The Impact of Absorption Capability, Innovation Capability, and Branding Capability on Firm Performance—An Empirical Study on Vietnamese Retail Firms

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Abstract: This study aims to explore the impact of absorption capability, innovation capability, and branding capability on the performance of retailers. Using the resource-based view (RBV), this study proposes a research model on the direct impact of absorption capability, innovation capability, and branding capability on firm performance as well as the indirect impact of absorption capability on firm performance which is mediated by both innovation capability and branding capability. By surveying 201 middle and senior managers representing 201 Vietnamese retailers, PLS-SEM was used to test the hypotheses. The research results show the important role of developing innovation capability and branding capability in improving retailer performance. The findings also reveal the significant impact of absorption capability on retailers by an indirect mechanism through innovation capability and branding capability. Based on the findings, practical implications for Vietnamese retailer managers are suggested to improve their performance by strengthening and developing absorption capability, innovation capability, and branding capability.

Keywords: resource-based view; absorption capability; innovation capability; branding capability; performance; retail firm

1. Introduction

Vietnam's retail market has been considered as one of the most attractive markets in the world [1]. The gross retail sales of consumer goods in Vietnam have reached an average of 119% per year since 2008 [2]). In addition to the opportunities, there are a lot of challenges for retail enterprises in general and Vietnamese retailers in particular. The aggressive competition between domestic and foreign retailers, the changing demands and consumption of customers, the development of information technologies for retail services, and the COVID-19 pandemic are considered to be the main challenges for Vietnamese retail enterprises. These threats require domestic retailers to become more dynamic by quickly responding to the changing environment, sustain competitive advantages, and improve their performance. To create and sustain competitive advantages, retail firms are required to acquire and exploit new external knowledge (absorption capability) which is considered a prerequisite for a firm's changes [3,4] and to get a superior firm performance [5–7]. Furthermore, the Industrial Revolution 4.0 (IR 4.0) has brought breakthroughs in both business process and product/service innovation (innovation capability) that are crucial for a firm's success [8]. Especially, for retail enterprises, a branding capability allows them to sustain competitive advantages which lead to a higher level of performance [9,10]. In recent years, a growing number of researchers have revealed the importance of absorption capability, innovation capability, and branding capability in gaining competitive advantages and creating superior performance.

Thus, in the context of aggressive competition in Vietnam's retail sector, it is necessary for domestic retailers to absorb new external knowledge, innovate their business and retail services, and develop their brands to sustain advantages and achieve superior performance. A resource-based view is adopted for the theory development and proposal of research hypotheses. The resource-based view (RBV) refers to the superior performance of a firm over its rivals by obtaining distinctive resources and capabilities [11]. While resources indicate "the tangible and intangible firm assets that could be put into productive use" [12,13], capabilities have been broadly defined as "complex bundles of skills and accumulated knowledge that enable firms to coordinate activities and make use of their assets" [14]. The RBV describes the way that a firm's resources and capabilities impact its performance [15,16]. This theory supposes that if a firm owns resources and capabilities which are valuable, rare, inimitable, and non-substitutable, it may sustain competitive advantages and achieve a superior performance [15,17]. During the last few years, the RBV theory has been adopted in studies on absorption capability [5,18], innovation capability [19,20], and branding capability literature [21,22]. However, there have been few studies that investigate the relationships between all three capabilities and firm performance in both direct and indirect aspects. Hence, this study was conducted to explore the impact mechanism of absorption capability, innovation capability, and branding capability on the performance of Vietnamese retail enterprises. Using collected data from 201 Vietnamese retail firms, we explored the linkages among absorption capability, innovation capability, branding capability, and performance.

The rest of this paper is organized as follows. The first part provides a brief literature review related to this study and develops the research hypotheses. The second part describes the research methodology. The third part focuses on the results and findings while the fourth provides the discussion and implications. Finally, the conclusion illustrates a summary of findings along with several limitations and the scope for future research.

2. Literature Review

2.1. Absorption Capability and Firm Performance

In a changing environment, knowledge is considered the crucial resource to sustain a firm's competitive advantages [17]. Knowledge is created by the firm itself or by learning from the outside [6]. In dynamic markets, if a firm only relies on its resources for knowledge creation (internal knowledge), it may slowly respond to the environment [5]. Therefore, it is suggested to lever external knowledge to develop internal knowledge and achieve sustainable competitive advantages [23].

Absorption capability is known as an effective tool to gain external knowledge [3,24]. By exploiting external knowledge, a firm may provide more added value to customers and enhance competitiveness [5]. Absorption capability is defined by Cohen and Levinthal [24] as "the capacity of a firm to value, assimilate and apply, for commercial ends, knowledge from external sources". Zahra and George [3] define absorption capability as "a set of organizational routines and processes by which firms acquire, assimilate, transform, and exploit knowledge to produce a dynamic organizational capability". The approaches of absorption capability definition by [3,24] are considered crucial premises to inherit and develop. Absorption capability enables a firm to learn external knowledge [5,25,26] and achieve its objectives as a type of learning orientation capability [6]. Because absorption capability focuses on acquiring, assimilating, transforming, and exploiting/applying external knowledge to achieve competitive advantages, this study defines absorption capability as "the capability of a firm to acquire, and assimilate, transform the external knowledge, and apply them to rapidly respond to the changing environment and reach the firm's objectives".

