

## **THE ROLE OF INNOVATION IN ENHANCING BUSINESS MANAGEMENT EFFECTIVENESS IN VIETNAMESE ENTERPRISES**

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### **ABSTRACT**

*Innovation has become a critical driver of business management effectiveness in the context of digital transformation, international integration, and increasingly dynamic competition. In Vietnam, enterprises are under growing pressure to improve productivity, enhance customer value, optimize resources, and adapt to rapid technological and market changes. This article examines the role of innovation in enhancing business management effectiveness in Vietnamese enterprises. Drawing on both English-language and Vietnamese-language literature, policy documents, and practical observations, the paper analyzes innovation as a multidimensional process that includes technological innovation, product and service innovation, process innovation, management innovation, business model innovation, and human resource innovation. The findings indicate that innovation improves management effectiveness by strengthening data-based decision-making, increasing operational efficiency, supporting organizational flexibility, improving customer satisfaction, reducing costs, and enhancing competitive advantage. However, Vietnamese enterprises, especially small and medium-sized enterprises, still face barriers related to finance, human resources, digital capability, managerial mindset, innovation culture, and weak linkages with universities and research institutions. The article proposes recommendations for enterprises, policymakers, and education and training institutions to strengthen innovation capacity and improve management effectiveness in Vietnamese enterprises.*

**Keywords:** innovation; business management; management effectiveness; Vietnamese enterprises; digital transformation; competitiveness; small and medium-sized enterprises.

**JEL Classification:** M10; M13; O31; O32; O33.

## **1. INTRODUCTION**

In the contemporary business environment, innovation has moved from being a supportive activity to becoming a central condition for enterprise survival and growth. Globalization, digital transformation, changing consumer behavior, and the emergence of platform-based competition have forced enterprises to rethink how they organize resources, manage people, serve customers, and create value. Enterprises that maintain traditional management practices without continuous improvement may find it difficult to respond to market turbulence and technological change.

For Vietnamese enterprises, the role of innovation is particularly important. Vietnam has been deeply integrated into regional and global markets, while domestic enterprises are increasingly exposed to competition from foreign-invested firms, digital platforms, and rapidly changing customer expectations. The country has also emphasized digital transformation, innovation, and participation in the Fourth Industrial Revolution through national strategies and policy documents. These changes require enterprises not only to adopt new technologies but also to innovate their management systems, organizational culture, business processes, and human resource practices.

Business management effectiveness refers to the ability of an enterprise to achieve its objectives through the efficient and coordinated use of resources. It includes planning, organizing, leading, controlling, decision-making, risk management, customer management, cost control, and strategic adaptation. In the past, management effectiveness was often associated with administrative discipline and cost minimization. In the digital and innovation-driven economy, however, effective management also requires creativity, flexibility, learning capability, data-based decision-making, and the capacity to generate new value.

Innovation in enterprises should not be understood narrowly as the invention of new technologies. According to the broad approach of the innovation literature, innovation may involve new or significantly improved products, services, processes, organizational methods, marketing methods, business models, and management practices. For Vietnamese enterprises, innovation may include applying digital software to accounting and sales, redesigning customer service processes, introducing new products, improving supply chain coordination, developing new training systems, or changing leadership practices to encourage employee creativity.

Although innovation brings many benefits, its implementation in Vietnamese enterprises remains uneven. Large enterprises may have greater resources to invest in digital transformation and research and development, while small and medium-sized enterprises often face financial constraints, limited managerial capacity, shortage of skilled employees, and low awareness of innovation strategy. Therefore, it is necessary to analyze how innovation contributes to business

management effectiveness and what conditions are needed to promote innovation in Vietnamese enterprises.

## **2. OBJECTIVES OF THE STUDY**

The general objective of this article is to analyze the role of innovation in enhancing business management effectiveness in Vietnamese enterprises.

