

# The role of human resources practices and the mediating effect of innovative capacity on the growth of Vietnamese enterprises

Dilip Kumar Bagal, Soumyakanta Nayak,

*Gandhi Institute of Excellent Technocrats, Bhubaneswar, India  
Bhadrak Institute of Engineering & Technology, Bhadrak, Odisha, India*

## ABSTRACT

**Purpose** – In today's competitive global market, Vietnamese enterprises are faced with highly competitive rivals, including not only domestic corporations but now multinational corporations as well. The role of human resources and their constant innovation are considered significant factors in supporting the survival and continued growth of Vietnamese enterprises. In this new era, HR

management is required to promote and strive for innovative development and disseminate its implementation within enterprises.

**Aim(s)** – This empirical study examined the role of human resources practices (training and development (TD), leadership skills (LS), compensation and benefits (CB) and talent acquisition

(TA)) and the mediating effect of innovative capacity (IC) that lead to the improvement of the growth of Vietnamese enterprises (EG).

**Design/methodology/approach** The empirical research study used questionnaires for data collection and the rest of the study was conducted using quantitative analysis on 398 suitable samples utilizing the convenience technique and the findings and conclusions of the outcome study using exploratory factor analysis (EFA), confirmatory factor analysis (CFA), and structural equation modelling (SEM).

**Findings** The findings showed that the mediating role of IC greatly and positively impacted enterprise growth (EG). Meanwhile, TA strongly impacted on IC towards EG. The second strongest factor affecting IC towards EG was CB. The third strongest factor affecting IC towards EG was LS. The fourth strongest factor affecting IC was TD. Additionally, the supporting factors in human resources practices (TD, LS, CB, TA) and the mediating role of IC have a great positive influence on EG. Limitations of the Study and Future Research Due to the time and the financial term, the research has many limitations in this study. Firstly, the researcher only collected data from around HCMC, meaning that there is a need to widen the collection in Vietnam to have a full snapshot of the HR knowledge and innovation capacity for enterprise development. Secondly, there is a lack of comparison. In the future, further studies should study individual industries to reference and compare the different outcomes of research. From these outcomes, the solutions will be relevant for HR strategies for Vietnamese enterprises. Lastly, there is a limitation in the factors studied. Future research could study additional factors such as salary, motivation factor, etc., to develop and enrich the study model.

## Practical implications–

The role of HR management and innovative capacity are the crucial factors that affect the enterprise growth. Therefore, Vietnamese enterprises should reference, practise and apply this valued knowledge to support their overall change to survive, adapt and develop with in the new era.

## Originality/value–

The results have also indicated that the administrators of Vietnamese enterprises in Ho Chi Minh City have good perception in applying HR practices and improving innovative capacity, which will support enterprise growth. The outcome of the study will contribute valuable knowledge to the field of human resources and contribute to further research.

**KEY WORDS:** compensation & benefits, leadership skills, talent acquisition, training & development, innovative capacity, enterprise growth

## I. INTRODUCTION

Human resources (HR) today plays a critical role in all organizations. Constantly increasing numbers of organizations are focusing on human resources as a means of enhancing its competitiveness (Kareem and Hussein, 2019). According to Bakator et al., (2019) have noted a tangible relationship between suitable human resource management (HRM) and the enhancement of its business performance. The HRM literature suggests that the higher-

performing organizations are related to the effectiveness of its implemented HR policies (Le et al., 2019). Additionally, when entering international integration, there is stronger competition applied to the local enterprises by its rival international enterprises. To adapt with the fast ever-changing global environment, there is a need to change the mindset for attracting and acquiring new talent in any business organization.

According to Nguyen and Dinh, (2019), developing high-quality human resources is a significant factor in determining the suitable process of socio-economic growth and development. People need to be at the center of the development strategy whilst concurrently being the subject of development itself. According to Le et al., (2019), Continued Empirical research and studies on HRM is noted, and there is a center of the adoption and development of people management processes in Vietnam. The current studies provide a logical comprehension of the development of the HRM/HR process and its research in Vietnam over 30 years. Additionally, it is seen as a requirement for organizations to implement suitable human resource development strategies to enhance its workforce competencies, assisting with functional effectiveness (Kareem and Hussein, 2019). Innovative and developed human resources will provide a conduit in delivering the overall key-value to any organization. Human resource development is critical in achieving a sustainable competitive advantage over its rivals and improving the internal efficiencies of enterprises (Kareem and Hussein, 2019). Therefore, enterprises are required to focus, develop and provide innovation to the critical areas of the workforce to strive for greater achievements in its management of the business, operations and manufacturing sectors. There are a significant number of earlier published results of classic economic theory, that identify the beneficial relationship of human resources (HR) has impacted the enterprises growth (Vlachos, 2009). Recent analysis on enterprises revealed the relationship of human capital and growth which has attracted the focus of researchers (Vlachos, 2009). An enterprises growth is often seen as the validity of market acceptance and the enterprises success (Vlachos, 2009). Therefore, to realize success in a competitive market, human resources and its innovation capacity is a significant contributor in assisting the enterprises development and sustainability. With the advent of globalization and its inherent rapid changes within the business environment, effective and efficient employment is becoming one of the key-objectives and goals of any organization (Kareem and Hussein, 2019). In today's competitive business climate there are many issues relative to its employee; finding a method of attracting the most suitable and competent people, developing overall strategies, employee retention, and sustained motivation. This will assist the enterprises development and enhance its success.