Absorption capability enables a firm to acquire and assimilate new external knowledge to transform and apply them to a firm's operations, routines, and processes. Hence, if a firm exploits absorption capability, it can combine new and existing knowledge which creates new operations [5] and gains sustainable competitive advantages [3,7]. Since knowledge is

accumulated over time, each firm has its own way to recognize, learn, and exploit. Based on the firm's objectives, absorption capability enables a firm to integrate and reconfigure the existing resources, and rapidly respond to the dynamic market. Therefore, absorption capability is crucial to competitive advantages [3,5,24]. There are four components of an absorption capability, which are acquisition capability, assimilation capability, transformation capability, and application capability.

In terms of the relationship between absorption capability and firm performance, [7] suggest the positive and direct impact of absorption capability on firm performance. Tzokas et al. [27] suggest that absorption capability plays an important capability in enhancing overall firm performance. Studies by Flatten et al. [18] suppose that if a firm possesses an absorption capability, it can effectively exploit externally acquired knowledge which is considered an important instrument to enhance firm performance. An absorption capability allows a firm to create new routines, operations and competencies, rapidly respond to the dynamic markets, improve competitiveness, and reach the firm's objectives. These trends all suggest the positive mechanism of the relationship between absorption capability and firm performance. Hence, the hypothesis is proposed as follows:

Hypothesis 1 (H1). *Absorption capability has a positive and significant impact on firm performance.*

2.2. Innovation Capability and Firm Performance

Innovation capability is an organization's ability to generate new ideas, take advantage of opportunities, and optimize innovativeness [28]. Innovation capability is also considered to be the capacity of a firm to exploit its knowledge to achieve innovative performance by offering new products/services, processes, and systems [29]. If an organization obtains innovation capability, it continuously puts its ideas into new things and brings more value to its stakeholders [30]. Innovation capability includes both a process and an outcome that creates value-added products/services and a process [19,31]. For service organizations, innovation capability enables a firm to mine resources to achieve both product and process innovativeness [32–34].

This study examines innovation capability from two indicators: process innovation capability and service innovation capability. Process innovation capability refers to reconstructing the operational activities and routines of a firm [34]. Process innovation capability plays an important role in improving a firm's process and performance because it renews the firm's activities and routines [32,35,36]. Service innovation capability focuses on creating new services [35]. Service innovation capability looks for new ideas to exploit technologies for new service offerings [33,37]. For service organizations, service innovation capability is vital because it allows a firm to offer value-added for customers by applying technologies for new and customized services [38].

For the relationship between innovation capability and firm performance, previous research has concluded that firm performance can be improved if innovation capability is exploited [36,39,40]. For service innovation capability, by breathing new life into existing services, a retail enterprise can enter into new markets and seek new customers [33] which can create a higher level of firm performance (Kafetzopoulos and Psomas 2015 cited in [8]. For process innovation capability, by improvement of in-house processes, a retail enterprise can reconstruct or readjust all the functional activities and routines which enables it to improve the operational efficiency and reduce significantly costs [8]. So, an effective process innovation capability will improve the quality of service, give a higher competitive position and better competitive advantages [35,36] which leads to achieving a higher level of performance [34,36]. Based on all the arguments that have been presented, we propose the following hypothesis:

Hypothesis 2 (H2). *Innovation capability has a positive and significant impact on firm performance.*

2.3. Branding Capability and Firm Performance

Brand equity is known as an intangible asset of a firm [41]. Branding is considered an important way to recognize and distinguish a firm [42]. Branding capability plays a strong role in sustaining competitive advantages [10,41] and formulating competitive strategies [43]. If a firm possesses an effective branding capability, it can rapidly and successfully compete in the changing environment [44,45]. Rufaidah [46], Brodie et al. [45] suppose that branding capability is extremely hard to replicate, imitate, or learn. Branding is considered to be a means to communicate a firm's commitments to value creation [43,47]. Brand equity is one of the highest considerations for a firm to evaluate performance [9,10,48]. Branding messages might express a firm's efforts to meet customers' requirements [41,49]. Odoom et al. [22], Ni and Wan [44], suppose that branding capability should be created by both external and internal efforts. While internal efforts represent a firm's branding strategies [41], external efforts focus on coordinating a firm's stakeholders to spread brand messages [47,49]. To build brand trust, it is necessary to pay attention to stakeholder attitudes and actions [47,50]. Furthermore, a firm should collect customers' feedback on its brand communication programs to adjust them and to adapt to the changing market messages [49]. This study considers branding capability as a crucial capability, that is created by both external and internal efforts, and developed to sustain a firm's competitive advantages and improve performance.

In terms of the relationship between branding capability and firm performance, previous studies suppose that if a firm possesses brand equity, its performance should be significantly improved [9,10,48]. A branding capability that is co-built by a firm and stakeholders enables a firm to exploit new knowledge, and create new products, services, or processes, which increase financial performance [9]. Although prior studies have determined the favorable impact of branding capability on the performance of different firm types, the study on retailers has been limited. There are significant differences between retail enterprises and other firm types [42]. Hence, it is necessary to examine the relationship between branding capability on the performance of retailers. Because previous studies on this topic all support a favorable relationship, this study supposes that branding capability positively influences retailer performance. The hypothesis is proposed as follows:

Hypothesis 3 (H3). *Branding capability has a positive and significant impact on firm performance.*

2.4. Indirect Effect of Absorption Capability

2.4.1. Mediation of Innovation Capability in the Relationship between Absorption Capability and Firm Performance

Previous studies have revealed the relationship between absorption capability and innovation capability [3,27,51]. An absorption capability focuses on assimilating and applying new and existing knowledge which is necessary for innovations [52]. Absorbed new external knowledge allows a firm to adapt to the changing environment through service innovation that meets customer needs [27,53]. An absorption capability influences the speed, frequency, and dimensions of innovation capability [3]. So, assimilation and exploitation of new and existing knowledge can improve a firm's innovation capability [6]. For retail enterprises, the combination of external and internal knowledge allows them to generate new ideas and suggestions that will enhance innovation performance by creating new services, routines, and processes [4,6,54].

