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Entrepreneurial Orientation, Marketing Capability, Marketing Innovation and Market Performance: The Serial Mediating Roles of Innovation Capability and Sustainable Competitive Advantage Among Vietnamese SMEs

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Abstract

This study investigates the effects of entrepreneurial orientation (EO), marketing capability (MC) and marketing innovation (MI) on market performance (MP) through the serial mediating roles of innovation capability (IC) and sustainable competitive advantage (SCA) among Vietnamese small and medium enterprises (SMEs). Grounded in the resource-based view and dynamic capability theory, and extending a model originally validated among Egyptian travel agencies, a research framework comprising six latent constructs was developed and tested. Survey data were collected from owners and managers of 568 Vietnamese SMEs and analysed with partial least squares structural equation modelling (PLS-SEM) using SmartPLS 4. The measurement model satisfied all recommended thresholds for indicator reliability, internal consistency, convergent validity, discriminant validity and

collinearity. The structural results show that EO strongly develops MC ($\beta = 0.648$) and, together with MC, builds IC ($\beta = 0.391$ and $\beta = 0.436$); EO, MC, IC and MI all significantly enhance SCA ($\beta = 0.208, 0.173, 0.378$ and 0.267 , respectively); and SCA exerts a dominant effect on MP ($\beta = 0.814$). All single and serial indirect effects are significant, confirming that IC and SCA serially transmit the effects of EO and MC to market performance. The model explains 71.4% of the variance in SCA and 66.2% of the variance in MP, with satisfactory effect sizes, predictive relevance and model fit. The findings extend resource-based and dynamic-capability explanations of SME competitiveness to Vietnam and yield practical guidance for entrepreneurial culture, customer analytics, innovation systems and advantage-building strategy.

Keywords: Entrepreneurial Orientation, Marketing Capability, Marketing Innovation, Innovation Capability, Sustainable Competitive Advantage, Market Performance, Vietnam

1. Introduction

Small and medium enterprises (SMEs) constitute the overwhelming majority of enterprises in Vietnam and are central to employment generation and output growth, and innovation demonstrably improves their performance (Le *et al.*, 2023) ^[12]. Yet Vietnamese SMEs now compete in an environment reshaped by globalisation, accelerating digital transformation and intensifying rivalry: digital capabilities have become preconditions of innovation (Hoang *et al.*, 2024) ^[9], technology-driven competition compresses product life cycles (Abbas *et al.*, 2024) ^[11], and customers can compare offers across borders in real time. In such conditions, short-term sales tactics are fragile; what endures is the capability base from which advantage is continually recreated. Understanding which organizational capabilities generate sustainable competitive advantage (SCA)—and how that advantage converts into market performance (MP)—is therefore a first-order question for SME research and policy in emerging economies.

The capability literature nominates three complementary antecedents. Entrepreneurial orientation (EO)—the organizational disposition toward innovativeness, proactiveness and risk-taking—equips firms to recognise opportunities and commit resources under uncertainty, and is best conceptualised as a firm-level phenomenon rather than an individual trait (Wales *et al.*, 2020) ^[21]; EO improves SME performance, although its effects are channelled through complementary capabilities (Susanto *et al.*, 2023; Fan *et al.*, 2021) ^[17, 5]. Marketing capability (MC)—the ability to sense markets, link with customers and respond faster than rivals—converts market knowledge into positioning (Susanto *et al.*, 2023) ^[17]. Marketing innovation (MI)—creative

tactics in market knowledge, advertising, public relations, promotion and market control—supports differentiation (Elgarhy & Abou-Shouk, 2023) ^[4]. The mechanism connecting these antecedents to performance runs through two mediating capabilities: innovation capability (IC), which transforms strategic resources into new products, services and processes (Yu *et al.*, 2023; Somwethee *et al.*, 2023) ^[22, 16], and SCA itself, which converts capability superiority into customer retention, market share and profitability (Elgarhy & Abou-Shouk, 2023) ^[4].