Research has noted that 84% of senior management conclude the businesses future success is dependent on the level of innovation applied (Kylliäinen, 2019). When applying innovation, it provides additional benefits to the enterprises to maintain its competitiveness in the markets, and is a significant contributor to economic growth. Its ability to resolve critical problems is dependent on adopting new positive innovations, it has a significant impact on developing countries (Kylliäinen, 2019). According to Nguyen and Dinh, (2019), it is noted that the current level of trained workers is very low, the quality of the training is not suitable, given this status the effective use of its human resources is still not suitably productive, imposing a significant negative effect on Vietnam's economy. Additionally, according to Le et al., (2019), currently there is significant interest in the strategic investment in HR and its HRM within Vietnamese enterprises. New personnel management (PM) and human resource management (HRM) processes have been implemented to replace the former HR strategies and processes to assist the Vietnamese enterprises achieve higher-levels of competitive advantage utilizing enterprise-level management reform strategies (Le et al., 2019). Therefore, Vietnamese enterprises need to strive for improvement in its human resource processes and implement an innovation approach to adapt with the current market and achieve its competitive advantages.

There is a need to research and review "actual" implemented HR practices, this research can provide positive information to enhance its sustainable performance within Vietnamese enterprises (Le et al., 2019). Based on the synthesis of information above, this article will analyze the role of human resource practice and adopt the innovation capacity as a mediating on the Vietnamese enterprise growth. This study will provide the valuable knowledge

to assist the Vietnamese enterprises that require the enhancement of its human resource structure to adopt the benefits, develop sustainably and add success into the new era.

## **II. LITERATURE REVIEW**

### **1.1 THE ROLE OF HUMAN RESOURCE PRACTICE RELATIVE TO THE DEVELOPMENT OF VIETNAMESE ENTERPRISES**

Human resources development is commonly studied by several international researchers (Pham & Pham, 2019). According to Nadler (1984), Srivastava (1997), it is noted that human resources incorporate, physical skills, intellectual skills and the occupational skills of individuals. According to Anwar & Abdullah, (2021), "Human resource management includes tasks like HR preparation, human resources management, strategic recruiting, employee training, growth compensation management, efficiency, worker relations, healthcare, employee satisfaction as well as provision of employee services". Human resources are referred to as the most significant factor for impacting and enhancing the overall processes within enterprises. Therefore, to develop and achieve the benefits for the enterprises, there is critical to improve the quality of its human resources.

According to Ejim (2021), the difference between human capital and human resources is that "Human Resources are focused on the job performed by people, human capital is more concerned with the abilities and training people possess". He also indicated that "Human capital is the measure of capabilities and skills the human resource department requires from prospective employees". Additionally, according to Le et al. (2019), the key elements of HR processes are: continuous training and development, performance-based pay systems, the internal decentralization of recruitment and staffing, and the utilization of line managers, which have been implemented in many organizations, including both foreign and state-owned enterprises and local private enterprises. A few notable exceptions still retained traditional people management processes that focused on harmony, hierarchy and relational-based commitments.

According to Navigos, (2018), it is noted that Vietnam has been recognized as a country-rich in valuable labor resources with a predominately young population. However, it is witnessed by many larger international enterprises

in Vietnam are currently faced with difficult issues in the recruitment of a suitable volume of skilled and competent staff. The Vietnamese enterprise need to improve its competitive advantages, its branding and to provide its HR strategies incorporating an array of quality benefits and compensations.

### **1.2 THE REVIEW OF THE ENTERPRISES GROWTH**

Tehseen and Sajilan, (2016), it has become apparent over many years that an enterprises progressive is an active topic of discussion and research study. The resulting impact of the enterprises strategic strategies contribute heavily to the its future growth, enhancing its abilities as a superior business, realizing increased profits and increased volume of employees and the opportunity for the expansion of business operations (Tehseen and Sajilan, 2016).