In terms of the impact of innovation capability and firm performance, prior research has explored the positive relationship [33,39,40,55,56]. As mentioned above, if a retailer exploits an innovation capability, it may improve its competitive position, and sustain competitive advantages which can achieve a higher level of performance.

Because all the arguments support the positive relationship between absorption capability and innovation capability, innovation capability, and firm performance, we hope that innovation capability will play a mediation role in the positive relationship between absorption capability and firm performance. Hence, we propose the following hypotheses:

Hypothesis 4 (H4). *Absorption capability has a positive effect on innovation capability.*

Hypothesis 5 (H5). *Innovation capability mediates the relationship between absorption capability and firm performance.*

2.4.2. Mediation of Branding Capability in the Relationship between Absorption Capability and Firm Performance

Absorption capability plays a crucial role in generating marketing dynamic capabilities that contain a branding capability [57]. Because branding capability is a vital component of marketing dynamic capability [44,45,57], when absorption capability influences positively marketing dynamic capability, it also favorably impacts branding capability. Knowledge-related capability known as absorption capability influences branding capability by determining what a firm "does" [44]. Especially, these studies affirm the important role of knowledge-based capability in raising a firm's superior performance in dynamic environments. Barrales-Molina et al. [57] consider absorption capability as an antecedent capacity, that allows a firm to acquire, learn, and exploit market knowledge to develop marketing cross-functional processes such as branding capability. To sum up, previous studies suggested the relationship between absorption capability and branding capability. However, there have been few empirical studies that have considered branding capability as a component of marketing dynamic capability and investigated it as a dimension of marketing dynamic capabilities. Although there have been several qualitative research studies on the relationship between branding capability and firm performance such as Ni and Wan [44] or Brodie et al. [45], the empirical studies on this topic have been limited. Furthermore, there have been only a few types of research conducted on retail enterprises. Thus, this study proposes and examines the relationship between absorption capability and branding capability of retailers.

In terms of the relationship between branding capability and firm performance, previous studies have shown a positive impact. Branding capability enables a firm to improve performance by raising its brand trust and value to the stakeholders (e.g., customers, suppliers, employees, managers, investors, etc.). As mentioned above, an effective branding capability allows a firm to declare its commitments to stakeholders [43,47] as well as sustain its reputation and prestige. Because branding capability is created by both external and internal forces, absorbing external knowledge may strengthen branding capability which leads to rapid adaptation to market needs, and improvement of firm performance. For retail enterprises, by exploiting external knowledge capability (absorption capability), they can effectively conduct a brand co-creation strategy that significantly affects their brand equity. As a result, the retailer's performance can be improved. Hence, the existence of an indirect effect of absorption capability on firm performance through branding capability is proposed. Accordingly, the following hypotheses have been proposed:

Hypothesis 6 (H6). *Absorption capability has a positive effect on branding capability.*

Hypothesis 7 (H7). *Branding capability mediates the relationship between absorption capability and firm performance.*

2.5. Control Variables

Consistent with previous studies on the relationship between capabilities and firm performance, we expect that firm size and firm age (refers to the number of years since the firm was established) would impact firm performance. Besides that, the exploitation of resources and capabilities may be influenced by types of retailers. Thus, this study uses three factors (firm size, firm type, and firm age) as control variables for firm performance.

Based on the above discussion, a conceptual framework is presented in Figure 1:
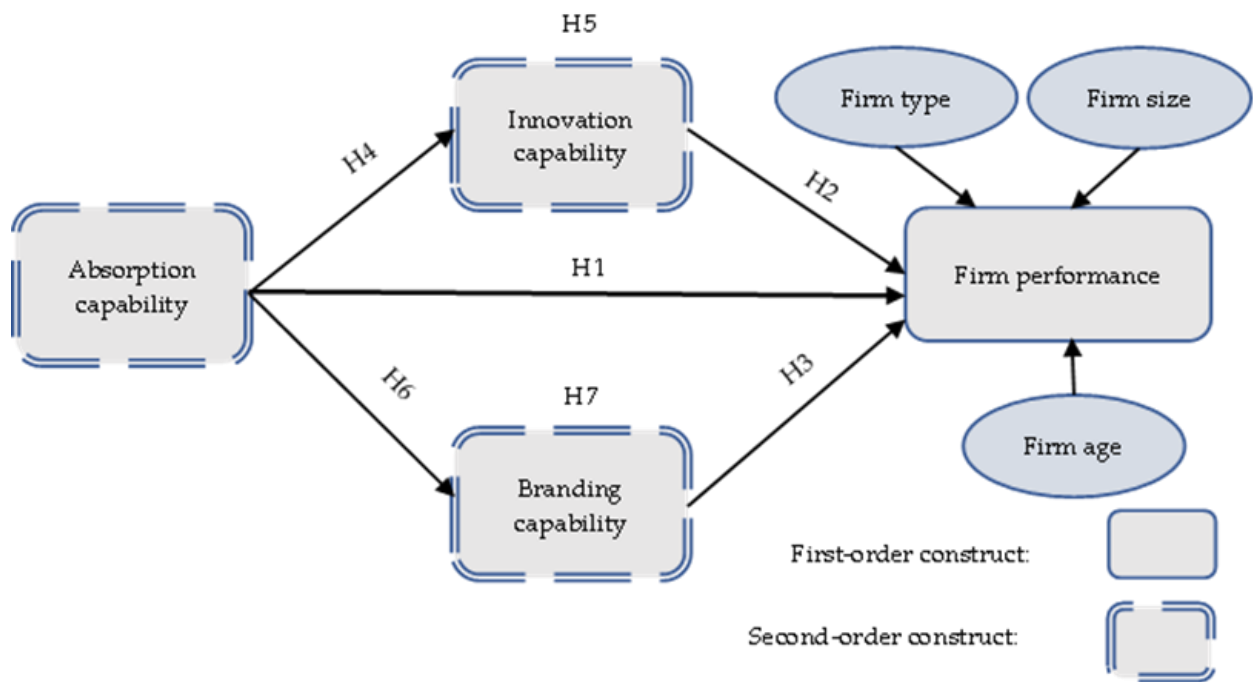
Figure 1. The proposed research model.