Evidence for this integrated chain, however, comes mainly from outside Vietnam. The most complete test to date validated the six-construct model among 315 Egyptian travel agency managers, finding SCA to be a partial mediator between capability antecedents and MP (Elgarhy & Abou-Shouk, 2023) ^[4]; related capability chains have been confirmed for Indonesian SMEs (Susanto *et al.*, 2023) ^[17], Thai community enterprises and SMEs (Somwethee *et al.*, 2023; Sutthirak *et al.*, 2026) ^[16, 18] and Chinese ventures (Yu *et al.*, 2023; Mao *et al.*, 2021) ^[22, 14]. Whether the model transfers to Vietnamese SMEs—with their distinctive ownership concentration, sectoral structure and stage of digital transition (Le *et al.*, 2023; Hoang *et al.*, 2024) ^[12, 9]—remains empirically open. Moreover, prior tests emphasise SCA as the mediator; the *serial* pathway in which IC first builds SCA, which then delivers MP, has rarely been modelled explicitly.

This study addresses these gaps with three objectives: (1) to examine the impacts of EO, MC and MI on IC and SCA among Vietnamese SMEs; (2) to test the single and serial mediating roles of IC and SCA; and (3) to assess the determinants of market performance in this population. Using PLS-SEM on survey data from 568 Vietnamese SMEs (Hair *et al.*, 2019) ^[7], the study contributes a full-model replication and extension of Elgarhy and Abou-Shouk (2023) ^[4] in a new national context, an explicit test of the serial mediation chain EO/MC → IC → SCA → MP, and evidence-based implications for SME managers and policymakers. The paper proceeds with the theoretical background, hypotheses, methodology, results, discussion and conclusion.

2. Theoretical Background

2.1 Resource-Based View

The resource-based view (RBV) holds that firms generate superior performance from resources and capabilities that are valuable, rare, inimitable and non-substitutable (Barney, 1991) ^[3]. In this study, EO, MC, MI and IC are conceptualised as such strategic organizational capabilities: they are embedded in routines and culture, accumulate through experience and are difficult for rivals to copy. Consistent with the RBV's causal logic, these capabilities do not act on performance directly so much as they create SCA—superior customer value sustained over time—which in turn produces market outcomes (Elgarhy & Abou-Shouk, 2023; Somwethee *et al.*, 2023) ^[4, 16]. This resource–advantage–performance sequence is the backbone of the research model.

2.2 Dynamic Capability Theory

Dynamic capability theory extends the RBV to turbulent environments: sustained advantage requires the ability to integrate, build and reconfigure competences as conditions change (Teece *et al.*, 1997) ^[20]. EO functions as the

archetypal dynamic capability in SMEs—the sensing-and-seizing disposition through which entrepreneurial management continually renews the firm's functional capabilities (Teece, 2016; Wales *et al.*, 2020) ^[19, 21]. This explains the developmental paths in the model: EO fosters MC, because opportunity-seeking firms invest in market sensing and customer linking (Susanto *et al.*, 2023) ^[17], and EO and MC jointly foster IC, because entrepreneurial commitment and market knowledge are the raw materials of innovation routines (Yu *et al.*, 2023; Fan *et al.*, 2021; Hoang *et al.*, 2024) ^[22, 5, 9].

2.3 Innovation Capability

Innovation capability reflects the firm's capacity to generate ideas and implement new products, services, technologies and processes that create value (Elgarhy & Abou-Shouk, 2023) ^[4]. Innovation is a demonstrated performance driver for SMEs in Vietnam (Le *et al.*, 2023) ^[12] and, more broadly, transforms strategic resources into sustainable advantages: entrepreneurial firms with strong IC achieve sustainable innovation outcomes (Mao *et al.*, 2021; Yu *et al.*, 2023) ^[14, 22], and innovation quality conditions the financial returns to innovation (Liu *et al.*, 2024) ^[13]. Within the model, IC is the first mediator: it is built by EO and MC and it feeds SCA.

2.4 Sustainable Competitive Advantage

SCA is the ability to create superior value relative to competitors over time—added product value and business practices that meet customer needs better than rivals while achieving economic value (Elgarhy & Abou-Shouk, 2023) ^[4]. SCA contributes directly to market performance through customer retention, market share growth and profitability, and it is the construct through which the RBV and dynamic capability logics meet: capabilities create it, environmental change erodes it, and continual reconfiguration renews it (Barney, 1991; Teece *et al.*, 1997; Huang *et al.*, 2024) ^[3, 20, 10]. Within the model, SCA is the second, performance-proximate mediator.