Additionally, HR is a significant core-factor in supporting the enterprises continued development and growth. According to Vlachos, (2009), an enterprises growth as compared with the industry's average in the nominated elements; perceived sales growth, perceived market share growth, perceived overall improvement and perceived firm growth. In this empirical study, it applied to measure the enterprises growth include; perceived sales growth, perceived market-share growth, perceived overall improvement and perceived firm growth, and a growth the workforce within the firm.

### **1.3 THE KEY-FACTORS OF HUMAN RESOURCE PRACTICE**

#### **1.3.1 COMPENSATION AND BENEFITS (C&B)**

The term of compensation and benefit (C&B) are widely used in the HR industry. Performance-based compensation is predominately the accepted practice that enterprises use when evaluating and rewarding its employee's successful efforts in their assigned tasks (Vlachos, 2009). The use of compensation is attractive in differing ways to each employee (Lyria, Namusonge and Karanja, 2017). C&B has a significant effect on an employee's satisfaction and their retention with its enterprises.

C&B translates work values into actual values, converting them into salaries and other benefits applying the appropriate calculation scale for its employees. Additionally, fixed salaries such as contractual agreements, allowances, insurance, business bonuses, etc. will also be aggregated, ensuring employee benefits are fully implemented in accordance with company regulations and legal policies, etc.

When considering effective compensation strategies and processes they must be aligned with the enterprises objectives (Vlachos, 2009). C&B is a significant contributor enabling the enterprises activities to align with the current market objectives. They are analytical, measuring of the value of its enterprises, proportionally converting them into practical a value. At the same time, C&B provides the Board of Directors an interim period in

which analysis and review of its status for each period to implement solutions to enhance its; productivity, promote employee morale for completing the assigned tasks successfully. Therefore, based on the synthesis information, there is a significant relationship between Compensation and Benefits and enterprise growth.

### 1.3.2 LEADERSHIP SKILLS

According to Tran and Le, (2019), leadership skills are considered the highly significant for enterprises, leadership skills are key-elements when evaluating a leaders' abilities. Leadership is the most influential element in the relationship between leaders and followers when considering implementing change, Leadership is the ability to; influence, motivate, and empower others to actively contribute toward the effectiveness and success of its enterprise (House et al., 1999), leadership is the process when influencing others to comprehend the defined process and collectively focus on completing the tasks to be implemented, whilst facilitating individual and collective efforts in the accomplishment of the collaborative objectives (Yukl, 2013).

According to Tran and Le, (2019), skills are the ability to activity perform and contributes to the overall effectiveness and higher-performance of an assigned task. Additionally, the definition of a skill refers to its ability to complete something in an effective manner, with predetermined levels of its skills, ranging from general, broadly defined abilities with more limited or specific abilities. Leadership skills in this paper mean leaders' skills and they are the abilities to do something in an effective manner to perform the leadership role.

Katz (1955) has identified three skill factors required by leaders; technical skills, human skills, and conceptual skills. Technical skills include the overall knowledge about systems, methods, processes, procedures. Additionally, techniques for conducting a specialized activity and the ability to use tools and relevant equipment. Human skills include knowledge about; human behaviors and interpersonal processes, the ability to understand feelings and emotions, attitudes, and interpret motives from others in what they say and do, the ability to communicate clearly and effectively, and the ability to establish effective and cooperative relationships. Conceptual skills involve; general analytical abilities, logical thinking, proficiency in concept formation and conceptualization of both complex and ambiguous relationships, creativity the generation of ideas and problem solving, ability to analysis occurrences and perceived trends, forecast changes and review opportunities and potential issues.

### 1.3.3 TRAINING AND DEVELOPMENT

Training and development has a significant impact on an enterprises performance (Vlachos, 2009). The training will provide current skills levels to fill the knowledge gap of employees and contribute support for its enterprises progressive innovation and future development. Realizing the significance of developing its employees, providing significant investment in up-skilling to a higher-quality of its human resources, not only to cater for the domestic market demands but also displays to the international markets its targeted position it is striving for in the constant advancement of global economic integration process (Nguyen & Dinh, 2019). Therefore, the role of human resource training and development and its strategies to implement, is a vital to contribute support for the enterprises to develop and enhance its growth.