3. Methodology

3.1. Measures

We adapted and developed the survey questionnaire from the literature. The detailed dimensions, items, and their sources are expressed in Table 1. There are three second-order and reflective constructs which are absorption capability, innovation capability, and branding capability. There are four dimensions of absorption capability, two dimensions of innovation capability, and three dimensions of branding capability. A firm's performance which is first-order and a reflective construct includes eight indicators. For control variables, we used three factors to evaluate.

Table 1. Items and sources.

No.	Coded	Items and Constructs	Sources
1	AC	Absorption capability (2nd-order construct)	
1.1	ACQC	Acquisition capability	
	ACQC1	Knowledge of the competition	Adopted from Tu et al. [58], Camisón and
	ACQC2	Openness toward the environment	Forés [5]
	ACQC3	Internal development of technological competences	
1.2	ASSC	Assimilation capability	
	ASSC1	Assimilation of technology	
	ASSC2	Human resources	
	ASSC3	Industrial benchmarking	Adopted from Jansen, Bosch and
	ASSC4	Involvement in spreading the knowledge	Volberda [53], Camisón and Forés [5]
	ASSC5	Attendance at training courses and professional events	
	ASSC6	Knowledge management	
1.3	TRAC	Transformation capability	
	TRAC1	Transmission of IT-based knowledge	Adopted from Jansen, Bosch and
	TRAC2	Adaption capacity	Volberda [53], Camisón and Forés [5]
	TRAC3	Exchange of scientific and technological information	

Table 1. *Cont.*

No.	Coded	Items and Constructs	Sources
1.4	APPC	Application capability	
	APPC1	New knowledge exploitation	Adapted from Camisón and Forés [5]
	APPC2	Application of experience	
	APPC3	Technological pro-activeness	
2	IC	Innovation capability (2nd-construct)	
2.1	PIC	Process innovation capability	
	PIC1	Constantly improving our business processes	
	PIC2	Has developed many new management approaches during the past three years	Adapted from Wang and Ahmed [32]
	PIC3	Improve on new method if a problem cannot be solved by using conventional methods	
	PIC4	Changes production methods at a great speed in comparison with our competitors (PIC4)	
2.2	SIC	Service innovation capability	
	SIC1	Innovation is readily accepted in program/project management	
	SIC2	Top management gives special emphasis to service innovation	
	SIC3	Constantly seeks new ways to better service our customers	Adapted from Grawe et al. [33]
	SIC4	Able to change/modify our current service approaches to meet special requirements from customers	
	SIC5	Able to come up with new service offerings in comparison to competitors	
3	BC	Branding capability (2nd-order construct)	
3.1	BIC	Interaction	
	BIC1	Invest adequate resources in improvements in the brand that provide better value to the market	
	BIC2	Keep "in touch" with our stakeholders' needs in relation to our brand	
	BIC3	Focus on creating a positive brand experience for our stakeholders	Adopted from O'Cass and Ngo [49]
	BIC4	Keep "in touch" with current market conditions in relation to our brand	
	BIC5	Have a system in place for getting stakeholders' feedback to the people who can make changes to the brand	
3.2	BOC	Orchestration	
	BOC1	Design our marketing activities to encourage consumers to directly use our brand	
	BOC2	Design our integrated marketing activities to encourage our suppliers, distributors, and other key stakeholders to promote our brand to consumer	
	BOC3	Ensure that managers within our business are aware of all the marketing activities that involve the brand	Adopted from O'Cass and Ngo [49]
	BOC4	Develop marketing programs that send consistent messages about our brand to our stakeholders	
	BOC5	Create a brand/sub-brand structure that is well thought out and understood by our staff	

Table 1. *Cont.*

No.	Coded	Items and Constructs	Sources
3.3	BAC	Affection	Adapted from Ewing and Napoli [47], O'Cass and Ngo [49]
	BAC1	Develop detailed knowledge of what our stakeholders like about the brand	
	BAC2	Develop detailed knowledge of what our stakeholders dislike about the brand	
	BAC3	The brand name is an expression of what the brand does and the values it presents	
4	FP	Firm performance (1st-order construct)	Adopted from (Arend [59], Torres et al. [60]
	FP1	The current firm performance of the firm is better than its rivals in terms of Return on investment	
	FP2	Current firm performance of the firm is better than its rivals in terms of Sales	
	FP3	Current firm performance of the firm is better than its rivals in terms of Profit	
	FP4	The current firm performance of the firm is better than its rivals in terms of Growth	
	FP5	The Current firm performance of the firm is better than its rivals in terms of General Success	
	FP6	The current firm performance of the firm is better than its rivals in terms of Return on assets	
	FP7	The current firm performance of the firm is better than its rivals in terms of Market share	
	FP8	The current firm performance of the firm is better than its rivals in terms of Competitive position	
5		Control variables	Adapted from Danneels [61]
	Firm size	Size of retailer	
	Firm type	Type of retailer	
	Firm age	Age of retailer	

