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# Innovation and the Sustainable Competitive Advantage of Young Firms: A Strategy Implementation Approach

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**Abstract:** This study examines the impact of innovation at the strategy level on innovation at the process and system levels, which are considered to be forms of function-level innovation, based on the strategy implantation approach. The study also reveals the effect of process and system innovation on the sustainable competitive advantage (SCA) of young firms in Vietnam. The research used primary data from a survey of 289 young firms' leaders in Vietnam. PLS-SEM using SmartPLS software was employed to assess the ability of the measurement model and structural model to test hypotheses. The findings indicated that the four hypotheses about the effects of strategy innovation on process and system innovation and the effects of process and system innovation on the SCA of young firms in Vietnam were all confirmed. These crucial results fill the research gap of innovation in young firms, especially the gap in the context of developing countries. The current study addresses an important implication for the use of innovation practices in young firms to sustain the firm's SCA. Accordingly, young firms are able to significantly strengthen their sustainable competitive advantage through innovation practices at both strategy and function levels.

**Keywords:** innovation; strategy innovation; process innovation; system innovation; sustainable competitive advantage



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## 1. Introduction

Innovation is the practice by which an enterprise develops a product, service, process, or system to meet market requirements [1–3]. Although innovation has received a lot of attention in recent years, previous research on innovation has mainly approached the influence of innovation aspects at functional levels, such as product innovation, service innovation, and market innovation, on organizational outcomes [2–7]. There is a lack of empirical studies into innovation that use a strategy implementation approach to test the vertical effect, from the strategy level to the functional level, and the firm's results.

Most of the previous research on global innovation focuses on large or mature firms, even though SMEs or young businesses are even more flexible in innovation, especially in adapting to the changing needs of customers and environmental conditions. A lot of prior researchers believe that SMEs lack the sufficient resources and capacities to implement innovation ideas [8]. This originates from the view that large enterprises have more resources and capacity and can therefore create a good foundation for utilizing innovation projects, as well as employing technology and taking advantage of economies of scale and resource diversity. Nevertheless, a small number of recent studies have shown the benefits of innovation practices for small businesses. Specifically, some authors such as [2,3] have stated that many innovation practices are also suitable and beneficial for SMEs, such

as product innovation, organizational innovation, and market innovation. Accordingly, some studies have also initially shown the positive influence of innovation on competitive advantage or other performance indicators of SMEs [9–11]. Nevertheless, research on innovation of young firms is scarce and there is a lack of theoretical and practical guidance for this group of enterprises [12,13].

Young firms have their own attributes that need to be taken into account, even if they are considered to be a main part of the SME group. The guidance in innovation practices of young firms is more appropriate if a research model of innovation is designed for young firms only.

In addition, according to the resource theory of the VRIN framework [14,15], with the limited resources of most young enterprises, exploiting and leveraging innovation capability as a valuable, rare, inimitable, and non-substitutable (VRIN) competency is a prominent method via which any firm can develop a sustainable competitive advantage. The importance of innovation in young firms is strongly supported by the resource-based view (RBV) theory because effective innovation capability can become a core competency that meets all requirements of VRIN (valuable, rare, inimitable, and non-substitutable). However, it can clearly be seen that previous studies have a research gap with regard to the influence of innovation on the competitive advantages of young businesses. In particular, no authors have explored an approach to assess innovation from a strategy level to a functional level based on the strategic implementation standpoint. Hence, we investigated the vertical relationship between strategy innovation, process, and system innovation, including the link between functional innovation practices and the sustainable competitive advantage of young enterprises, from the view of strategy implementation.

As a result, the objective of this research was to investigate the vertical influence of strategy innovation on process and system innovation, as well as the influence between process and system innovation on the sustainable competitive advantage of young firms. This study was conducted in the context of Vietnam, which is one of the fastest growing economies among Asian countries. By using the developed research model, we intended to answer the following research questions (RQ):

RQ1. How can strategy innovation impact the process and system innovation of young firms in Vietnam?

RQ2. How can process and system innovation create a sustainable competitive advantage for young firms operating in Vietnam?

To answer the questions, the remainder of the paper is structured as follows: First, the underlying theory, research model, and hypothesis development are identified. Second, a measurement model is presented that has three types of innovation and competitive advantage. Third, the model is tested with data collected from leaders of young firms. Finally, this study discusses the relationship of innovation with different levels and competitive advantages.

## 2. Research Model and Hypothesis Development

### 2.1. Underlying Theory and Research Model

The research model in this study was formulated based on the convergence of two main underlying theories. The first one was the RBV, as mentioned above. The RBV strongly supports exploiting innovation as a core competency, and is prominently used by young firms to sustain a competitive advantage. The resource-based view (henceforth RBV) theory indicates that it is “all assets, capabilities, characteristics of the firm, information, knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness” [14,15]. This theory also asserts that a competitive advantage can be created by distinctive resources or competencies that are valuable, rare in the market, inimitable, or non-substitutable by others. Hence, innovation that utilizes its own creative features is strongly supported by a RBV as sustaining a competitive advantage for the firm [16,17].