2.5 The Vietnamese SME Context

Vietnam offers a theoretically instructive setting for the model. Vietnamese SMEs operate in a rapidly liberalising, export-integrated economy in which innovation demonstrably raises firm performance—particularly through the improvement of existing products (Le *et al.*, 2023) ^[12]—and in which digital capabilities, digital leadership and digital culture are emerging as the platform on which innovation capabilities are built (Hoang *et al.*, 2024) ^[9]. Three contextual features sharpen the model's relevance. First, ownership and management typically coincide in Vietnamese SMEs, so the entrepreneurial orientation of a small leadership team propagates unusually directly into functional capabilities—the organizational-level EO mechanism theorised by Wales *et al.* (2020) ^[21] operates with short internal transmission lines (Teece, 2016) ^[19]. Second, resource scarcity raises the premium on capability-based (rather than asset-based) advantage, aligning the competitive problem of Vietnamese SMEs squarely with the RBV's emphasis on intangible, hard-to-imitate resources (Barney, 1991) ^[3]. Third, competitive intensity is escalating with digital market entry and technology-driven rivalry (Abbas *et al.*, 2024) ^[1], which makes the durability of advantage—the defining property of SCA—the binding

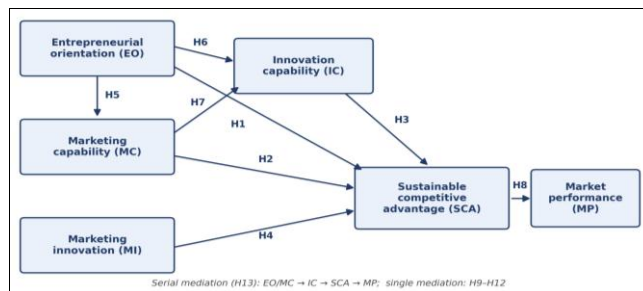
constraint on performance rather than the achievement of temporary advantage. Testing the six-construct chain in this context therefore both replicates the original model (Elgarhy & Abou-Shouk, 2023) [4] and extends its boundary conditions to a transition economy whose SME sector differs in structure, ownership and digital trajectory from the Egyptian service setting of the original study.

3. Hypotheses Development

The direct hypotheses follow from the theoretical chain. First, the three antecedent capabilities should each build SCA. EO drives advantage because innovative, proactive, risk-tolerant firms pre-empt competitors in recognising and exploiting opportunity (Wales *et al.*, 2020; Elgarhy & Abou-Shouk, 2023) [21, 4] (*H1: EO positively influences SCA*). MC drives advantage because superior market sensing and customer linking translate into offers that fit demand better than rivals' (Susanto *et al.*, 2023) [17] (*H2: MC positively influences SCA*). IC drives advantage because new products, services and processes are the least imitable sources of differentiation (Yu *et al.*, 2023; Elgarhy & Abou-Shouk, 2023) [22, 4] (*H3: IC positively influences SCA*). MI drives advantage because creative marketing tactics differentiate the firm in how it reaches, persuades and retains customers (Elgarhy & Abou-Shouk, 2023) [4] (*H4: MI positively influences SCA*).

Second, the developmental paths among capabilities. EO should build MC, because entrepreneurial firms invest in the market intelligence and customer relationships their opportunity-seeking requires (Susanto *et al.*, 2023; Teece, 2016) [17, 19] (*H5: EO positively influences MC*). EO should build IC, because innovativeness and risk acceptance legitimise experimentation and resource commitment to innovation (Fan *et al.*, 2021; Yu *et al.*, 2023) [5, 22] (*H6: EO positively influences IC*). MC should build IC, because firms with superior market intelligence and customer-linking capabilities are better able to transform knowledge into innovation (Elgarhy & Abou-Shouk, 2023; Idrees *et al.*, 2023) [4, 11] (*H7: MC positively influences IC*). Third, SCA should convert into performance: advantage sustained over time yields sales, share and profitability (Barney, 1991; Elgarhy & Abou-Shouk, 2023) [3, 4] (*H8: SCA positively influences MP*).

Finally, the mediation structure. Because EO and MC build IC (H6, H7) and IC builds SCA (H3), IC should transmit part of the effects of EO and MC to SCA (*H9: IC mediates the EO → SCA relationship; H10: IC mediates the MC → SCA relationship*). Because the antecedents build SCA (H1, H2) and SCA delivers MP (H8), SCA should transmit their effects to performance (*H11: SCA mediates the EO → MP relationship; H12: SCA mediates the MC → MP relationship*), consistent with the partial-mediation finding of the original model (Elgarhy & Abou-Shouk, 2023) [4]. Combining both mechanisms yields the serial chain in which entrepreneurial resources evolve into performance through successive capability transformations (*H13: IC and SCA serially mediate the relationships between EO, MC and MP*). Fig 1 presents the research model.