A five-point Likert scale which is coded from 1 (Strongly disagree) to 5 (Strongly agree) was used. To obtain the accuracy of the meaning of all items, the questionnaire was translated into Vietnamese and then backtranslated. A pre-test was conducted by interviewing five experts from the retail sector. We asked them to review the item statements and questionnaire structure and after that we implemented a larger pilot test with 25 respondents. Based on the results of a pilot test, there was one item of application capability that belonged to absorption capability that was rejected because of unsuitability for retail enterprises. In addition to that, several items were reworded to suit the context of Vietnam. The final items and their sources are represented in Table 1.

3.2. Samples, Data Collection, and Analysis

A quantitative research approach was used in this study. A unit of this study was a Vietnamese retail enterprise. The retailers for the survey were selected from the Annual Retail Report of the Association of Vietnam Retailers (AVR). To obtain reliability of performance evaluation, the chosen retailers who were operating their operations as supermarkets, convenience stores, and specialized retailers, had been established since 2017 or earlier. The respondents (Table 2) were middle and senior managers who had had experience in this position for at least one year. The survey was conducted over three months (from August to October 2020). To obtain higher responses, an offline survey was implemented. In total, there were 212 received answers. Because of 11 invalid answers, a final usable sample of 201 was obtained, accounted for a 74.4% response rate. The sample profile of responding retailers consisted of 27.9 percent that is from 3 to 5-year-old, and 34.3 percent of 5 to 10-year-old. Of the sizes of retailers (Table 2), 61.2 percent were small and medium in size (with less than 300 full-time employees). The sample profile

also showed that 21.9 percent of the retailers operated as supermarkets, 27.4 percent as mini-markets and convenience stores, and the rest were specialist retailers.

Table 2. Profile of respondents and their firms.

Characteristics	Frequency	Percent	Cumulative Percent
Firm Age			
3–5 years	56	27.9	27.9
5–10 years	69	34.3	62.2
10 years and above	76	37.8	100.0
Total	201	100.0	
Firm Size			
10–49 employees	48	23.9	23.9
50–299 employees	75	37.3	61.2
300 employees and above	78	38.8	100.0
Total	201	100.0	
Firm type			
Supermarket	44	21.9	21.9
Convenience store	55	27.4	49.3
Specialized retailers	102	50.7	100.0
Total	201	100.0	
Respondent's Position			
CEOs	52	25.9	25.9
Deputy CEO	64	31.8	57.7
Dept. Head or equivalent position	85	42.3	100.0
Total	201	100.0	
Respondent's Experience			
1–3 years	30	14.9	14.9
3–5 years	79	39.3	54.2
5 years and above	92	45.8	100.0
Total	201	100.0	

To analyze the research framework and test the hypotheses, Partial least squares-structural equation modeling (PLS-SEM) by Smart-PLS 3 was used. PLS-SEM is considered a powerful method to evaluate both measurement and structural models.

4. Results

4.1. Assessment of Measurement Model

As reflective constructs, to assess the measurement model, it is required to test the construct reliability (Cronbach's alpha and composite reliability-CR), the convergent validity (outer loading scores and total variance extracted-AVE), and the discriminant validity (heterotrait–montrait—HTMT) [62,63]. It is suggested that both Cronbach's alpha and CR must be above 0.7 while outer loading and AVE should be higher than 0.5 [62,64]. For 2nd-order constructs which are absorption capability, innovation capability, and branding capability, it is required to first test the construct reliability, and the convergent validity for the 1st-order construct. Table 3 provides the results of the measurement model. For the outer loading, there are two items coded BOC4 and BOC5 that are slightly lower than 0.7 (0.644 and 0.652, respectively). Because the construct reliability and validity examination of both their 1st and 2nd-order constructs are qualified, BOC4 and BOC5 are retained.

Table 3. Examination of construct reliability and validity.

Constructs and Items	Outer Loading	Cronbach's Alpha	Rho_A	CR	AVE
AC (Absorption capability)		0.934	0.935	0.953	0.837
ACQC (Acquisition capability)		0.779	0.781	0.871	0.693
ACQC1	0.832				
ACQC2	0.839				
ACQC3	0.827				
ASSC (Assimilation capability)		0.893	0.895	0.919	0.654
ASSC1	0.748				
ASSC2	0.815				
ASSC3	0.812				
ASSC4	0.786				
ASSC5	0.813				
ASSC6	0.871				
TRAC (Transformation capability)		0.859	0.860	0.915	0.782
TRAC1	0.919				
TRAC2	0.825				
TRAC3	0.905				
APPC (Application capability)		0.788	0.792	0.876	0.703
APPC1	0.807				
APPC2	0.838				
APPC3	0.869				
IC (Innovation capability)		0.918	0.927	0.96	0.924
PIC (Process innovation capability)		0.865	0.865	0.908	0.712
PIC1	0.830				
PIC2	0.846				
PIC3	0.834				
PIC4	0.864				
SIC (Service innovation capability)		0.890	0.894	0.920	0.697
SIC1	0.846				
SIC2	0.889				
SIC3	0.872				
SIC4	0.787				
SIC5	0.774				
BC (Branding capability)		0.883	0.891	0.927	0.81
BIC (Brand interaction capability)		0.806	0.806	0.865	0.563
BIC1	0.756				
BIC2	0.714				
BIC3	0.764				
BIC4	0.787				
BIC5	0.728				
BOC (Brand orchestration capability)		0.750	0.752	0.834	0.503
BOC1	0.713				
BOC2	0.725				
BOC3	0.799				
BOC4	0.652				
BOC5	0.644				
BAC (Brand affection capability)		0.766	0.765	0.865	0.682
BAC1	0.819				
BAC2	0.862				
BAC3	0.794				
FP		0.913	0.916	0.93	0.624
FP1	0.781				
FP2	0.790				
FP3	0.811				
FP4	0.772				
FP5	0.704				
FP6	0.768				
FP7	0.840				
FP8	0.845				
Firm size	1.000	1.000	1.000	1.000	1.000
Firm type	1.000	1.000	1.000	1.000	1.000
Firm age	1.000	1.000	1.000	1.000	1.000

