




# “Determinants of marketing innovation among SMEs in Vietnam: a resource-based and stakeholder perspective”

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# DETERMINANTS OF MARKETING INNOVATION AMONG SMES IN VIETNAM: A RESOURCE-BASED AND STAKEHOLDER PERSPECTIVE

## Abstract

Innovative marketing practices are essential for firms to increase sales and profitability. This paper aims to investigate the determinants of firms' marketing innovation based on the employment of resource-based view and stakeholder theory. A probit regression model linking marketing innovation with proxies of firms' resources and pressures from firms' stakeholders was tested based on a dataset of 5,857 Vietnamese enterprises taken from a survey by the Ministry of Science and Technology of Vietnam in 2016. The findings indicate that firms' size decreases the probability of marketing innovation by 1%, while internal knowledge gained from internal R&D causes the probability of marketing innovation to increase by 0.18%. Besides, the political connection and collaborations with competitors and private consultants drive the probability that firms implement the marketing innovation up by 0.09%, 0.12%, and 0.09%, respectively. On the other hand, export-oriented firms are more likely to implement marketing innovation by 0.03%, while foreign ownership reduces the chance of this decision by 0.05%. This research also reveals the essential role of the firm's market pressures to enter into new markets or improve product quality in encouraging marketing innovation by 0.16% and 0.13%, respectively.

## Keywords

marketing innovation, resource-based view, stakeholder theory, financial capacity, R&D activities, knowledge, political connection, government support

## JEL Classification

M31, M38, O31

## INTRODUCTION

Despite the contribution of technological innovation to business growth (Lee & Kang, 2007; Gunday et al., 2011), this does not always ensure that firms will reap the benefits of being first mover (Basu, 2014). In fact, product innovation is a risk-taking behavior that involves huge costs and uncertainty, and not every firm can afford to make it (Kraatz & Moore, 2002; Lounsbury, 2002). The question of whether to innovate products and services becomes tricky. If they choose to innovate, they have no guarantee of success. However, if they decide to abstract these innovative activities, their market position is highly likely disrupted. Nevertheless, this does not mean that firms are put in the horns of a dilemma since they may have an alternative choice: implementing new marketing methods or also called "marketing innovation".

According to OECD (2017), marketing innovation is a type of non-technological innovation that requires firms to make significant changes in their current marketing mix strategies for the improvement of competitive advantages (Naidoo, 2010; Thrassou et al., 2012; Chebbi et al., 2013) and the enhancement of revenue and profits (Heunks, 1998; Shergill & Nargundkar, 2005). Although technological innovation determinants have grasped wide interest among the academia, there is



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little literature about that of marketing innovation (Moreira et al., 2012; Thrassou et al., 2012; Chebbi et al., 2013). In those researches, marketing innovation is mostly treated as a consequence of technological innovation since new products need new marketing methods to be successfully commercialized. This study argues that the new marketing methods can be implemented for both new and existing products. Therefore, marketing innovation can either be derived from the need to promote the new innovative products and services or an alternative product innovation strategy. Similar to product innovation, those improvements also help firms increase sales volume and earn more profits.

Based on the theoretical underpinnings of the resource-based view and the stakeholder theory to examine the determinants of marketing innovation, this study will examine the determinants of marketing innovation. In those firms, decision to implement new marketing methods is treated as a strategic choice.

This research uses a dataset of 5,857 Vietnamese enterprises taken from a survey conducted by the Ministry of Science and Technology (MST, henceforth) in 2016 as the context for this study due to some reasons. First, the Vietnam business community is dominated by young SMEs, lacking the necessary resources and capacity for product innovation. As a result, the role of marketing innovation as an independent strategy to sustain market position is more highlighted. Second, underdeveloped market institutions may shape distinct features of Vietnamese firms' marketing activities in a developing country. This context, therefore, could yield interesting findings for the research.

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## 1. LITERATURE REVIEW

The literature indicates a relationship between marketing innovation and competitive advantage creation (Thrassou et al., 2012; Chebbi et al., 2013). Specifically, marketing innovation has a crucial role in building a competitive advantage. The importance of marketing innovation on creating competitive advantages among SMEs was further highlighted (Naidoo, 2010). Despite the primary role of marketing innovation to firms' sustainable business growth, especially SMEs, there is little knowledge about the determinants of marketing innovation. The literature reveals three sets of factors that influence marketing innovation, including technological capacity (Moreira et al., 2012), R&D activities (Moreira et al., 2012), and marketing orientation (Moreira et al., 2012; Thrassou et al., 2012; Chebbi et al., 2013). In those researches, marketing innovation is believed to be derived from the new product development and the marketing concept that the firm follows. Nevertheless, it is argued that product innovation is not necessarily the precondition of marketing innovation. Instead, marketing innovation may be an independent strategic choice guided by internal and external factors. Besides, according to American Marketing Association (2007), marketing is defined as "the activity, set of institutions,

and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large." Therefore, marketing innovation is a strategic action aiming to meet the objectives of a firm's stakeholders. In fact, the impact of marketing orientation on marketing innovation (Moreira et al., 2012; Thrassou et al., 2012; Chebbi et al., 2013) implies the firms' effort to satisfy customers' needs. However, it is argued that customers represent only one among other stakeholders of a company.

In response to the above research gaps, this study provides a new perspective in examining factors influencing marketing innovation, in which firms' decision to implement new marketing methods is treated as a strategic choice. Correspondingly, the resource-based view and the stakeholder theory are employed to provide theoretical underpinnings about how marketing innovation could be influenced by firms' resources and bounded or defined by firms' stakeholders. Besides, the legitimacy-based and institution-based theories are also employed to provide theoretical underpinnings about the possible moderating role of political connection and government supports in the effects of firms' resources and pressures on marketing innovation. The following subsection will further discuss these theories and relevant literature.