1. To clarify the meaning of innovation and business management effectiveness in the context of Vietnamese enterprises.
2. To identify the main forms of innovation that influence management effectiveness.
3. To analyze the mechanisms through which innovation improves operational efficiency, competitiveness, adaptability, and sustainable development.
4. To discuss the major barriers that Vietnamese enterprises face when implementing innovation.
5. To propose recommendations for enterprises, policymakers, and education and training institutions to strengthen innovation capacity and management effectiveness.

## **3. THEORETICAL BACKGROUND AND LITERATURE REVIEW**

### **3.1. Innovation and enterprise development**

The classical foundation of innovation theory is closely related to Schumpeter's concept of creative destruction, which emphasizes that economic development is driven by new combinations of resources, new products, new production methods, new markets, and new organizational forms. From this perspective, innovation is a mechanism through which enterprises renew themselves and create competitive advantage.

Modern innovation studies emphasize that innovation is not limited to research and development. The Oslo Manual defines business innovation as a new or improved product or business process that differs significantly from the firm's previous products or processes and has been introduced on the market or brought into use by the firm. This definition is useful for business management because it recognizes that innovation can occur in production, distribution, marketing, administration, information systems, and organizational management.

In the context of Vietnamese enterprises, innovation is increasingly connected with digital transformation, entrepreneurship, and the improvement of management capability. Innovation allows enterprises to move away from low-cost competition and toward value creation based on knowledge, technology, customer experience, and organizational learning.

### **3.2. Business management effectiveness**

Business management effectiveness can be understood as the degree to which management activities help enterprises achieve their goals with appropriate use of resources. Effective management requires the alignment of strategy, organizational structure, human resources, technology, finance, and market orientation. An enterprise may be profitable in the short term, but if it lacks innovation capability, it may not be able to sustain performance in a changing environment.

Management effectiveness is therefore multidimensional. It includes operational efficiency, decision-making quality, employee productivity, customer satisfaction, risk control, adaptability, and long-term competitiveness. Innovation contributes to each of these dimensions by introducing new tools, new processes, new forms of coordination, and new ways of creating customer value.

### **3.3. Innovation in the Vietnamese policy context**

Vietnam has adopted several policies to promote science, technology, innovation, and digital transformation. National policy orientations emphasize the importance of the Fourth Industrial Revolution, digital transformation, innovation ecosystems, and the role of enterprises in improving productivity and competitiveness. These policy orientations create an important institutional foundation for enterprises to invest in innovation.

However, policy support can only become effective when enterprises transform it into internal capability. Innovation requires not only external incentives but also internal commitment from business leaders, investment in human resources, organizational learning, technology adoption, and collaboration with partners. This means that innovation should be embedded in enterprise strategy and management practice rather than treated as a short-term project.

## **4. RESEARCH METHODOLOGY**

This article uses a qualitative and analytical research methodology. The study is based on the synthesis of English-language and Vietnamese-language materials related to innovation, business management, digital transformation, entrepreneurship, and enterprise development. The research approach follows the structure of a conceptual review article, which is appropriate for clarifying mechanisms, identifying challenges, and proposing managerial implications.

The analytical process consists of three steps. First, the article reviews theoretical perspectives on innovation and management effectiveness. Second, it identifies the main forms of innovation that are relevant to Vietnamese enterprises, including technological innovation, product and

service innovation, process innovation, management innovation, business model innovation, and human resource innovation. Third, it discusses the influence of these forms of innovation on business management effectiveness and proposes recommendations for practice.

The article does not claim to present new survey data. Instead, it develops a conceptual and policy-oriented analysis that may serve as a foundation for future empirical studies using quantitative surveys, interviews, or case studies of Vietnamese enterprises.

## **5. RESULTS AND DISCUSSION**

### **5.1. Technological innovation and data-based management**

Technological innovation is one of the most visible channels through which enterprises improve management effectiveness. Digital technologies such as enterprise resource planning systems, customer relationship management systems, e-commerce platforms, cloud computing, digital accounting software, and data analytics help enterprises collect, process, and use information more effectively.