To test the discriminant validity, Henseler et al. [63] suggested applying the HTMT ratio which must be <0.85. Table 4 shows the results of the HTMT ratio that are lower than 0.85. Therefore, the discriminant validity was qualified for this study's model.

Table 4. HTMT results.

	Absorption Capability	Innovation Capability	Branding Capability	Firm Performance	Firm Age	Firm Size	Firm Type
Absorption capability							
Innovation capability	0.419						
Branding capability	0.784	0.388					
Firm performance	0.609	0.436	0.747				
Firm Age	0.11	0.054	0.124	0.167			
Firm Size	0.293	0.378	0.272	0.314	0.477		
Firm Type	0.224	0.052	0.065	0.069	0.006	0.213	

4.2. Assessment of Structural Model

The results of the structural model assessment are expressed in Table 5 and Figure 2. For multicollinearity examination, inner VIF scores are checked. Since VIF scores of all constructs range [1.000; 2.315], there is no multicollinearity in the structural model. Next, R^2_{adj} for endogenous constructs is checked. The value of R^2_{adj} of innovation capability, branding capability, and firm performance are 0.152, 0.513, and 0.501, respectively. To investigate the hypotheses, the path coefficient by using bootstrapping, one-tailed method for direct effects, and an examination of the specific indirect effect using bootstrapping two-tailed for indirect effects are conducted [62]. To assess the role of mediation, the product of the coefficient approach by using the bootstrapping resampling method is used. For direct effect, four hypotheses are supported. For firm performance, both innovation capability and branding capability show the positive impact, in which, branding capability has the strongest impact on firm performance (H3: Beta = 0.524, *p*-value = 0.000, T-value = 6.422, f^2 = 0.257). However, for H1, the direct effect of absorption capability on firm performance was not supported in this study (*p*-value = 0.072, T-value = 1.462). For H4 and H5, absorption capability reveals the significant and positive influence on both innovation capability (H4: Beta = 0.389, *p*-value = 0.000, T-value = 6.065, f^2 = 0.179) and branding capability (H5: Beta = 0.716, *p*-value = 0.000, T-value = 22.644, f^2 = 1.054).

For indirect effect (H5 and H7), the results show that the impact of absorption capability on firm performance is mediated by both innovation capability and branding capability, in which, innovation capability mediates this relationship more significantly than branding capability. Although absorption capability does not express a direct effect on firm performance, it plays a remarkable role in improving firm performance through both innovation capability and branding capability. Therefore, these research results bring out the significance of both direct and indirect effects of absorption capability, innovation capability, and branding capability on retailer performance.

For control variables, the results illustrate that the influence of all three control variables on firm performance (firm size, firm type, and firm age) was not supported in this study. Thus, the results are not influenced by the differences in size, type, and age among retailers.

Table 5. The results of testing hypotheses.

Hypotheses	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	*p*-Values	f²	CI		Results
							5.00%	95.00%	
H1: AC → FP	0.112	0.110	0.077	1.462	0.072	0.011	−0.015	0.239	Not supported
H2: IC → FP	0.142	0.140	0.055	2.563	0.050	0.030	0.056	0.237	Supported
H3: BC → FP	0.524	0.525	0.082	6.422	0.000	0.257	0.386	0.657	Supported
H4: AC → IC	0.389	0.388	0.064	6.065	0.000	0.179	0.276	0.488	Supported
H5: AC → BC	0.716	0.717	0.032	22.644	0.000	1.054	0.658	0.763	Supported
H6: AC → IC → FP	0.055	0.054	0.023	2.384	0.017		0.015	0.106	Supported
H7: AC → BC → FP	0.376	0.377	0.063	5.921	0.000		0.251	0.502	Supported