## 1.1. Firms' resources and marketing innovation

Marketing innovation represents a firm's ability to respond to market needs effectively by developing a new marketing concept or a new marketing strategy (Moreira, 2010) to achieve market success (Harms et al., 2002). According to Basu (2014), a firm can decide to create new product development and/or just add some new content to be supplied with the product (new packaging, pricing, placement, or promotion) based on its resources and capabilities. This evokes the idea of explaining a firm's marketing innovation based on the internal resources that it holds.

It can be traced back to the resource-based view, a theoretical underpinning of firms' heterogeneity in competitive advantages and business performance (Barney, 1991). This theory proposes that organizational resources and capabilities embedded in firm assets, operation systems, and working practices enable firms to efficiently provide valuable products and services to the market and implement effective business strategies that are not simultaneously conducted by other companies. As one of three pillars in strategic management, the theory highlights the role of firms' internal strength reflected by their distinct resources and capabilities in influencing strategic decisions (Peng, 2006).

Marketing innovation can be a competitive advantage since it can help the firms provide perceived value to customers better than competitors. On the other hand, it also implies a strategic choice that requires firms to commit significant resources. According to the resource-based view, a firm's possession of some specific resources and capabilities may influence its capacity to create marketing innovation.

The literature suggests several firms' resources that could affect the probability of creating innovation, such as financial capacity (Lorenz, 2014; Mahendra et al., 2015), knowledge (Kogut & Zander, 1992; Grant, 1996), political connection (Tian et al., 2019), and networking (Pittaway et al., 2004; Leyden et al., 2014). Although previous studies did not test the direct relationship between the four resources and marketing innovation, since all types of inno-

vation imply new risky and costly changes in business activities, this research revisits the impacts of these resources on marketing innovation. These resources can be reflected from different proxies or attained through different channels.

Specifically, large firm size is a signal of strong financial capability (Zemplinerova & Hromadkova, 2012; Choi, 2015). As proxied by firm size, financial capability is widely affirmed to be a crucial determinant of innovation (Lorenz, 2014; Mahendra et al., 2015). Since innovation activities are costly and risky, firms with strong financial resources are in a better position to create innovation of any type (Schumpeter, 1950). Several studies are in line with the resource-based view that larger-sized firms have more ability to innovate (Zemplinerova & Hromadkova, 2012; Choi, 2015).

However, the literature also documented the negative effects of firm size on innovation. Specifically, the large size makes firms inflexible to implement innovation projects (Cohen & Levinthal, 1990; Van Dijk et al., 1997). Therefore, smaller firms will more likely involve innovation. In fact, this negative trend is also possible if marketing innovation is viewed as an alternative to product innovation choice. Although product innovation is more costly and risky, this may reward firms with a more sustainable competitive advantage and hence, monopoly rights in the market compared to other innovations in terms of mere promotion, placement, or packaging. A larger-sized firm, therefore, may be more inclined to product innovation given its stronger financial capacity.

On the other hand, the knowledge stored within firms' employees may be accumulated from formal training, internal learning, or external sources (Zahra & George, 2002). Caloghirou et al. (2004) consider innovation as firms' ability to use knowledge to identify problems arising from the business environment and employ new methods to fix them. Therefore, technological or non-technological innovation is rooted in firms' stock of knowledge (Barney, 1991). In the context of marketing innovation, knowledge needed to solve market problems to make appropriate changes in marketing methods could be accumulated from different sources such as internal formal training, R&D activities, or importation.

Knowledge is stored within each individual (Becker, 1964), also known as human capital, a key determinant of innovation (Cohen & Levinthal, 1990; Smith et al., 2005). Since employees could acquire new knowledge while improving their skills and abilities through in-house training courses, firms which take more efforts in the in-house formal training will be more likely to reward with better human capital and, therefore, innovation output (Freel, 2005; Schneider et al., 2010; Crespi & Zuniga, 2011; Teixeira & Tavares-Lehmann, 2014; Uden et al., 2016).

Besides, firms could attain market knowledge, a crucial input for innovation, through their marketing research efforts or their purchase of external knowledge and marketing methods (Sharma, 2014). Additionally, firms' knowledge could be accumulated from either their R&D activities or the importation of external R&D, machinery, equipment, and software, facilitating the technological spillover effects (Kasahara & Rodrigue, 2008). Although R&D activities and acquisition of new technological sources are mostly associated with technological innovation (Tilton, 1971; Cohen & Levinthal, 1990; Lee & Stone, 1994; Nieto & Quevedo, 2005; Fabrizio, 2009), its impact on marketing innovation can be mediated through its ability to improve a firm's overall learning capabilities (Lee & Stone, 1994). Moreover, whether the firm conducts its R&D activities or imports from external sources, these both positively enable product innovation, which, in turn, may induce the implementation of new marketing methods to market the new products and services.

Being government-linked is a typical form of political connection (Wong & Hooy, 2018). This implies a close-knit business-government relationship, affirmed to have some linkage with innovation in several previous studies. However, the literature documented inconsistent findings.

The supporting role of the business-government relationship in business operations has been acknowledged among other scholars, especially where the formal institutions of law and finance are not well-developed (Faccio & Lang, 2002; Mcmillan & Woodruff, 2002; Franklin et al., 2005). Specifically, Faccio et al. (2006) find that companies with political connections tend to receive

more government support. Those supports may include tax incentives, market forces, and credit (Faccio, 2007), which further add more resources and create favorable conditions for innovation while reducing risks of R&D investment (Faccio, 2007). Empirically, the political connection is affirmed to be positively related to innovation (Tian et al., 2019).