Source: Developed by the authors based on Elgarhy and Abou-Shouk (2023) [4].

Fig 1: Research model

4. Research Methodology

4.1 Sample and Data Collection

The population comprised Vietnamese SMEs operating in manufacturing, trade, services and technology. Respondents were owners and managers with direct knowledge of their firm's strategy, capabilities and market results. Questionnaires were distributed to 700 SMEs; 624 were returned and 568 were valid after screening for incomplete and patterned responses, a valid response rate of 81.1%. The sample size comfortably exceeds requirements for PLS-SEM at this level of model complexity (Hair *et al.*, 2019) [7]. Table 1 presents the respondent profile: 61.3% of respondents are male (348) and 38.7% female (220); services firms constitute 43.3% (246), manufacturing 32.0% (182) and trade 24.7% (140); and 55.8% of firms have operated for fewer than ten years (317) against 44.2% with ten years or more (251)—a profile consistent with the young, service-oriented structure of the Vietnamese SME sector (Le *et al.*, 2023) [12].

Table 1: Respondent and firm profile (n = 568)

Category	Item	Frequency	Percent (%)
Gender	Male	348	61.3
	Female	220	38.7
Sector	Manufacturing	182	32.0
	Services	246	43.3
	Trade	140	24.7
Years of operation	Under 10 years	317	55.8
	10 years or more	251	44.2

4.2 Measures

All constructs were measured with multi-item reflective scales adapted from the validated instrument of Elgarhy and Abou-Shouk (2023) [4], whose item content derives from established scales in the entrepreneurship, marketing and strategy literatures, complemented by the EO and MC item wordings of Susanto *et al.* (2023) [17]. EO was measured with five items capturing innovativeness, proactiveness and risk-taking; MC with five items on identifying market opportunities, responding to market change and building and maintaining close customer and channel relationships; IC with five items on idea generation, new product/service development, process improvement, new technology adoption and innovation project management; MI with five items on creative marketing tactics spanning market

knowledge, advertising, public relations, promotion and market control; SCA with five items on added value, superior need fulfilment, unique and durable advantage, service quality improvement and economic value creation; and MP with four items on sales, market share, profitability and customer attraction relative to competitors. All items used a five-point Likert scale (1 = strongly disagree; 5 = strongly agree). The instrument was translated into Vietnamese, back-translated for equivalence and pre-tested with a small group of SME managers. Procedural remedies against common method bias followed Podsakoff *et al.* (2003) ^[15]—respondent anonymity, separation of predictor and criterion sections and varied item formats.

4.3 Analytical Approach

Hypotheses were tested with PLS-SEM in SmartPLS 4, following the two-step procedure of measurement-model and structural-model assessment with bootstrapping of 5,000 subsamples (Hair *et al.*, 2019) ^[7]. PLS-SEM suits this study because the model is prediction-oriented, contains a multi-stage mediation structure, and estimates six constructs simultaneously. Discriminant validity was assessed with the heterotrait–monotrait ratio (HTMT), the criterion with the strongest detection performance (Henseler *et al.*, 2015) ^[8], alongside convergent-validity benchmarks (Fornell & Larcker, 1981) ^[6]. Mediation was evaluated through bootstrapped specific indirect effects, and explanatory and predictive quality through R^2 , effect sizes (f^2) and blindfolding-based Q^2 (Hair *et al.*, 2019) ^[7].

5. Results

5.1 Measurement Model

All indicator loadings exceed the 0.70 threshold, ranging from 0.842 to 0.927 across the six constructs (Table 2), establishing indicator reliability (Hair *et al.*, 2019) ^[7]. Internal consistency and convergent validity are likewise satisfactory (Table 3): Cronbach's alpha ranges from 0.891 (MP) to 0.952 (SCA), rho_A from 0.896 to 0.955, composite reliability from 0.924 to 0.963 and AVE from 0.718 (MI) to 0.840 (SCA), all above the recommended 0.70/0.50 benchmarks (Fornell & Larcker, 1981; Hair *et al.*, 2019) ^[6, 7].