In traditional management systems, many decisions are based mainly on personal experience or delayed reports. Technological innovation allows managers to access real-time information about sales, inventory, costs, customer behavior, and employee performance. This improves the speed and accuracy of decision-making. For example, digital sales data can help managers identify changes in customer demand, while inventory software can reduce stock shortages or excess inventory.

Technological innovation also improves internal control. Digital systems make business processes more transparent and traceable, reducing errors, fraud, and duplication. In addition, technology can support remote work, online meetings, digital marketing, and electronic payment, thereby improving flexibility and reducing transaction costs.

### **5.2. Process innovation and operational efficiency**

Process innovation refers to the improvement of the way activities are performed in an enterprise. This may include changes in production methods, service delivery procedures, administrative processes, supply chain coordination, quality control, and customer service operations. Process innovation is important because management effectiveness depends not only on strategic decisions but also on daily operational routines.

For Vietnamese enterprises, process innovation can begin with simple but meaningful improvements. These include standardizing work procedures, reducing unnecessary approval steps, applying digital documents, improving communication between departments, and using

performance indicators to monitor progress. Such improvements help enterprises reduce costs, save time, and improve service quality.

In manufacturing enterprises, process innovation may help reduce waste, shorten production cycles, and improve quality consistency. In service enterprises, it may reduce waiting time, improve customer experience, and enhance employee productivity. Therefore, process innovation directly contributes to both efficiency and customer satisfaction.

### **5.3. Product and service innovation and customer value**

Product and service innovation enables enterprises to respond to changing customer needs and create competitive advantage. Vietnamese consumers are increasingly demanding higher quality, convenience, transparency, and personalized services. As a result, enterprises need to continuously improve their products, services, packaging, distribution channels, and customer care systems.

Product innovation may involve new designs, improved functions, higher quality, safer materials, or environmentally friendly features. Service innovation may include online ordering, faster delivery, flexible payment, digital customer support, personalized recommendations, and after-sales care. These innovations help enterprises increase customer satisfaction and strengthen brand loyalty.

From a management perspective, product and service innovation requires enterprises to improve market research, customer feedback systems, cross-functional collaboration, and innovation project management. Therefore, product and service innovation not only changes what enterprises offer to customers but also changes how enterprises manage information, people, and resources.

### **5.4. Management innovation and organizational flexibility**

Management innovation refers to changes in leadership style, organizational structure, coordination mechanisms, performance evaluation, and decision-making processes. This form of innovation is essential because technology alone cannot improve enterprise performance if the management system remains rigid and hierarchical.

Many Vietnamese enterprises, especially family-owned and small-sized enterprises, still rely heavily on centralized decision-making. While this approach may be effective at the early stage of development, it can limit creativity and slow down responses when enterprises grow. Management innovation encourages delegation, teamwork, cross-functional coordination, and employee participation in problem-solving.

Innovative management also requires leaders to create an organizational culture that supports learning and experimentation. Employees should be encouraged to propose improvements and share ideas without fear of failure. When creative contributions are recognized and rewarded, enterprises can mobilize the knowledge of their workforce and improve management effectiveness from within.

### **5.5. Business model innovation and market adaptability**

Business model innovation involves changes in how enterprises create, deliver, and capture value. In the digital economy, enterprises may shift from traditional sales channels to e-commerce, combine offline and online customer service, develop subscription models, cooperate with digital platforms, or create ecosystem-based services.

For Vietnamese enterprises, business model innovation is increasingly important because markets are changing quickly. The growth of digital platforms and online consumer behavior has created new opportunities for small and medium-sized enterprises to reach customers at lower costs. However, it also increases competition and requires enterprises to manage digital channels professionally.

Business model innovation improves management effectiveness by forcing enterprises to rethink their value proposition, customer segments, revenue streams, cost structure, and partnerships. Enterprises that understand their business model clearly are better able to allocate resources and adapt to market changes.