On the other hand, others document the negative impact of political connection on firms' innovation (Fan et al., 2007; Boubakri et al., 2008). Especially, the political connection helps firms enjoy "rent seeking" and legitimacy from government officials that have already ensured firms' sustainable business growth. As a result, firms become hesitant to invest in risky business activities, like innovation (Hillman et al., 2004; Dong, 2017).

The literature emphasizes networks as an important determinant of conventional innovation (Pittaway et al., 2004; Parmigiani & Rivera-Santos, 2011; Leyden et al., 2014). Huber (2004) argues that through inter-firm cooperation, knowledge of outside firms could be fostered faster than those of inside firms due to the augmentation of scientific and productive knowledge. In this sense, external relationships enable firms to have quick access to new knowledge and enable them to take advantage of new market opportunities.

As Burt (2000) and Obstfeld (2005) argued, networks help connect the ideas and resources of others and then enable a process of recombination to produce novelty. Furthermore, the relational experience, trust, and reciprocity might stimulate complementarity and understanding between firms and facilitate knowledge transfer (Jensen & Schøtt, 2015). There are many pieces of evidence highlighting the benefits of collaboration with distinct partners, for example, suppliers, customers, competitors, private consultants, universities, and public research institutions to a firm's innovation. However, very few papers have explored the relationship between networks and the implementation of marketing innovation. Furthermore, innovations, in general, may benefit differently from various kinds of partners (Zeng et al., 2010; Schøtt & Sedaghat, 2014; Schøtt & Jensen, 2016) and there may be a malfunction of innovation of partnership (Lhuillery & Pfister, 2009; Lokshin et al., 2011). External sources enable firms

to enhance combinatory potential and meet customers' requirements (Lipparini & Sobrero, 1994). Partanen et al. (201) argue that the success of producing and commercializing innovative products could be significantly enhanced by networking. In fact, at each of its stages, innovation could be facilitated when firms interact with diverse types of partners (Love et al., 2011). Collaboration with suppliers, customers, competitors, private consultants, and universities, the government institutes benefited innovativeness (Tether, 2002).

## 1.2. Firms' pressures from stakeholders and marketing innovation

Freeman (1984) was the pioneering author who proposed and applied the stakeholder theory to explain the firms' response to the internal and external environment. Under a broader view, this theory asserts that stakeholders of a firm include "those groups without whose support the organization would cease to exist" (Mitchell et al., 1997). These groups constitute the stockholders and other players in the micro-environment, including employees, customers, suppliers, governmental groups, environmental groups, and so on. All of these stakeholders form an ecosystem in the business environment, and the firm is compelled to consider and satisfy their objectives to survive and ensure long-term sustainable business growth.

Firms operate within a marketing environment, which constitutes multiple stakeholders to whom the firms strive to satisfy objectives and build a long-term relationship (Kotler & Keller, 2015). Innovation is the output of firms' problem-solving processes in response to the business environment (Caloghirou et al., 2004). According to the stakeholder theory, it can interfere that meeting the changing objectives of stakeholders is one of the fundamental objectives of a company, and marketing innovation can be regarded as a firms' response to such a problem. Therefore, this research adopts the stakeholder theory to examine the impacts of pressures or requirements from the stakeholders on marketing innovation. Specifically, this study treats a stakeholder as any individual or group of individuals who can or is affected by firms' marketing innovation, including the managers, owners, and customers.

When a firm decides to enter into foreign markets and involves direct exporting activities, it would face pressures from domestic and foreign competition. Besides, the firm needs to satisfy foreign customers whose needs and wants may be different and even more demanding than those in the domestic market. To meet new business objectives and satisfy the more complicated requirements of foreign customers, the firm needs to change its marketing methods.

According to the stakeholder theory, firms' decisions to innovate are closely linked to the owners' objectives. Since most of the FDI inflows of Vietnam aim to gain from low-cost inputs (Masron & Naseem, 2017), the objectives of foreign owners are not necessarily innovation. In contrast, firms with foreign ownership may involve only labor-intensive processing work (ERIA, 2018), which requires less marketing innovation efforts. As a result, foreign-owned firms may associate with lower innovation.

According to Basu (2014), firms' decisions about which new content(s) need to be supplied with the product depend on the resources and capacities it can commit and firms' judgment about the product-market fit and relevant marketing objectives. This research revisits Ansoff's matrix of product development and diversification strategies (Ansoff, 1957) to demonstrate that the strategic objectives of the marketing manager including market penetration (increasing volume sales per existing users), product development (enhancing R&D efforts and innovation), market development (modifying existing products to reach new customers) and diversification (launching new products in new markets) will decide whether firms should create major or minor changes to the existing products (product innovation or marketing innovation). Since product innovation may also induce changes in marketing methods for marketing new products and services, both strategic marketing objectives could increase the probability of firms' marketing innovation.

## 1.3. The moderation effect of political connection

The political connection may have two-sided effects on moderating the impacts of resources and pressures on innovation. Specifically, being polit-

ically connected may help firms obtain favorable and easy access to rarer and valuable resources such as formal finance (Claessens et al., 2008), lower effective taxes (Adhikari et al., 2006), favorable laws (Richter et al., 2009) and fewer transaction costs (Hillman & Hitt, 1999). These favorable conditions and resources may further leverage firms' innovation, given its existing resources and pressures from stakeholders.