Table 2: Outer loadings of measurement items

Item	Loading	Item	Loading	Item	Loading
EO1	0.892	MI1	0.842	SCA1	0.914
EO2	0.916	MI2	0.864	SCA2	0.927
EO3	0.901	MI3	0.856	SCA3	0.905
EO4	0.887	MI4	0.869	SCA4	0.889
EO5	0.914	MI5	0.847	SCA5	0.912
MC1	0.868	IC1	0.903	MP1	0.856
MC2	0.884	IC2	0.918	MP2	0.891
MC3	0.876	IC3	0.886	MP3	0.872
MC4	0.891	IC4	0.911	MP4	0.847
MC5	0.862	IC5	0.897		

Table 3: Reliability and convergent validity

Construct	Cronbach's α	rho_A	CR	AVE
EO	0.942	0.944	0.957	0.817
MC	0.915	0.919	0.936	0.746
IC	0.948	0.951	0.960	0.829
MI	0.902	0.906	0.927	0.718
SCA	0.952	0.955	0.963	0.840
MP	0.891	0.896	0.924	0.752

Discriminant validity is supported: the HTMT ratios between EO and the remaining constructs range from 0.689 (EO–MI) to 0.804 (EO–SCA), all below the conservative 0.85 threshold (Henseler *et al.*, 2015) ^[8] (Table 4). Collinearity is not a concern: inner-model VIF values range from 2.77 (MI) to 3.25 (IC), well below the critical value of 5 (Hair *et al.*, 2019) ^[7] (Table 5).

Table 4: Discriminant validity: HTMT ratios with EO. __[Insert the complete HTMT matrix for all construct pairs from the SmartPLS output before submission.]__

Construct pair	HTMT
EO – MC	0.723
EO – IC	0.764
EO – MI	0.689
EO – SCA	0.804
EO – MP	0.748

Table 5: Collinearity statistics (inner model)

Construct	VIF
EO	2.84
MC	3.12
MI	2.77
IC	3.25

5.2 Structural Model

Table 6 reports the bootstrapped structural paths (5,000 subsamples). All eight direct hypotheses are supported at $p < 0.001$. EO exerts a very strong effect on MC ($\beta = 0.648$, $t = 18.541$), supporting H5, and significant effects on IC ($\beta = 0.391$, $t = 8.772$; H6) and SCA ($\beta = 0.208$, $t = 4.519$; H1). MC significantly builds IC ($\beta = 0.436$, $t = 9.951$; H7) and SCA ($\beta = 0.173$, $t = 3.921$; H2). IC has the strongest antecedent effect on SCA ($\beta = 0.378$, $t = 8.447$; H3), followed by MI ($\beta = 0.267$, $t = 5.782$; H4). SCA, in turn, dominates the prediction of MP ($\beta = 0.814$, $t = 27.138$; H8). The model explains 42.0% of the variance in MC, 57.1% in IC, 71.4% in SCA and 66.2% in MP (Table 7), and every endogenous construct shows positive predictive relevance ($Q^2 = 0.291$ – 0.514), confirming out-of-sample predictive quality (Hair *et al.*, 2019) ^[7].

Table 6: Structural model results: direct effects (bootstrapping = 5,000 subsamples)

Path (hypothesis)	β	t-value	p-value	Result
EO $\rightarrow$ MC (H5)	0.648	18.541	< 0.001	Supported
EO $\rightarrow$ IC (H6)	0.391	8.772	< 0.001	Supported
MC $\rightarrow$ IC (H7)	0.436	9.951	< 0.001	Supported
EO $\rightarrow$ SCA (H1)	0.208	4.519	< 0.001	Supported
MC $\rightarrow$ SCA (H2)	0.173	3.921	< 0.001	Supported
IC $\rightarrow$ SCA (H3)	0.378	8.447	< 0.001	Supported
MI $\rightarrow$ SCA (H4)	0.267	5.782	< 0.001	Supported
SCA $\rightarrow$ MP (H8)	0.814	27.138	< 0.001	Supported

Table 7: Explanatory power and predictive relevance

Endogenous construct	R^2	Q^2
Marketing capability	0.420	0.291
Innovation capability	0.571	0.384
Sustainable competitive advantage	0.714	0.486
Market performance	0.662	0.514

Effect sizes corroborate the path pattern (Table 8): EO's effect on MC is large ($f^2 = 0.721$) and SCA's effect on MP very large ($f^2 = 0.951$), while the remaining relationships

show small-to-medium practical significance ($f^2 = 0.164$ – 0.269) (Hair *et al.*, 2019) [7]. Global fit statistics are acceptable: SRMR = 0.047 (below the 0.08 benchmark), NFI = 0.926, RMS Theta = 0.089, d_ULS = 0.853 and d_G = 0.521 (Table 9).