In which: AC: Absorption capability IC: Innovation capability AC: Absorption capability IC: Innovation capability.
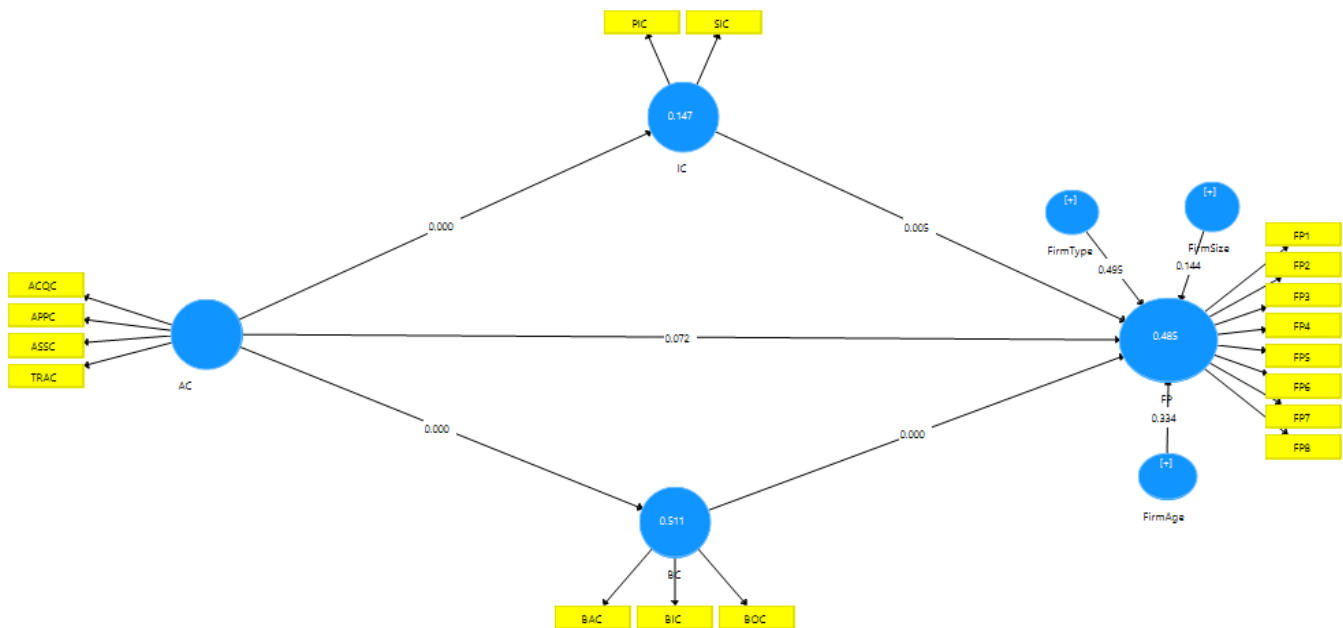
Figure 2. Results of the structural assessment.

5. Discussion and Implications

5.1. Theoretical Implications

These findings provide valuable evidence for the linkage among absorption capability, innovation capability, branding capability, and performance of retailer performance.

The findings show the strongest significant and positive impact of branding capability on retailer performance (f² = 0.257). This result illustrates that if Vietnamese retail enterprises develop retail brands, they can remarkably improve their performance. These research results enrich the view of the importance of building a brand in improving firm performance of Wang and Sengupta [9], Odoom et al. [10], Morgan et al. [48], Madden et al. [50]. While these studies have clarified this relationship in diversified sectors and countries, such as multinational firms [9], the financial service sector, or SMEs in emerging markets [10], the findings of this study provide reliable evidence in the retail sector of Vietnam—one of the most attractive global retail markets which has not had much attention paid to it. For theoretical implications, the findings also emphasize the necessity of co-branding between retail enterprises and their stakeholders. It is of note that to obtain a successful brand, a retailer needs to establish a good relationship with stakeholders and require them to promote the retail brand in their communication channels. This is an effective way to communicate the brand message to a retailer's customers. When customers understand the brand messages, they can easily develop a positive attitude about the brand to quickly make purchasing decisions. Finally, the more customers decide to purchase, the higher is the level of retailer performance achievement.

For innovation capability, the performance of Vietnamese retailers will be improved if they focus on renewing and innovating their operational process and offering new retail

services. This finding reinforces the important role of innovation capability in a firm which was argued by previous researchers [8,33,39,40,55,65]. In the context of IR 4.0, developing innovation capability allows a firm to adapt to the new context and satisfy customer needs. Especially, because the Vietnamese retail market has shown increasing competitiveness, the research results express an effective way for Vietnamese retailers to succeed: nurturing innovation capability to generate advanced operational processes and developing new retail services which are unique and valuable.

For the direct effect of absorption capability on innovation capability and branding capability, the research results reveal that branding capability influences more significantly absorption capability. This finding is appropriate to the suggestions of Brodie et al. [45], Barrales-Molina et al. [57], Tavani et al. [66] on the favorable positive impact of absorption capability on branding capability. The research results illustrate that by acquiring, assimilating, transforming, and applying new external knowledge, retail enterprises may effectively create their retail brands. By absorbing the external experiences, Vietnamese retailers may formulate brand strategies that quickly respond to the changing environment and meet the requirements of the customers. In addition, an effective absorption capability enables a retailer to become more dynamic, thereby facilitating the establishment of good relations with its stakeholders.

For the relationship between absorption capability and innovation capability, the findings illustrate that if a retailer absorbs external knowledge and experiences, it may hasten the outcome of innovation capability by offering new retail services and processes. This research results consolidate the view of the favorable relationship between absorption capability and innovation capability suggested by Saunila et al. [40], Davila et al. [6], Luis-Leal-Rodriguez et al. [52]. For process innovation capability, the combination of new and existing knowledge allows them to develop new retail technologies and apply in advance both their functional, operative, and managing activities and routines. Consequently, the performance of retailers is noticeably improved through simplifying internal processes and reducing operational costs. For service innovation capability, by transforming and exploiting new knowledge and technologies, retailers can create new retail services which are adequate for the changing demands and behaviors of customers. Especially, in the context of the higher competition intensity, acquiring and applying modern retail technologies play an important role in sustaining the competitive advantages of Vietnamese retail enterprises. Hence, nurturing absorption capability enables a Vietnamese retailer to offer new retail methods and services which is considered one of the vital indicators of innovation capability.