However, innovation may depend on firms' capacity and a strategic choice for which firms may decide whether they invest in it. According to the legitimacy-based view, the political connection enables firms to gain more political legitimacy, which rewards them with secure government bailouts and better protection from the authorities (Faccio et al., 2006). As a result, these firms rely on the "economic rent" attained from their political legitimacy (Meyer & Rowan, 1977) rather than take initiatives to make changes or find new ways to improve their competitive advantages (DiMaggio & Powell, 1983). Dong (2017) conducted an empirical study to examine the relationship between firms' efforts to pursue legitimacy and risk-taking behavior. The findings revealed that political legitimacy that firms may acquire from their corporate political activities discourage them from risk-taking activities, which are associated with "sunk costs" and the "risk of failure". Instead, being politically connected is perceived as an ensure for their stable financial conditions and reputation. Since innovation is one of firms' risk-taking behavior, which is both risky and costly (Kraatz & Moore, 2002; Lounsbury, 2002), this research hypothesizes that given specific resources and pressures from stakeholders, firms with a political connection less likely create innovation since they can achieve business objectives through an alternative way that is political legitimacy.

#### 1.4. The moderation effect of governmental support

Institutions are widely recognized as key determinants of economic growth and firms' innovation. North (1990) defined institutions as "the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction". The institution-based view suggests

that firms' strategic choices are made within institutional constraints (Peng et al., 2009). Such "constraints" influence incentives to engage with specific activities or behaviors (Acemoglu & Robinson, 2008). Correspondingly, the institutional framework interacts with organizations by signaling acceptable and supportable strategic choices (Peng et al., 2009).

In the research conducted in developed countries, incentives to involve innovative activities are constrained by governmental regulations, which reduce the ease of doing business. Meroño-Cerdán and López-Nicolás (2017) find that innovation could be enhanced by reducing time and cost spent on governments' regulations and requirements. Similarly, Tebaldi and Elmslie (2013) affirm that the quality of formal institutions can explain the differences in innovation among business communities across countries. Furthermore, Blind (2012) reports that some governmental regulations significantly discourage firms' innovation. In fact, given the firm's resources and specific pressures from stakeholders, governmental support helps firms gain better access to other valuable resources and may signal innovation strategies' political legitimacy. This, in turn, further enables and encourages more innovation.

## 2. AIM, HYPOTHESES, AND METHODOLOGY

This study aims to further investigate the determinants of marketing innovation, in which firms' decision to implement new marketing methods is treated as a strategic choice upon the resource-based view and the stakeholder theory. In more detail, this research examines the impacts of firms' resources as proxied by firm size, firm knowledge, political connection and networks, and firms' pressures from various stakeholders, including foreign customers and owners, on marketing innovation. Besides, the paper also contributes to the existing literature by testing the moderating role of political connection and various forms of government support in the impacts of firms' resources and pressures on marketing innovation based on the legitimacy-based and institution-based theories.

The following hypotheses were defined:

- H1: *Firms' resources have positive impacts on firms' marketing innovation.*
- H2: *Direct exporting has a positive impact on firms' marketing innovation.*
- H3: *Foreign ownership has a negative impact on firms' marketing innovation.*
- H4: *Firms' marketing objectives have positive impacts on their marketing innovation.*
- H5: *Political connection moderates the impacts of firms' resources and pressures from stakeholders on marketing innovation.*
- H6: *Governmental support positively moderates the impacts of firms' resources and pressures on marketing innovation.*

The present study employs the national survey of Vietnamese enterprises by the Ministry of Science and Technology of Vietnam in 2016 (MST, henceforth). The survey contains information that helps us identify various dimensions in the theoretical literature to explain firms' marketing innovation strategies. The representative sample includes 5,857 firms that finish a 13-page questionnaire. The diversified database plays a vital role in helping us to examine the preceding hypotheses.

Table 1 reports the detailed descriptions of the variables included in the conceptual model.

Regarding a dependent variable, this research uses a dummy (*MI*) that takes a value of 1 if enterprises implement marketing innovation and 0 otherwise. Table 1 reveals that around 30% of firms implement marketing innovation in the sample. Explanatory variables include determinants of marketing based on a resource-based and stakeholder perspective. Specifically, based on the resource-based perspective, this study's conceptual model includes proxies for a firm's capacity (*Size*) using the natural log of the number of employees, political connection by using the dummy (*State*) taking the value of 1 if firms have a political connection and 0 otherwise, and receiving government support (*Govsupport*) taking the value of 1 if firms receive supports from the government. Regarding knowledge, this research employs different proxies, including the firm's R&D activities (*Own\_Act*); external acquisition of R&D (*Bought\_Act*); and education, retraining, and training of human resources on innovation activities (*Edu\_Act*). These variables are a dummy taking the value of 1 if firms conduct respective activities. This study also bases on the stakeholder perspective to include the firm's exporting status (*Export*), foreign ownership (*Foreign*), strategic objectives such as joining a new market (*Joinnewmarket*), improving the quality of goods and services (*Improvequality*). The role of networking is also investigated in this study. In particular, networks include dummy variables reflecting the relationship between firms and their competitors (*Competitor*), private consultants (*Consultant*), and universities (*University*). These variables are the dummy in this study.