Table 8: Effect sizes (f^2)

Relationship	f^2
EO → MC	0.721
EO → IC	0.164
MC → IC	0.217
IC → SCA	0.269
MI → SCA	0.182
SCA → MP	0.951

Table 9: Model fit indices

Indicator	Value
SRMR	0.047
NFI	0.926
RMS Theta	0.089
d_ULS	0.853
d_G	0.521

The measurement and structural diagnostics jointly indicate a robust model. The uniformly high loadings (minimum 0.842) mean that each construct is measured with little indicator-level noise; the AVE values (0.718–0.840) imply that the constructs absorb roughly three-quarters of their indicators' variance; and the sub-threshold HTMT ratios confirm that the six capabilities, though theoretically related, are empirically separable—an essential condition for interpreting a chain model, since collinear constructs would render the sequential paths unidentifiable in practice (Henseler *et al.*, 2015) [8]. The inner-model VIF range (2.77–3.25) leaves the path estimates well clear of collinearity distortion, and the combination of SRMR below 0.08 with NFI above 0.90 indicates that the hypothesised structure reproduces the empirical covariances closely (Hair *et al.*, 2019) [7]. The Q^2 values, all comfortably positive and reaching 0.514 for MP, show that the model does not merely fit the estimation sample but predicts out-of-sample—the criterion most relevant to managerial use of the model as a planning tool.

5.3 Mediation Analysis

Table 10 reports the bootstrapped specific indirect effects. All seven are significant at $p < 0.001$. IC mediates the effects of EO and MC on SCA ($\beta = 0.148$ and $\beta = 0.165$, supporting H9 and H10), and SCA mediates the effects of EO and MC on MP ($\beta = 0.169$ and $\beta = 0.141$, supporting H11 and H12); SCA also transmits the effect of IC to MP ($\beta = 0.308$). Critically, the two three-stage serial paths are significant—EO → IC → SCA → MP ($\beta = 0.120$, $t = 5.146$) and MC → IC → SCA → MP ($\beta = 0.134$, $t = 5.889$)—supporting H13. Because the direct antecedent–SCA paths remain significant alongside the indirect paths, the mediation is partial, replicating the pattern of the original model (Elgarhy & Abou-Shouk, 2023) [4]. Together, the results trace a resource transformation chain, EO → MC → IC → SCA → MP, in which entrepreneurial resources evolve into market outcomes through successive capability conversions.

Table 10: Mediation analysis: specific indirect effects

Indirect path	β	t-value	p-value
EO → IC → SCA (H9)	0.148	5.621	< 0.001
MC → IC → SCA (H10)	0.165	6.204	< 0.001
EO → SCA → MP (H11)	0.169	4.472	< 0.001
MC → SCA → MP (H12)	0.141	3.985	< 0.001
IC → SCA → MP	0.308	7.941	< 0.001
EO → IC → SCA → MP (H13)	0.120	5.146	< 0.001
MC → IC → SCA → MP (H13)	0.134	5.889	< 0.001

6. Discussion

The findings support the joint explanatory architecture of the RBV and dynamic capability theory in the Vietnamese SME context. EO emerges as the generative capability of the system: its very strong effect on MC ($\beta = 0.648$; $f^2 = 0.721$) and significant effect on IC ($\beta = 0.391$) indicate that entrepreneurial firms possess stronger dynamic resources for market adaptation—they invest in the sensing, customer-linking and innovation routines that opportunity exploitation requires (Teece, 2016; Wales *et al.*, 2020; Susanto *et al.*, 2023) [19, 21, 17]. This developmental role is theoretically important: EO's modest direct effect on SCA ($\beta = 0.208$) relative to its capability-building effects implies that entrepreneurial orientation earns advantage principally by constructing the functional capabilities through which advantage is produced, not by conferring advantage in itself (Fan *et al.*, 2021) [5].