According to Nguyen and Dinh, (2019), Training and the development of a highly-skilled and professional workforce will significantly improve the overall efficiency of its human resources. The process of promoting knowledge and development of new and current up-skilling, improving the quality of its employees, promoting innovation in its scientific and technical achievements, adopting new technology, ensuring positive progress of different industries and sectors.

Training and Development provides enterprises with higher-level of quality human capital assets and providing improved contribution to its competitiveness. Training is considered to be a strategic asset of enterprises, enhancing its competitiveness against market rivals. Currently, training and development are considered an investment in the enterprises human value. The effectiveness of newly trained employees is required to be on similar levels with that of other long-term and experienced employees. Concurrently, employee training creates benefits that are an investment in both its current and future capacity. Compounding economic research is providing similar outcomes verifying that the investment in training will provide long-term benefits and sustainable profitability for the organization. Therefore, based on the synthesis analysis, there is a significant relationship between Training and Development and enterprise growth.

### 1.3.4 TALENT ACQUISITION

The management of its talent requires ensuring the right people are in the right jobs. This allows employees to maximize their talent providing optimal success of the enterprise (Lyria,

Namusonge & Karanja, 2017).

The recruitment and selection process requires enterprises to utilize several innovative processes or techniques in the selection of the most suitable talent that reflects the culture and value of its enterprise (Armstrong, 2006). The increased probability factor of attracting and securing the suitable candidate, is dependent on the how the enterprise values are perceived by the candidate (Lyria, Namusonge & Karanja, 2017).

Determining factors of talent management include; talent attraction, talent retention, learning and development and career management. These factors within the overall processes must be designed and suitably developed to meet the standards and strategic requirements of the enterprise. To be successful the talent strategy must be aligned with the organization's business strategy. The alignment of its talent strategy with business strategy is applied in many enterprises (Lyria, Namusonge and Karanja, 2017).

Highly effective elements relating to talent attraction are; recruitment and selection, employer branding, employee value proposition and employer of choice (Armstrong, 2006). Acquiring talent is defined as the process for identifying and acquiring suitably skilled workers to meet the requirements of its enterprise. The talent acquisition team is purposed in identifying, acquiring, assessing, and hiring candidates to fill the relevant open roles within an enterprise. Employer branding, future resource planning, diversifying a company's labor force, and developing a robust candidate pipeline are the cornerstones of talent acquisition.

#### **1.4 INNOVATION CAPACITY**

According to Mpando and Sandada, (2015), the mediating role that innovation contributes between the business networking and performance relationship. Innovation is seen as a key-element for enhancing its competitiveness, which will develop the long-

term growth of the enterprises in the current ever-changing business environment. Enterprises are required to constantly strive for enhancing its capacity of innovation and creativity to survive and develop.

Innovation is the development and the implementation of a; new or significantly improved product (good or service), or system process, a new approach to its marketing, or a new managerial process in business practices, workplace structure or external communications (Mpando & Sandada, 2015). Additionally, considering its internal factors, concepts, new ideas, and review to innovate all originate from the transfer of knowledge among its employees at all levels throughout the enterprise (Distanont et al., 2012). According to Kerr, (2015), Innovation and striving for new beneficial business opportunities is vital for the enterprises continued growth. Moreover, it provides a base for the economy to achieve enhanced levels of technological achievements, productivity, and ultimately its overall prosperity. Innovation is definition as the implementation of something new. If there is no innovation, there isn't any new developments, and without anything new, there is no enhancement of progress. If an enterprise isn't making any positive progress, it is not maintaining its status in the current competitive markets (Kylliäinen, 2019).

According to Tehseen and Sajilan, (2016), investing in innovation for the enterprise will determine the outcomes of its overall business performance. Innovation is evident as a key-reason for survival in the current environment. Although innovation has some adverse side-effects, but change is inevitable and in the majority, innovation generates positive enhancements (Kylliäinen, 2019). Innovation capacity provides, development,

and enable the implementation of new, beneficial and unique ideas including; launching of newly enhanced products, processes and strategies for the enterprises continued success in business and gain market share. As well as enhanced leadership, generate higher-level of value for stakeholders, contribute to economic growth and improved living standards.

According to Ionescu and Dumitru (2015), innovation is a significant contributor generating enhanced competitiveness relative to; growth, profitability and of the creation of enduring and beneficial values. Therefore, its innovative capacity acts as a mediating role to support the enterprises in its development and overall success. The enterprises that have achieved success and gained the quickest overall growth are those that have applied innovative solutions in their daily activity. Additionally, significantly greater income and profitability

has been generated by new or quality enhanced products and services. They shall have to prove their ability to adapt to the changes within the current business environment to maintain its current position (Ionescu & Dumitru 2015). Therefore, the innovation capacity takes a mediating role to assist the firm development and growth.