**Table 1.** Variable descriptions

| Variables      | Observations | Mean | Standard deviation | Min  | Max   |
|----------------|--------------|------|--------------------|------|-------|
| MI             | 5,857        | 0.30 | 0.46               | 0.00 | 1.00  |
| Size           | 5,857        | 4.67 | 1.55               | 2.40 | 11.26 |
| Export         | 5,857        | 0.72 | 0.45               | 0.00 | 1.00  |
| Foreign        | 5,857        | 0.32 | 0.47               | 0.00 | 1.00  |
| State          | 5,857        | 0.06 | 0.24               | 0.00 | 1.00  |
| Own_Act        | 5,857        | 0.26 | 0.44               | 0.00 | 1.00  |
| Bought_Act     | 5,857        | 0.03 | 0.16               | 0.00 | 1.00  |
| Edu_Act        | 5,857        | 0.03 | 0.17               | 0.00 | 1.00  |
| Joinnewmarket  | 5,857        | 0.50 | 0.50               | 0.00 | 1.00  |
| Improvequality | 5,857        | 0.58 | 0.49               | 0.00 | 1.00  |
| Competitor     | 5,857        | 0.07 | 0.26               | 0.00 | 1.00  |
| Consultant     | 5,857        | 0.05 | 0.21               | 0.00 | 1.00  |
| University     | 5,857        | 0.03 | 0.16               | 0.00 | 1.00  |
| Govsupport     | 5,857        | 0.01 | 0.08               | 0.00 | 1.00  |



### 3. RESULTS

#### 3.1. Determinants of marketing innovation

First, a correlation level between variables in the model is checked (see Appendix A). In general, the correlations are below 0.8, implying that there might be no multicollinearity problem in the theoretical model. A probit model is employed to investigate the influences of a firm’s decision on marketing innovation.

**Table 2.** Determinants of innovation strategies

| Variables      | (1)                  | (2)                |
|----------------|----------------------|--------------------|
|                | Marketing innovation | Product innovation |
| Size           | -0.01*<br>(0.006)    | 0.02***<br>(0.006) |
| Export         | 0.03*<br>(0.017)     | 0.05***<br>(0.019) |
| Foreign        | -0.05***<br>(0.018)  | -0.05**<br>(0.020) |
| State          | 0.09***<br>(0.027)   | -0.03<br>(0.032)   |
| Own_Act        | 0.18***<br>(0.016)   | 0.33***<br>(0.019) |
| Bought_Act     | 0.11***<br>(0.041)   | 0.06<br>(0.049)    |
| Edu_Act        | 0.11***<br>(0.038)   | 0.12***<br>(0.046) |
| Joinnewmarket  | 0.16***<br>(0.021)   | 0.10***<br>(0.024) |
| Improvequality | 0.23***<br>(0.023)   | 0.29***<br>(0.026) |
| Competitor     | 0.12***<br>(0.030)   | 0.13***<br>(0.033) |
| Consultant     | 0.09**<br>(0.044)    | 0.09*<br>(0.053)   |
| University     | 0.05<br>(0.058)      | 0.03<br>(0.066)    |
| Govsupport     | 0.01<br>(0.072)      | 0.04<br>(0.083)    |
| LotteryD       | -0.00<br>(0.016)     | -0.04**<br>(0.017) |
| Observations   | 4,630                | 4,611              |

Note: \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ . Standard errors in parentheses.

Table 2 outlines the empirical results of the benchmark model. This study firstly examines the hypothesis raised from the resource-based perspective. The results indicate a negative relationship between a firm’s size and its decision to marketing innovation. More specifically, firm size decreases the probability of marketing innovation by 1%. Second, this research provides an empirical analysis to support the hypothesis regarding the effects of knowledge. In particular, the findings indicate the importance of internal knowledge proxied by internal R&D activities (*Own\_Act*), and education, retraining, and training of human resources (*Educ\_Act*). These variables are statistically significant, implying that the internal knowledge strongly determines the firm’s marketing innovation decision. They respectively cause the probability of marketing innovation to increase by 0.18% and 0.11%. The results also reveal the supporting evidence on external knowledge proxied by *Bought\_Act*.

In another proposed dimension of a resource-based perspective, this research also discusses the importance of political connection proxied by state ownership (*State*) and government support (*Govsupport*). Firms with state capital are more likely to invest more in marketing innovation than those without the state capital. The political connection drives the probability that firms implement the marketing innovation up by 0.09%. However, the role of government support is not obvious in Table 2 since this variable is statistically insignificant.

Finally, this study investigates the role of networking in marketing innovation. The findings show that collaborations with competitors and private consultants cause firms to implement marketing innovation. Other partnerships show the expected impacts, but they are not statistically significant.

Overall, *H1* regarding the contribution of firms’ resources to marketing innovation is accepted.

Subsequently, this study also examines the hypotheses that are raised from the stakeholder perspective. The results firstly highlight the importance of a firm’s exporting status and foreign share. In particular, firms that decide to participate in foreign markets are more likely to imple-

ment marketing innovation to meet new business objectives and satisfy more complicated requirements of foreign customers (*H2* is accepted). The pressures in the foreign market incentive firms to change their marketing methods. On the other hand, foreign ownership negatively impacts the marketing innovation decision (*H3* is accepted). The empirical analysis also indicates that the firm's marketing objectives also play a vital role in determining marketing innovation, especially market expansion, new market participation, and product quality improvement. These objectives encourage firms to conduct marketing innovation (*H4* is accepted).

Furthermore, Table 2 reports the sharp contrasts between the influence of factors on marketing innovation and product innovation. The results support the view that marketing innovation is only "the second best" choice after product innovation since firms with a strong financial capacity are less likely to select marketing innovation, which only ensures short-term competitive advantage. Besides, once firms invest in outsourcing innovation, their objective is for product innovation.