MC's significant contribution to IC ($\beta = 0.436$)—stronger than EO's—shows that firms with superior market intelligence and customer-linking capabilities are better able to transform knowledge into innovation: market knowledge supplies the problem definitions, use contexts and feedback loops that make innovation relevant (Elgarhy & Abou-Shouk, 2023; Idrees *et al.*, 2023; Hoang *et al.*, 2024) [4, 11, 9]. IC, in turn, exhibits the strongest antecedent effect on SCA ($\beta = 0.378$), suggesting that innovation acts as the primary mechanism through which competitive advantages emerge in Vietnamese SMEs—consistent with Vietnamese evidence that innovation drives SME performance (Le *et al.*, 2023) [12] and with international findings on innovation-based advantage (Yu *et al.*, 2023; Mao *et al.*, 2021; Liu *et al.*, 2024) [22, 14, 13]. MI adds a distinct differentiation channel ($\beta = 0.267$), confirming that how a firm markets can itself be a source of advantage alongside what it sells (Elgarhy & Abou-Shouk, 2023) [4].

The dominant SCA → MP path ($\beta = 0.814$; $f^2 = 0.951$) carries the model's central strategic message: strategic resources do not directly create superior outcomes; rather, they generate performance through sustainable advantages. Capabilities that fail to consolidate into durable customer-value superiority leave little footprint on sales, share or profitability—which is precisely why the serial mediation findings matter. The significant three-stage chains (EO/MC → IC → SCA → MP) reveal a resource transformation sequence in which entrepreneurial resources evolve into organizational performance through intermediate capabilities, extending the partial-mediation account of the original Egyptian study (Elgarhy & Abou-Shouk, 2023) [4] with an explicit serial mechanism and echoing capability-chain evidence from Thailand (Somwethee *et al.*, 2023; Sutthirak *et al.*, 2026) [16, 18] and green-capability research (Huang *et al.*, 2024) [10]. The high explained variance—

71.4% for SCA and 66.2% for MP—indicates that this internally focused capability chain captures most of what separates high- from low-performing Vietnamese SMEs before any external variable is considered.

Two further observations refine the capability narrative. First, the explanatory asymmetry across the chain is informative: R^2 rises monotonically from MC (0.420) through IC (0.571) to SCA (0.714), indicating that each successive capability is more fully determined by the modelled system than its predecessor—consistent with a transformation chain in which upstream orientations are shaped substantially by unmodelled factors (founder background, industry norms, digital culture; Hoang *et al.*, 2024) [9] while downstream advantage is largely the product of the capabilities the model contains. Second, the pattern of effect sizes distinguishes two kinds of relationships: two structural “trunk” effects with large f^2 (EO $\rightarrow$ MC, 0.721; SCA $\rightarrow$ MP, 0.951) and a set of small-to-medium “branch” effects (0.164–0.269) through which the trunk’s energy is distributed. Managerially, trunk effects identify where underinvestment is most damaging; theoretically, they locate the model’s two conversion bottlenecks—turning orientation into marketing capability at the front of the chain, and turning advantage into performance at its end (Hair *et al.*, 2019; Elgarhy & Abou-Shouk, 2023) [7, 4].

7. Theoretical Contributions

The study offers five contributions. First, it extends the RBV and dynamic capability theory to Vietnamese SMEs, showing that the resource–advantage–performance logic (Barney, 1991) [3] and the capability-reconfiguration logic (Teece *et al.*, 1997; Teece, 2016) [20, 19] jointly explain market performance in a transition economy. Second, it validates a six-construct integrated model—EO, MC, MI, IC, SCA and MP—replicating and extending the model of Elgarhy and Abou-Shouk (2023) [4] from Egyptian travel agencies to a large, sectorally diversified SME sample, thereby establishing cross-context transferability. Third, it explains a substantively large share of market performance variance (66.2%), demonstrating that an internally focused capability chain suffices to account for most performance heterogeneity among SMEs (Hair *et al.*, 2019) [7]. Fourth, it verifies dual and serial mediation mechanisms, showing that IC and SCA operate both as separate conduits and as a sequential transformation chain—an explicit serial-mediation evidence base that prior single-mediator tests left implicit (Susanto *et al.*, 2023; Somwethee *et al.*, 2023) [17, 16]. Fifth, it adds Southeast Asian evidence to a capability literature still dominated by Middle Eastern, East Asian and Western samples, complementing recent regional work on dynamic capabilities and SME sustainability (Sutthirak *et al.*, 2026; Le *et al.*, 2023) [18, 12].