#### **2.4 THE RELATIONSHIP BETWEEN HUMAN RESOURCES AND INNOVATION CAPACITY TOWARD ENTERPRISES GROWTH**

Relevant literature has noted the significance of innovative practices promoting positive growth of businesses (Tehseen and Sajilan, 2016). Various studies have revealed the contribution that innovation provides in achieving a competitive advantage retrospectively with superior business growth performance (Tehseen & Sajilan,



2016). The human factor is a significant contributor in innovation and the overall growth of its enterprise. A competent and innovative workforce will assist enterprises to adopt and adapt with the changing environment.

According to Mpando and Sandada, (2015), innovative enterprises and the new processes of their implementation relative to; business practices, external relations and the actual workplace. Additionally, HR enhancement is pivotal in achieving a sustainable competitive advantages and promote the effectiveness of the enterprises (Kareem & Hussein, 2019). Therefore, the role of HR and applying innovation will assist enterprises to; survive, adapt and develop its overall business.

The employees that possess high-levels of innovation can assist in implementing new practices relative to; conducting business, workplace process methods, decision making systems and provide new ways of managing external relations. HR management is a systematic method that focuses at improving the overall competences of an individual and or group via; personal or group training and development, career development, and systems development processes to target and achieve superior performance (Garavan, 2007; Nadler, 2012; Kareem & Hussein, 2019). Innovation can be defined as the creation of something new and implementing it successfully into the market (Mpando & Sandada, 2015). Therefore, the human resource assets that possess the required innovation capacity will have a positive impact on the enterprises growth.

### III. METHODOLOGY

In this study, I have investigated the key factors of HR, compensation and benefits, leadership skills, talent acquisition, training and development, as the independent variables, while adopting innovative capacity as

the mediating factor that predicts these variables and will affect enterprise growth in Ho Chi Minh City (HCMC).

A technique using data collected by convenience technique was applied to provide the data samples for the study. The research was studied for all enterprise types in HCMC. The following data table will illustrate the number of valid samples:

Table 1: Number of valid samples

Questionnaire Distribution	Questionnaire returns	Valid questionnaire	Collection method
427	402	398	Convenience method

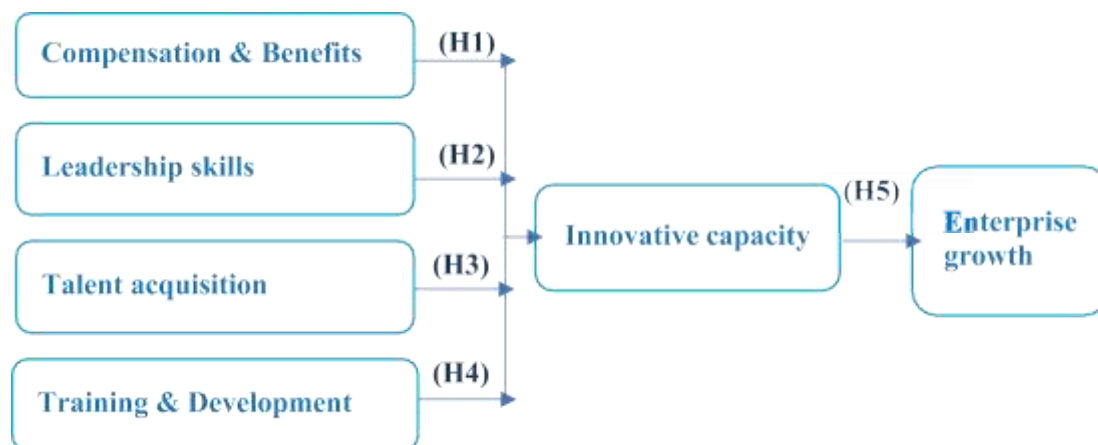
The software SPSS 20.0 and AMOS 20.0 have been used to process the data sample for this research. Due to the scales of measurement was developed by the previous studies and adapted to suitability with the research market, as well as developed by researcher's experience. Therefore, there is a need to check the reliability of scales of measure by the Cronbach's alpha, Exploratory Factor Analysis (EFA), confirmatory factor analysis (CFA) to ensure the valid observed variables to provide the conclusions and suggestions for this study.

The standard of the process of the Cronbach's alpha, the researcher has removed the co-efficient of Cronbach's alpha with the corrected item – the total correlation was less than (0.5). The stage of EFA, the researcher has removed the factor loading that was less than (0.3). Confirmatory factor analysis (CFA) will test the coefficient of Composite Reliability (CR) and Average variance extracted (AVE).