### 3.2. Moderating effects of political connection

To provide more insights into the role of political connections, this study regresses the model for two sub-samples: firms with and without state ownership. Table 3 reports mixed moderating effects of state ownership as a proxy of political connection. The findings reveal that firm size and knowledge attained from the external acquisition of R&D (*Bought\_Act*) or internal training (*Edu\_Act*) are no longer significant preconditions for marketing innovation when the firm is state-owned. Besides, joining into new markets, improving product quality, and collaborating with universities are the main reasons for state-owned firms to create marketing innovation. In contrast, if the state-owned firms have direct exporting activities or own R&D activities, they are more likely engaged with marketing innovation. In detail, the probability of state-owned firms implementing marketing innovation increased considerably to 0.30% and 0.34% compared to 0.02% and 0.17% for those without political connection. Therefore, *H5* is accepted.

**Table 3.** Moderating effects of government support by the firm's political connection

| Variables      | (1)                 | (2)                |
|----------------|---------------------|--------------------|
|                | No                  | Yes                |
| Size           | -0.01*<br>(0.006)   | -0.01<br>(0.042)   |
| Export         | 0.02<br>(0.017)     | 0.30**<br>(0.142)  |
| Foreign        | -0.05***<br>(0.019) | -0.27**<br>(0.104) |
| Own_Act        | 0.17***<br>(0.016)  | 0.34***<br>(0.097) |
| Bought_Act     | 0.12***<br>(0.041)  | -0.55<br>(0.360)   |
| Edu_Act        | 0.10***<br>(0.040)  | 0.09<br>(0.190)    |
| Joinnewmarket  | 0.16***<br>(0.021)  | 0.34**<br>(0.138)  |
| Improvequality | 0.22***<br>(0.023)  | 0.41***<br>(0.156) |
| Competitor     | 0.12***<br>(0.030)  | 0.10<br>(0.213)    |
| Consultant     | 0.11**<br>(0.046)   | 0.00<br>(0.320)    |
| University     | 0.02<br>(0.059)     | 1.06***<br>(0.346) |
| LotteryD       | 0.00<br>(0.016)     | -0.13<br>(0.098)   |
| Observations   | 4,346               | 230                |

Note: \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ . Standard errors in parentheses.

### 3.3. Moderating effects of government support

Regarding the moderating effects of political connection, this research conducts a further analysis that examines the arguments of Mcmillan and Woodruff (2002), Franklin et al. (2005), and Faccio (2006, 2007) by considering diverse genres of government support, including policy supports for the innovation (financial supports such as tax and interest rate reduction or establishment of funds); credit (loan supports or grants); and technical advice. Table 4 reports the results. In general, different types of government support cause distinct changes in responses of included variables in the model. There are several striking points worth mentioning here. First, these types of government support are especially effective for firms with state ownership reflected by a stronger response of variable *State* to the probability of marketing

**Table 4.** The mediating role of government support by types of government support

| Variables      | Policy              |                    | Credit             |                    | Tech                |                   |
|----------------|---------------------|--------------------|--------------------|--------------------|---------------------|-------------------|
|                | No                  | Yes                | No                 | Yes                | No                  | Yes               |
| Size           | -0.01*<br>(0.006)   | -0.05*<br>(0.027)  | -0.01*<br>(0.006)  | -0.00<br>(0.023)   | -0.01<br>(0.006)    | -0.04<br>(0.041)  |
| Export         | 0.03*<br>(0.017)    | -0.01<br>(0.089)   | 0.02*<br>(0.016)   | 0.00<br>(0.065)    | 0.02*<br>(0.017)    | 0.02<br>(0.149)   |
| Foreign        | -0.05***<br>(0.018) | -0.09<br>(0.081)   | -0.03*<br>(0.017)  | -0.21**<br>(0.088) | -0.05***<br>(0.018) | -0.05<br>(0.156)  |
| State          | 0.07**<br>(0.027)   | 0.12<br>(0.130)    | 0.06**<br>(0.027)  | 0.32***<br>(0.114) | 0.09***<br>(0.027)  | -0.40<br>(0.261)  |
| Own_Act        | 0.15***<br>(0.016)  | 0.50***<br>(0.076) | 0.16***<br>(0.016) | 0.19***<br>(0.055) | 0.18***<br>(0.016)  | 0.18<br>(0.130)   |
| Bought_Act     | 0.13***<br>(0.043)  | -0.01<br>(0.128)   | 0.10**<br>(0.041)  | 0.21<br>(0.142)    | 0.12***<br>(0.042)  | -0.14<br>(0.206)  |
| Edu_Act        | 0.13***<br>(0.041)  | -0.01<br>(0.120)   | 0.08**<br>(0.039)  | 0.29**<br>(0.121)  | 0.11***<br>(0.039)  | 0.13<br>(0.187)   |
| Joinnewmarket  | 0.16***<br>(0.021)  | 0.15*<br>(0.086)   | 0.14***<br>(0.021) | 0.18**<br>(0.076)  | 0.15***<br>(0.021)  | 0.15<br>(0.129)   |
| Improvequality | 0.21***<br>(0.023)  | 0.03<br>(0.138)    | 0.21***<br>(0.022) | 0.17<br>(0.122)    | 0.22***<br>(0.023)  | -0.05<br>(0.194)  |
| Competitor     | 0.13***<br>(0.031)  | 0.05<br>(0.107)    | 0.12***<br>(0.030) | 0.03<br>(0.098)    | 0.13***<br>(0.030)  | 0.03<br>(0.146)   |
| Consultant     | 0.10**<br>(0.047)   | 0.20<br>(0.151)    | 0.06<br>(0.046)    | 0.41***<br>(0.142) | 0.09*<br>(0.046)    | 0.33<br>(0.208)   |
| University     | -0.01<br>(0.062)    | 0.30*<br>(0.165)   | 0.03<br>(0.058)    | 0.08<br>(0.191)    | 0.01<br>(0.060)     | 0.35<br>(0.225)   |
| LotteryD       | 0.00<br>(0.016)     | -0.05<br>(0.071)   | 0.01<br>(0.016)    | -0.07<br>(0.059)   | 0.00<br>(0.016)     | -0.27*<br>(0.154) |
| Observations   | 4,248               | 339                | 4,132              | 431                | 4,491               | 98                |