8. Managerial Implications

Five priorities follow for Vietnamese SME managers. First, promote entrepreneurial culture: because EO is the system’s generative capability, leadership should institutionalise innovativeness, proactiveness and calculated risk-taking—through opportunity-scanning routines, experimentation budgets and tolerance of intelligent failure—rather than treating entrepreneurship as the founder’s personal trait (Wales *et al.*, 2020) [21]. Second, invest in customer analytics: MC’s strong path to IC shows that market intelligence is innovation’s raw material; systematic

customer data collection, segmentation and feedback loops convert market contact into innovation input (Susanto *et al.*, 2023; Hoang *et al.*, 2024) [17, 9]. Third, develop innovation systems: since IC is the strongest antecedent of SCA, firms should formalise idea management, new product development processes and technology adoption—and attend to innovation quality, which conditions financial returns (Liu *et al.*, 2024; Le *et al.*, 2023) [13, 12]. Fourth, strengthen digital marketing and marketing innovation: creative approaches to market knowledge, advertising, promotion and channel control constitute an independent advantage channel, increasingly amplified by digital tools and AI-enabled marketing capabilities (Elgarhy & Abou-Shouk, 2023; Abdelfattah *et al.*, 2024; Fan *et al.*, 2021) [4, 2, 5]. Fifth, build long-term competitive advantages instead of pursuing short-term sales growth: the dominant SCA $\rightarrow$ MP path shows that durable customer-value superiority—not episodic promotion—is what converts capability investment into sales, share and profitability; managers should therefore evaluate initiatives by their contribution to sustained advantage (Barney, 1991; Huang *et al.*, 2024) [3, 10]. For policymakers, the capability chain implies that SME support combining entrepreneurship development, market-intelligence infrastructure and innovation services will outperform single-instrument programmes (Le *et al.*, 2023; Abbas *et al.*, 2024) [12, 1].

9. Limitations and Future Research

Four limitations qualify the findings. First, the cross-sectional design cannot establish strict causality; the hypothesised directions follow theory (Teece *et al.*, 1997) [20], but capability–performance dynamics may be reciprocal over time. Second, single-informant, self-reported measures raise common-method concerns despite procedural remedies (Podsakoff *et al.*, 2003) [15]; future studies should triangulate with objective performance data. Third, the single-country design leaves institutional boundary conditions untested; comparative studies across ASEAN economies—building on the Egyptian (Elgarhy & Abou-Shouk, 2023) [4], Indonesian (Susanto *et al.*, 2023) [17], Thai (Somwethee *et al.*, 2023; Sutthirak *et al.*, 2026) [16, 18] and now Vietnamese evidence—would map where the capability chain strengthens or weakens. Fourth, the model omits environmental contingencies: future research should test moderators such as competitive intensity, market turbulence and digital transformation (Abbas *et al.*, 2024; Hoang *et al.*, 2024) [1, 9], examine additional mediators such as knowledge creation (Idrees *et al.*, 2023) [11] and business model innovation (Sutthirak *et al.*, 2026) [18], and employ longitudinal panels to observe how the EO $\rightarrow$ MC $\rightarrow$ IC $\rightarrow$ SCA $\rightarrow$ MP chain unfolds over time.

10. Conclusion

Using a sample of 568 Vietnamese SMEs and PLS-SEM analysis, this study demonstrates that entrepreneurial orientation, marketing capability and marketing innovation significantly contribute to market performance through innovation capability and sustainable competitive advantage. All thirteen hypotheses are supported: EO strongly develops MC and IC; EO, MC, MI and IC all build SCA; SCA dominates the prediction of MP; and IC and SCA operate as single and serial mediators that transform entrepreneurial resources into market outcomes. The structural model exhibits strong explanatory power ($R^2 =$

0.714 for SCA; $R^2 = 0.662$ for MP), robust reliability and validity, satisfactory effect sizes, predictive relevance and model fit. For theory, the results extend the resource-based and dynamic-capability accounts of SME competitiveness to Vietnam and make the serial capability-transformation mechanism explicit; for practice, they direct managers toward entrepreneurial culture, customer analytics, innovation systems and, above all, the patient construction of sustainable competitive advantage as the gateway through which capabilities become performance.

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