For the relationship between absorption capability and firm performance, although the finding did not support the direct effect, the indirect effect was clarified. In other words, innovation capability and branding capability play as mediation capabilities enabling retailers to exploit effectively absorption capability and considerably improve performance. Remarkably, the impact of absorption capability on retailer performance will be ameliorated by nurturing branding capability. These findings have disclosed the mediating role of innovation capability and branding capability on the impact of absorption capability on retail performance which has not yet been of much concern. These research results also emphasize the importance of absorption capability in enhancing retailers' innovation capability and branding capability which could be a significant performance.

5.2. Practical Implications

The research results clarified the important role of absorption capability, innovation capability, and branding capability on retailer performance. While absorption capability has an indirect impact, both innovation capability and branding capability show the direct effects on firm performance, that domestic retail enterprises need to strengthen absorption capability, innovation capability, and branding capability. Based on the findings, some recommendations for Vietnamese retailers' managers are suggested.

For absorption capability, managers should focus on being more initiative in searching, learning, and acquiring new external knowledge and technologies. To assimilate and transform effectively external knowledge, managers need to improve the qualifications of employees; thereby, improving the initiative, adaptability, and creativity in the whole organization. Additionally, Vietnamese retailers need to apply new retail technologies, especially on the IT application platform. Managers should research and develop new retail channels such as online channels via apps or websites. Retailers should focus on providing additional services for their retail channels, especially for online channels. Diversifying retail methods allows retailers to take advantage of new achievements from IR 4.0 and quickly respond to the changes in customer purchasing behaviors due to the impact of the COVID-19 pandemic. Finally, to effectively apply new knowledge, it is necessary for managers to establish the specific mechanisms and procedures to deploy and spread-out new knowledge to the whole organization, contributing to improving the organizational performance.

For innovation capability, Vietnamese retailers need to develop both process and service innovation capabilities. For process innovation capability, retailers should accelerate the research and improvement of advanced retail methods and supporting services such as e-payment, delivery, exchange or return services, etc. We also strongly recommend that Vietnamese retailers apply modern management methods which improve significantly managing efficiency and to improve conflict management skills to resolve the in-house conflicts that may seriously influence retailer performance. In addition to that, the operational activities and processes should be improved by upgrading enterprise management software as well as functional management software. For service innovation capability, first and foremost, we strongly recommend that Vietnamese retailers need to increase awareness of the importance of innovating retail services to adapt to the changing preferences of clients. Retailers should invest more in market research and competitive intelligence to forecast the changes in customer behaviors and find the best way for retail service innovation. It is necessary for Vietnamese retailers to diversify retail channels by using technologies, such as e-retail channels through the website, apps, mobile, and other modern devices. Additionally, we suggest that domestic retailers should integrate all their retail channels which facilitate customers to purchase, pick up/receive goods, and make payments.

For branding capability, Vietnamese retailers should improve branding capability by enhancing interaction, orchestration, and affection capability. For interaction capability, branding managers need to increase the awareness of the importance of brand co-creation with the stakeholders. It is necessary to scan regularly external factors and give timely adaptive solutions. Additionally, branding strategies need to be conducted to allow retailers' customers and partners to experience and evaluate. In addition to that, Vietnamese retail enterprises should allocate reasonable finance resources for developing branding capability to enable the brand managers to plan effective branding strategies to increase customer value. Additionally, branding programs should enhance the reactiveness of the department which is responsible for receiving customers' and stakeholders' feedback. Because feedback is important for business, Vietnamese retail enterprises should invest more in information technologies for receiving and analyzing data automation. For orchestration capability, Vietnamese retail enterprises should: (1) Strengthen internal communication solutions to effectively convey the brand messages and meanings to all retailers' members; (2) plan marketing programs to encourage both consumers and stakeholders to experience the retailer's brand value; (3) integrate with partners to promote retailer's brand based on planning the integrated marketing programs. For affection capability, it is necessary for Vietnamese retail enterprises to regularly scan and evaluate customer satisfaction with their retail services as well as brand communication programs. The survey for both customers and stakeholders should be implemented by domestic retailers because the collected data is important in obtaining significant feedback for firms' branding strategies.

6. Conclusions

This paper investigated the linkages among absorption capability, innovation capability, branding capability, and performance of Vietnamese retail firms based on RBV theory. Through an empirical study, the research results clarified the direct effect of innovation capability and branding capability on firm performance. For theoretical contributions, by adapting the RBV view, the study has enriched knowledge on the direct effect of innovation capability and branding capability on absorption capability and firm performance, and the indirect impact of absorption capability on firm performance which is mediated by innovation capability and branding capability. Additionally, the research results reveal the mediation of both innovation capability and branding capability on the relationship between absorption capability and firm performance. The findings have brought valuable evidence which can be useful information for the managers of retail enterprises to improve their performance by enhancing absorption capability, innovation capability, and branding capability.

However, there were some limitations in this research. First, there are other capabilities that are crucial for sustaining competitive advantages and improving firm performance not identified in this study. Further research can look for other core competencies by adopting RBV theory to explore their role in creating superior firm performance. Second, the empirical context is relatively small, focusing only on Vietnamese retail firms. The findings thus might not be transferable to other contexts. Different findings might surface with a broader sample of enterprises with greater variation in the firm, industry or country.

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