The structural equation modeling (SEM) was applied to test the research model. Preceding this, the researcher provided relevant conclusions as well as suggestions for the Vietnamese enterprises based on the outcomes of the study.

### 1.5 THE CONCEPTUAL FRAMEWORK AND HYPOTHESIS OF THIS STUDY

Figure 1. The conceptual framework of this study.



#### Hypothesis

H1: There is a significant relationship between compensation & benefits and innovative capacity towards enterprise growth.

H2: There is a significant relationship between leadership skills and innovative capacity towards enterprise growth. H3: There is a significant relationship between talent acquisition and innovative capacity towards enterprise growth.

H4: There is a significant relationship between training & development and innovative capacity towards enterprise growth.

H5: There is a significant relationship between innovative capacity and enterprise growth.

Table 2: The observed variables for all factors

Factor	Codes	Characteristics	Adapted from
Compensation & Benefits			
	CB1	We encourage and reward personnel that are	Mariposa, 2009
	CB2	We reward personnel to reduce their turnover	Vlachos, 2009
	CB3	We use incentives to boost individual performance	Vlachos, 2009
	CB4	We select and pay employees based on their contribution	Vlachos, 2009
	CB5	Employees that care about enterprise's objectives	Vlachos, 2009
Leadership skills			
	LS1	The leader and management motivate their team	
	LS2	The leader and management encourage its employees to complete assigned tasks	
	LS3	The manpower is allocated to each division wisely	
	LS4	The leaders and its management must invest in their employees	
	LS5	Risk taking is encouraging to each manager	
Talent acquisition			
	TA1	This enterprise with good working conditions and financial incentives possess additional benefits to attract the suitable high skilled talents	Landi Nawugosa, 2017 and Karanja, 2017

	TA2	This enterprise values the talent search matrix. During the selection phase for suitability of personnel, we select experienced, qualified and with skilled experts	Lyria, Namusonge and Karanja, 2017
	TA3	In this enterprise, we support employee training and career progression	Lyria, Namusonge and Karanja, 2017
	TA4	A work-life balance as well as promoting social networking facilities within this enterprise is a motivating factor for our employees	Lyria, Namusonge and Karanja, 2017
	TA5	We ensure good organizational climate in order to attract the suitable talents	Lyria, Namusonge and Karanja, 2017
<b>Training &amp; Development</b>			
	TD1	Providing suitable training is a strong motivation to strive for more	Vlachos, 2009
	TD2	We systematically train and develop our personnel	Vlachos, 2009
	TD3	We provide training in one key skill	Vlachos, 2009
	TD4	We train our personnel to attain many skills at once	Vlachos, 2009
	TD5	We believe in personnel development	
	TD6	Training and development is a key-focus to achieve our goals	
<b>Innovative capacity</b>	IC1	We focus on innovation in the learning and development	
	IC2	We strive for innovation in processes and management	
	IC3	We try to strive for innovation in production and operations	
	IC4	We adopt positive risks in this enterprise	
	IC5	We adapt in the diversity of corporate culture	
	IC6	We are always striving for innovation within the enterprise	
	IC7	We are striving for innovation in the delivery of on-time goals for our customers.	
<b>Enterprise growth</b>			
	EG1	Perceived sales growth	Vlachos, 2009
	EG2	Actual sales growth	Vlachos, 2009
	EG3	Perceived market share growth	Vlachos, 2009
	EG4	Perceived enterprise growth	Vlachos, 2009
	EG5	Actual enterprise growth	Vlachos, 2009
	EG6	Perceived overall improvement	Vlachos, 2009
	EG7	There is a growth the workforce within the enterprise	



## 1.6 QUESTIONNAIRES DEVELOPMENT

The data sample was collected from the enterprises in Ho Chi Minh City (HCMC). The initial stage was done by referring to the previous studies to have the scales of measurement for the study as well as the self-scales of measurement was developed by experience.

### Items included in the measurement scale

The scales of measurement were applied by a sliding five-point Likert scales, (1=strongly disagree) and (5=strongly agree) for the factors of Compensation and Benefits, Leadership skills, Talent acquisition, Training and Development and the mediating factor- Innovation capacity. The dependent variable was measured by a sliding five-point Likert scales, from (1=the least growth) to (5 the most growth). The following data table will illustrate the observed variables for all factors:

## IV. DATA ANALYSIS AND FINDINGS

### 1.7 TESTING THE CRONBACH'S ALPHA

Table 3: Testing the Cronbach's Alpha

Factors	Cronbach's Alpha
CB	0.882
LS	0.884
TD	0.878
TA	0.826
IC	0.924
EG	0.878

As noted in the data in Table 3, it is evident that, the co-efficient of the Cronbach's alpha of all factors are greater than (0.8). There is no factor with the corrected Item-Total Correlation with the co-efficient less than (0.5). Therefore, the scales of measurement meet standard, the researcher has applied to the process for EFA.

