.05, along with a high KMO value of 0.941, exceeding the minimum requirement of 0.5. This indicates a strong correlation between the observed variables, confirming that EFA is an appropriate analysis method. With eigenvalues exceeding 1, the analysis identified two factors, explaining 78.379% of the variance, which surpasses the required 50%, meeting the necessary conditions for factor extraction.

The exploratory factor analysis results revealed that the variables were grouped into two distinct factors, aligning with the LO consisting of 4 items and the EO containing 8 items, as indicated by the original variable grouping.

Multivariate Regression Analysis

The Adjusted R Square value of the model is 50.6 (P-value < 0.01), demonstrating that it can account for 50.6% of the total variance in OP due to the factors LO and EO. According to the data in **Table 2**, both LO and EO are statistically significant factors (Sig. < 0.05).

Table 2. Coefficients[a]

Model		Unstandardized coefficients		Standardized coefficients	t	Sig.
		B	Std. error	Beta		
1	(Constant)	-0.379	0.229		-1.653	0.099
	LO	0.503	0.082	0.391	6.147	0.000
	EO	0.522	0.091	0.366	5.759	0.000

a. Dependent variable: OP

The regression model is represented by the following equation:

$$Y = 0.391 *X1 + 0.366*X2 + \varepsilon \quad (1)$$

The findings from the research (**Table 3**) indicate that both LO and entrepreneurial capabilities have a positive influence on performance, with EO exerting a more substantial effect.

Table 3. Summary of hypotheses

Hypothesis	Causal path	Coefficients	t	Hypothesis supported
H1	LO -> OP	0.373	5.803***	Yes
H2	EO -> OP	0.389	5.998***	Yes

Legend: ***P < 0.01 level

The recognition of training as a means to promote sustainable development and its positive influence on performance is deemed appropriate. Previous research has suggested that by utilizing governance control systems, managers aim to comprehend, devise programs, and establish action plans and new initiatives to execute business strategies [29], thus encouraging organizational learning. This aligns with the findings of Widener [6], who also observed that learning capacity has a positive effect on performance.

Regarding EO, the positive effect on performance found in this study mirrors the results from Orozco [9] and Ripollés and Blesa [5]. However, some studies have failed to establish a clear connection between EO and performance. This may be attributed to the fact that EO is influenced by various internal factors, such as the company's inherent characteristics and access to human resources, as well as external factors [10]. The explanation might lie in the proactive and straightforward leadership style of these firms, which enables them to adapt quickly to changes in the business environment, thereby improving overall efficiency.

Conclusion

The findings of this study indicate that both LO and EO positively influence OP, with EO having a more significant impact. These results provide valuable insights for Vietnamese businesses, especially small and medium-sized enterprises, to enhance their training capabilities to improve operational efficiency and achieve sustainable growth.

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Ethics statement: We are committed to upholding the highest ethical standards in our work, taking full responsibility for our actions with honesty and integrity.

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