Note: \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ . Standard errors in parentheses.

innovation. Second, firms that have better internal knowledge have exploited this government supports more effectively. The policy and credit support signifies the impacts of *Own\_Act* on the marketing innovation decision. Conversely, firms that acquire knowledge from external sources are less likely to implement marketing innovation when receiving government support. The proxied variables (*Bought\_Act*) turns to a negative sign in almost all cases. Third, the government support dampens the effects of a firm's pressures from stakeholders on their marketing innovation decisions. Four, the impacts of government support on the effects of collaborations depend on the types of partners. While firms receiving government support tend to conduct marketing innovation if they have a relationship with private consultants, the government support dampens the response of collaboration with competitors. These findings are reflected by a rise in the coefficient of *Consultant* and a reduction in the coefficient of *Competitor*. Based on the above results, *H6* is accepted.

## 4. DISCUSSION AND IMPLICATIONS

This empirical study aims to examine the determinants of firms' marketing innovation. Findings indicate that marketing innovation is an alternative choice of product innovation that is more costly and risky but ensures a more sustainable competitive advantage than other innovations in terms of mere promotion, placement, or packaging. More specifically, firms with a strong financial capacity are less likely to select marketing innovation, which only ensures short-term competitive advantage. This result aligns with Cohen and Levinthal (1990) and Van Dijk et al. (1997). Instead, both internal knowledge (i.e., attained from own R&D activities and in-house training) and external knowledge (i.e., attained from the procurement of technology, machinery, equipment, and software) have significant positive impacts on marketing innovation. However, international knowledge

leads to an even higher probability of product innovation compared to marketing innovation. This may be because firms that can implement internal R&D activities and invest in in-house training may more likely have stronger financial capacities and create more significant innovations that support technological innovation rather than marketing innovation. Moreover, collaboration with private consultants and especially competitors is a factor that causes firms to implement marketing innovation while other partnerships show insignificant impacts. Unlike other types of partnerships, collaboration with competitors, also known as co-opetition, consists of cooperative and competitive forces (Arslan, 2018). In other words, regardless of collaboration between them, they are still competing for similar customers. Therefore, this type of partnership is associated with a higher risk of being exploited and leaking business know-how. Marketing innovation helps the partners achieve the competition's objectives while engaging with the competitors' lower risks of opportunistic behaviors.

Pressures from stakeholders also motivate firms to create their marketing innovation. Since the primary roles of marketing satisfy customers' needs while providing value to the other stakeholders, it is not surprising that marketing innovation is conducted when those stakeholders become demanding. Based on the stakeholder theory, marketing innovation, which reflects firms' responses to the external marketplace and owners' objectives, is significantly associated with exporting businesses and business objectives such as new market participation and product quality improvement. The research findings imply that international market expansion and setting marketing objectives beforehand are good ways to force the firms to move forward and challenge themselves. Facing more foreign competitors, new foreign customers, and high expectations from other stakeholders, firms are motivated to conduct more marketing innovation for their survival and development. Foreign ownership, on the other hand, negatively impacts the marketing innovation decision. This negative effect of foreign ownership can be explained by the fact that firms with foreign ownership may involve only labor-intensive processing work (ERIA, 2018), which requires less marketing innovation efforts.

This study also highlights the importance of political connections in moderating the influence of firms' resources and pressures on innovation. Specifically, the findings support both ways that political connection can moderate the impact of firms' resources and pressures on marketing innovation. In general, the political connection proxied by the state ownership will discourage firms from creating marketing innovation, given their existing financial capacity and knowledge or competition pressure. This can be explained by the legitimacy they attain and rely on enjoying "economic rent" and sustaining business growth (Meyer & Rowan, 1977; DiMaggio & Powell, 1983). However, for state-owned firms that are active and ambitious in serving new customers (they are export-oriented or aim to expand the market) or innovation-oriented, the political connection is used effectively to leverage marketing innovation.

Regarding the moderating effect of governmental supports, state-owned enterprises or those with better internal knowledge are found to better leverage the benefits of governmental supports to create marketing innovation given their available resources and pressures. This could be because political connection and internal knowledge help firms exploit government support for marketing innovation more efficiently than others. Interestingly, firms that acquire knowledge from external sources are less likely to implement marketing innovation when receiving government support. This may be because Vietnamese companies own R&D are not strong enough to transform internal knowledge into technological innovation. Upon government support, those firms mostly create small variations in products or changes in marketing methods (marketing innovation). Meanwhile, firms that attain external technology sources are in a better position in terms of both knowledge, facilities, and financial back up to create technological innovation instead of merely marketing innovation. Given governmental support, those trends are more apparent. On the other hand, the government support dampens the effects of a firm's pressures from stakeholders on their decisions for marketing innovation. This can be explained by the low institutional quality in Vietnam, where firms may not have equal access to government support. In other words, governmental supports indicate the favorable business-government re-

relationship and political legitimacy that firms acquire. This may discourage firms from engaging with innovation as risk-taking behavior, given existing pressures from the stakeholders.

This study offers valuable managerial implications regarding marketing innovation in developing countries with underdeveloped institutions and low formal finance practices like Vietnam. Although product innovation is desirable for firms' sustainable competitive advantages, this type of innovation is risky and costly. In a country where most business communities are small- and medium-sized firms that lack access to formal finance practices, marketing innovation could be "the second best" choice to ensure short-term survival before further technological innovation could be taken. The research findings recommend two ways for firms to boost their marketing innovation themselves: (1) equip with sufficient resources and/or (2) putting themselves under pressure.