### 1.8 EXPLORATORY FACTOR ANALYSIS (EFA)

The concluding results from testing EFA, it is indicated that, Kaiser-Meyer-Olkin (KMO) with the coefficient is (0.914 > 0.5). Additionally, the Bartlett's Test of Sphericity produced the statistical meaning with a sig. of (0.000 < 0.05); All the observed variables have the mutual correlations overall with the data. The result of data analysis shows that, the average variance extracted was (66.366 > 50%). Additionally, there are the separated factor that shows in the Rotated Component Matrix. All the factor loadings with the coefficients are greater than (0.5). The individual factor has the different meaning and there has no correlations with other independent factors. Therefore, the process of EFA meet the standard requirement.

### 1.9 CONFIRMATORY FACTOR ANALYSIS (CFA)

Table 4: The result of indicators for CFA

Indicators	Value
Chi-square/df	1.621
TLI	0.954
CFI	0.958
RMSEA	0.040
P	0.000

The result of CFA shows that, CMIN/DF = 1.621 (< 2), TLI and CFI are greater than (0.9), and RMSEA = 0.040 (< 0.05), P = 0.000 < 0.05 meaning the model was significant. Therefore, the model has validity with the empiric

alreviewandresearchdata.Inordertoachievesignificantresults,theresearcherconsideredadditional

factorsrelativetothereliabilityofthescalesofmeasurement(Cronbach'salpha,CR,andAVE),convergentvalidity,anddiscriminantvalidity.

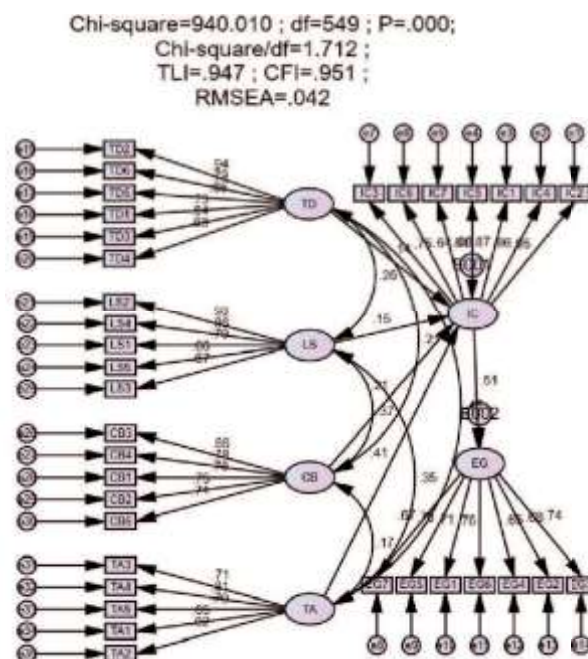
Table 5:CR,EVE,and Cronbach'salphacoefficients

Factors	Cronbach's Alpha	Composite Reliability (CR)	Average variance extracted (AVE)
IC	0.924	0.927	0.648
EG	0.878	0.878	0.509
TD	0.878	0.882	0.558
LS	0.884	0.890	0.622
CB	0.882	0.884	0.604
TA	0.826	0.773	0.496

Thereliabilityofthescalesofmeasurementwasevaluatedusingthreeindicators:compositereliability(CR),average variance extracted (AVE), and Cronbach's alpha coefficients. The scale was considered to be reliable whenthe synthesis reliability was  $>0.5$ , and the total AVE had the meaning when validity was  $>0.5$ . The results in Table 5 have indicated that, the coefficients of CR are greater than 0.7, AVE were  $>0.5$ , there is only the factor TA with the coefficients is 0.496, it is less than 0.5; however, the researcher utilizing this factor and apply for the next stage, it is also satisfaction and has meaning with the statistics standard. Therefore, all the scales are reliable. All the results of the CFA meet the requirement standard, since all the models of the CFA were valid for the market data.

#### 4.3 ANALYZING THE STRUCTURAL EQUATION MODELLING (SEM)

Figure 2. The result of SEM analysis



The results in the Figure 2 has indicated that,  $CMIN/DF = 1.712 (< 2)$ , TLI and CFI are greater than 0.9, and  $RMSEA=0.042(<0.05)$ ,  $P=0.000<0.05$ , it is indicated that the model of study was significant.