### **5.6. Human resource innovation and creative capacity**

Human resources are a decisive factor in innovation. Technology, strategy, and processes can only generate value when employees have the skills and motivation to use them effectively. Human resource innovation includes new approaches to recruitment, training, performance evaluation, compensation, employee engagement, and leadership development.

Vietnamese enterprises need employees who are not only technically competent but also capable of digital thinking, communication, teamwork, problem-solving, and continuous learning. Training programs should be connected with real business problems rather than limited to formal instruction. Enterprises should also build mechanisms to identify and support employees with creative potential.

Human resource innovation improves management effectiveness by strengthening employee productivity, reducing resistance to change, and creating a culture of continuous improvement. It also helps enterprises retain talent in a competitive labor market.

**Table 1. Main forms of innovation and their contribution to business management effectiveness**

<b>Form of innovation</b>	<b>Main content</b>	<b>Contribution to management effectiveness</b>
Technological innovation	Digital systems, automation, data analytics, e-commerce, cloud platforms	Improves speed, accuracy, transparency, and data-based decision-making
Process innovation	Improved production, service, administrative, and supply chain processes	Reduces costs, saves time, improves quality and coordination
Product and service innovation	New or improved products, services, packaging, delivery, and customer support	Enhances customer value, brand differentiation, and market share
Management innovation	New leadership methods, organizational structures, evaluation systems, and coordination mechanisms	Increases flexibility, accountability, employee engagement, and responsiveness
Business model innovation	New ways of creating, delivering, and capturing value	Improves adaptability, revenue generation, and strategic positioning
Human resource innovation	New training, motivation, recruitment, and performance management practices	Strengthens employee capability, creativity, and commitment

**5.7. Barriers to innovation in Vietnamese enterprises**

Despite the positive role of innovation, Vietnamese enterprises still face several barriers. The first barrier is financial limitation. Innovation often requires investment in technology, training, research, product development, and consulting services. Many small and medium-sized enterprises have limited capital and may prefer short-term survival over long-term innovation investment.

The second barrier is the shortage of skilled human resources. Many enterprises lack employees who can manage digital systems, analyze data, operate modern technologies, or develop innovation projects. This shortage reduces the effectiveness of technology adoption and may increase resistance to change.

The third barrier is managerial mindset. Some managers still regard innovation as a cost rather than an investment. Others may focus mainly on immediate revenue and hesitate to experiment

with new methods. Without leadership commitment, innovation activities are likely to be fragmented and unsustainable.

The fourth barrier is weak linkage among enterprises, universities, research institutions, and support organizations. Innovation requires knowledge exchange, technology transfer, and collaboration. However, in many cases, enterprises do not know how to access research results, while universities and research institutions may not fully understand enterprise needs.

The fifth barrier is the lack of an innovation culture. Employees may be reluctant to propose new ideas if they fear criticism or if there is no reward mechanism. Therefore, building a culture of trust, learning, and creativity is necessary for sustainable innovation.

**Table 2. Barriers to innovation and possible managerial responses**

<b>Barrier</b>	<b>Manifestation in enterprises</b>	<b>Suggested response</b>
Financial constraints	Limited budget for technology, training, and R&D	Prioritize step-by-step innovation, use public support programs, and invest in high-impact tools
Human resource limitations	Lack of digital, analytical, and innovation management skills	Develop internal training, cooperate with universities, and recruit innovation-oriented employees
Traditional management mindset	Risk avoidance and short-term orientation	Strengthen leadership awareness and integrate innovation into business strategy
Weak external linkages	Limited cooperation with universities, research centers, and technology providers	Build partnerships, join innovation networks, and use consulting services
Weak innovation culture	Employees hesitate to propose ideas or experiment	Create idea-sharing mechanisms, reward improvement initiatives, and accept reasonable failure

## 6. MANAGERIAL IMPLICATIONS

The analysis suggests several managerial implications. First, innovation should be considered a strategic management issue rather than a separate technical activity. Enterprise leaders need to

connect innovation with strategic objectives, customer value, productivity, and long-term competitiveness.