On the policy front, the positive moderation effect of governmental support on the influences that firms' resources and pressures have on innovation indicates the importance of the government in promoting firms' ability to respond to various business pressures by conducting marketing innovation given their existing resources. These governmental supports may come in various forms, including policy support

for the innovation (financial supports such as tax and interest rate reduction or establishment of funds); credit (loan supports or grants); technical advice; and project implementation. These could enhance firms' resources while signaling the legitimacy that either enables or encourages firms to conduct more marketing innovation. However, for the segment of state-owned firms, the connection with the government may have two-sided effects. Those firms are given priority in receiving governmental support. Nevertheless, the research findings indicate that marketing innovation is derived from the firms' internal motivation rather than external supports. In fact, the research findings imply that the "economic rent" obtained from the political connection may discourage state-owned firms from conducting marketing innovation since their socio-political legitimacy may be enough for their survival. The political connection only works for marketing innovation when the state-owned firms themselves are active and ambitious in serving new customers (they are export-oriented or aim to expand the market) or innovation-oriented. This finding is valuable for the authorities in the effective management of state-owned firms and resource allocation through supporting programs. More specifically, even state-owned firms need to show their ambitious business objectives and plans to receive favorable treatment from the government.

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## CONCLUSION

Besides product innovation, marketing innovation could be the second-best choice for firms to create competitive advantages. Upon the theoretical lens of the resource-based theory and the stakeholder theory, this research treats marketing innovation as a strategic choice and examines factors affecting firms' decision to conduct marketing innovation. The results can be summarized as follows. Firms with a strong financial capacity are less likely to select marketing innovation, which only ensures short-term competitive advantage. Instead, internal knowledge attained through its own R&D activities and in-house training has a significant positive impact on marketing innovation. Moreover, networking, especially collaborations with competitors and private consultants, is a factor that causes firms to implement marketing innovation. This further affirms the importance of marketing innovation in raising collective competitive advantages for the partnership while implying a less potential risk of being exploited for deeper technological know-how. Based on the stakeholder theory, marketing innovation, which reflects firms' responses to the external marketplace and owners' objectives, is significantly associated with exporting businesses and business objectives such as new market participation and product quality improvement. Foreign ownership, on the other hand, negatively impacts the marketing innovation decision. This study also highlights the importance of political connections and governmental supports in moderating the influence of firms' resources and pressures have on innovation.

This paper is the first to study the innovativeness in marketing practices in the case of developing countries like Vietnam. While firms' resources and pressures from firms' stakeholders are considered key determinants of marketing innovation in Vietnam, other factors such as managers' characteristics, institutional constraints, and financial constraints have not been investigated in the present paper. Furthermore, there might be the case that marketing innovation is endogenous in the model due to unobserved variables or its reversed causality with explanatory variables. Therefore, this study suggests directions for further research that concentrates on dealing with these issues.

## AUTHOR CONTRIBUTIONS

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## APPENDIX A

Table A1. Correlation

| Variables      | Size   | Export   | Foreign | State  | Own_Act | Bought_Act | Edu_Act | Joinnewmarket | Improvequality | Competitor | Consultant | University | Govsupport |
|----------------|--------|----------|---------|--------|---------|------------|---------|---------------|----------------|------------|------------|------------|------------|
| Size           | 1      | -        | -       | -      | -       | -          | -       | -             | -              | -          | -          | -          | -          |
| Export         | 0.294  | 1        | -       | -      | -       | -          | -       | -             | -              | -          | -          | -          | -          |
| Foreign        | 0.422  | 0.262    | 1       | -      | -       | -          | -       | -             | -              | -          | -          | -          | -          |
| State          | 0.135  | 0.0419   | -0.0567 | 1      | -       | -          | -       | -             | -              | -          | -          | -          | -          |
| Own_Act        | 0.0614 | -0.0206  | -0.0614 | 0.0714 | 1       | -          | -       | -             | -              | -          | -          | -          | -          |
| Bought_Act     | 0.0386 | -0.00165 | -0.0269 | 0.0292 | 0.159   | 1          | -       | -             | -              | -          | -          | -          | -          |
| Edu_Act        | 0.0763 | 0.0428   | 0.0301  | 0.0418 | 0.152   | 0.184      | 1       | -             | -              | -          | -          | -          | -          |
| Joinnewmarket  | 0.0748 | -0.0448  | -0.0481 | 0.0579 | 0.410   | 0.127      | 0.127   | 1             | -              | -          | -          | -          | -          |
| Improvequality | 0.102  | -0.0441  | -0.0196 | 0.0564 | 0.457   | 0.123      | 0.132   | 0.481         | 1              | -          | -          | -          | -          |
| Competitor     | 0.0452 | 0.000161 | -0.0157 | 0.0474 | 0.211   | 0.130      | 0.0907  | 0.232         | 0.218          | 1          | -          | -          | -          |
| Consultant     | 0.0621 | 0.00968  | -0.0201 | 0.0907 | 0.196   | 0.182      | 0.118   | 0.187         | 0.172          | 0.592      | 1          | -          | -          |
| University     | 0.0544 | 0.00709  | -0.0240 | 0.0830 | 0.169   | 0.135      | 0.122   | 0.149         | 0.132          | 0.503      | 0.666      | 1          | -          |
| Govsupport     | 0.0279 | -0.0111  | -0.0330 | 0.0514 | 0.0771  | 0.0522     | 0.0112  | 0.0681        | 0.0639         | 0.0504     | 0.0643     | 0.0919     | 1          |