Table 6:RegressionWeights

			Estimate	S.E.	C.R.	P
IC	<---	TD	.121	.042	2.867	.004
IC	<---	LS	.156	.050	3.105	.002
IC	<---	CB	.192	.044	4.408	***
IC	<---	TA	.605	.085	7.087	***
EG	<---	IC	.365	.041	8.985	***

Table7:StandardizedRegressionWeights

Standardized Regression Weights: (Group number 1 – Default model)			
			Estimate
IC	<---	TD	.142
IC	<---	LS	.154
IC	<---	CB	.212
IC	<---	TA	.411
EG	<---	IC	.513

#### 4.4 VERIFYING THE HYPOTHESIS

The P-values of the estimated parameters in Table 6 has indicated that, All P- P-values  $<0.05$ . Therefore, the hypotheses H1, H2, H3, H4, and H5 were all supported (P-values  $< 0.05$ ). The cause and effect relationship from Table 6 indicated that Compensation & Benefits (CB), Leadership skills (LS), Talent acquisition (TA), Training & Development (TD), are all great positive influences on Innovative capacity (IC), and the mediating role of IC as a great positive influence on Enterprise growth (EG).

#### V. RECOMMENDATIONS

The study shows that innovation capacity takes a mediating role in assisting firm development and growth. Therefore, HR practices and the role of innovation capacity are significant contributors in supporting Vietnamese enterprises. A study by Canh and Bui (2019) also showed that innovation capability is positively influential on the business performance of firms. Added to the outcomes of this study, this provides relevant evidence to practitioners that they can reference, consider, and use to restructure and improve their HR practice and innovative capacity to achieve enterprise development.

Talent acquisition was the strongest factor affecting innovative capacity towards enterprise growth. The study by Zadeh and Ahmadi (2017) also noted that there is a positive and significant relationship between talent acquisition and workforce productivity. Therefore, talent acquisition is a vital factor that supports enterprise growth and needs focus and development. Enterprises value the talent search matrix during selection in order to gain experienced, qualified, expertise, potential and qualified employees; enterprises need to support employee training and career progression. Work-life balance as well as social networking facilities should be developed to motivate employees and enterprises should ensure the presence of a good organizational climate in order to attract the right talents.

The second strongest factor affecting innovative capacity towards enterprise growth was the

compensation and benefits. The study by Kadir et al. (2010) also indicated that compensation and benefits have a positive effect on employee performance, playing a vital role in supporting employee satisfaction and improving enterprise growth. There are many issues on which Vietnamese enterprises need to focus, a good policy being to encourage, benefit and reward personnel who are team players. Enterprises need to use incentives to boost individual performance. It is important to select and pay employees based on their contribution to encourage their innovation. Vietnamese enterprises need to create good policies for compensation and benefits towards their employees. When they are satisfied, they will provide a great contribution to supporting enterprise growth. Leadership skills are the third important factor that affects innovative capacity in terms of enterprise growth. Therefore, the management of Vietnamese enterprises need to focus and develop this skill to motivate their team to complete their tasks. The result of a study by Ibrahim and Daniel (2019) also indicates that there is a positive relationship between leadership and organizational performance. The leadership and management encourage their employees to be creative with their tasks. The workforce is delivered to each division within the enterprise. The leadership and management must invest in personnel development and risk taking and encouragement for each manager to support their development in creating skills.

The fourth factor affecting innovative capacity towards enterprise growth was training and development. Focusing on training and developing the personal skills of employees is a must. Sandamali et al. (2018) also indicated that training and development is positively related to the employee performance of executive-level employees. Training and development ensure that employees can update their skills to adapt to a competitive environment to support enterprise development and growth.

## VI. CONCLUSION

The findings showed that the mediating role of IC greatly and positively impacted enterprise growth (EG). Meanwhile, TA strongly impacted on IC towards EG. The second strongest factor affecting IC towards EG was CB. The third strongest factor affecting IC towards EG was LS. The fourth strongest factor affecting IC was TD. Additionally, the supporting factors in human resources practices (TD, LS, CB, TA) and the mediating role of IC have a great positive influence on EG. When Vietnamese enterprises change these factors, it will affect the growth of the enterprises. In general, the role of HR management and innovative capacity are the crucial factors that affect the enterprise growth. The results also have indicated that, the administrators of Vietnamese enterprises in HCMC have a good perception and apply the HR practices and improving the innovative capacity, this will support to improve the enterprise growth.

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