Second, enterprises should adopt a step-by-step approach to innovation. Not every enterprise can immediately invest in advanced technologies. Small and medium-sized enterprises can begin with basic digital tools, process standardization, customer feedback systems, and employee training. Gradual innovation may be more realistic and sustainable than large-scale transformation without adequate capability.

Third, enterprises should measure innovation outcomes. Innovation activities should be evaluated through indicators such as cost reduction, revenue growth from new products, customer satisfaction, employee productivity, process time reduction, and number of improvement ideas implemented. Measurement helps managers understand whether innovation contributes to management effectiveness.

Fourth, innovation requires collaboration. Enterprises should cooperate with universities, vocational training institutions, research centers, technology suppliers, banks, and business associations. Such cooperation can help enterprises access knowledge, technology, skilled labor, and financial resources.

## **7. CONCLUSION**

Innovation plays a crucial role in enhancing business management effectiveness in Vietnamese enterprises. It improves management effectiveness through technological innovation, process innovation, product and service innovation, management innovation, business model innovation, and human resource innovation. These forms of innovation help enterprises make better decisions, reduce costs, improve productivity, strengthen customer value, increase organizational flexibility, and build sustainable competitive advantage.

In the context of digital transformation and international integration, Vietnamese enterprises cannot rely only on traditional management experience. They need to build innovation capability as a core part of business strategy. However, innovation remains constrained by financial limitations, human resource shortages, weak digital capability, traditional managerial thinking, limited cooperation with research institutions, and weak innovation culture.

The study concludes that innovation is not merely a technological issue but a comprehensive management process. To enhance business management effectiveness, Vietnamese enterprises should combine technology adoption with management reform, human resource development, customer orientation, and organizational learning. Future empirical research may test the

relationship between innovation capability and management effectiveness using survey data from Vietnamese enterprises across different industries and regions.

## **8. RECOMMENDATIONS**

### **8.1. For Vietnamese enterprises**

Firstly, enterprises should build clear innovation strategies that are connected with business objectives. Innovation should be reflected in annual plans, investment decisions, human resource policies, and performance indicators.

Secondly, enterprises should promote digital transformation according to their actual capacity. Priority should be given to practical tools that improve accounting, sales, inventory, customer management, internal communication, and data analysis.

Thirdly, enterprises should develop an innovation-oriented organizational culture. Managers should encourage employees to identify problems, propose ideas, participate in improvement projects, and learn from experimentation.

Fourthly, enterprises should strengthen human resource development. Training should focus on digital skills, management skills, creative thinking, teamwork, customer orientation, and problem-solving capability.

Fifthly, enterprises should improve cooperation with universities, research institutions, technology providers, and business associations to access new knowledge and resources.

### **8.2. For policymakers**

Firstly, the government should continue to support innovation and digital transformation in enterprises, especially small and medium-sized enterprises, through financial incentives, consulting programs, and technology support services.

Secondly, policies should encourage the development of innovation ecosystems that connect enterprises, universities, research organizations, investors, and public agencies.

Thirdly, the legal and institutional environment should support intellectual property protection, data governance, technology transfer, and fair competition in digital markets.

Fourthly, public programs should help enterprises improve innovation measurement, digital capability, and access to reliable information about technology and markets.

### **8.3. For education and training institutions**

Firstly, universities and training institutions should strengthen courses on innovation management, entrepreneurship, digital transformation, business analytics, and strategic management.

Secondly, teaching methods should be more practice-oriented. Case studies, enterprise projects, internships, simulations, and business planning exercises can help learners connect theory with practice.

Thirdly, universities should act as bridges between research and business practice by supporting consulting activities, applied research, technology transfer, and enterprise-based student projects.

Fourthly, education and training institutions should help develop creative thinking, teamwork, communication, and problem-solving skills for future managers and entrepreneurs.

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