The second theory used for this study was the contingency theory approach to strategy implementation. This, which considers an uncertain environment in guiding the firm's direction, requires a vertical fit between functions and strategy. The entire process and system-level innovation need to be aligned with innovation at a strategy level. In strategy implementation, this vertical fit between the functional level and strategy level is important to ensuring that strategy is effectively implemented at a lower level. The current literature explores the HRM function, which is strongly recommended for further empirical studies in different studies [18,19]. Thus, an extended empirical study on vertical fit in the innovation function provides important evidence to enrich the current knowledge of innovation and strategy implementation.

## 2.2. Hypothesis Development

Competitive advantages are developed from VRIN resources or capabilities (valuable, rare, inimitable and non-substitutable [14,15]. If competitive advantage arises from VRIN resources, this is also considered as a sustainable competitive advantage because it is valuable, rare, inimitable and non-substitutable. Therefore, the competitive advantage derived from this VRIN resource or capability can be maintained in the long term, without being replaced by competitors [14,15]. A sustainable competitive advantage is a widely used concept in strategic management and this idea serves as an important precursor to firm performance [16,17].

In the context of intense competition and limited resources, innovation is considered to be an effective approach to building a competitive advantage [20]. Enterprises require increased adaptability and flexibility, which can be achieved through the exploration of innovation, in order to promptly respond to fluctuations and changes in the competitive environment [21,22]. Consequently, innovation is recognized as a dynamic capability that enables enterprises to create competitive advantages [23]. By altering internal resources, innovation empowers businesses to optimize resource combinations, leading to the attainment of competitive advantages [24]. In addition, according to [25], innovation is seen as a distinct source of competence that facilitates the creation of new combinations, the simultaneous utilization of resources and capabilities, and the exploitation of internal advantages. Innovation ultimately ensures the sustenance of a competitive advantage. These innovative applications help businesses to achieve remarkable outcomes and enhance their access to valuable resources for use in businesses and industries.

As a result, researchers showed a particular interest in innovation since it assists businesses in leveraging internal resources to gain unique competitive advantages and improve the firm's performance [16]. The significant impact of innovation on competitive advantage or the other business results of enterprises has been demonstrated in several studies [2,3,11,16,17,26–30]. Prior researchers argued that innovation enables firms to create distinct elements that are difficult to be copied or imitated by other competitors. Accordingly, innovation can be exploited to create distinct competitive advantages for enterprises, as well as superior firm performance [2,3,11,16,17,31–35].

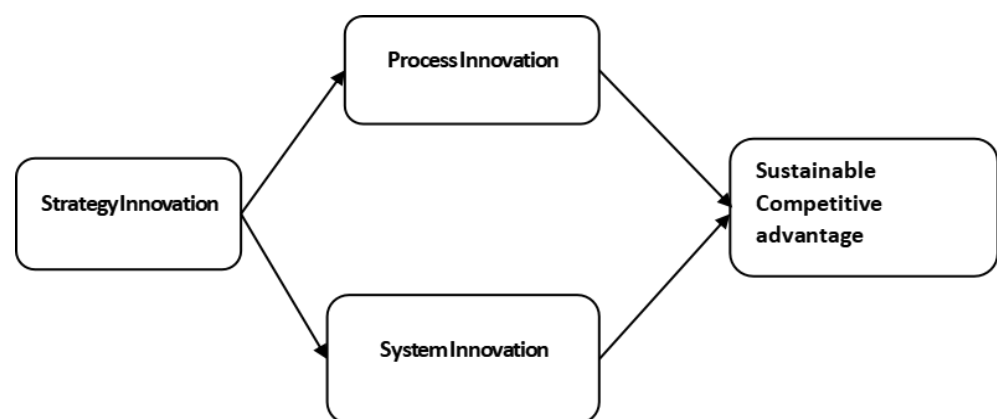
Hence, previous studies have shown that organizations need to actively engage in innovation to create a competitive advantage and success [2,3,17]. These studies also explored different aspects of innovation, such as product innovation and process innovation. Process innovation focuses on optimally structured processes for value creation, eliminating non-value activities, setting standards, establishing flowcharts, documenting guidelines and measurements, evaluating processes, and continuously improving processes [2,3,17]. However, there is a lack of research that specifically addresses strategy innovation and system innovation. Strategy innovation is innovation practice at strategy level and it includes innovation in identifying, predicting, and adapting to a changing environment, with innovation in products and services helping to create market performance [36]. Strategy innovation enables organizations to anticipate significant opportunities and challenges in the future, thereby quickly creating new products and services in order to meet market requirements. Additionally, the system is a crucial aspect of strategy implementation. As

such, there is a need to focus on optimizing the system to create a unified internal and external systems, fostering key values, promoting knowledge sharing and internal training, and leveraging stakeholder contributions based on value co-creation linkage.

However, in the strategy implementation process, each decision level has its own impact on a lower level. Innovation at the strategic level can influence innovation at supportive levels, such as system and process innovation. This vertical linkage is supported by contingency theory, as mentioned above. However, the existing literature primarily focuses on exploring the effect of different aspects of innovation on competitive advantages directly. There is a lack of studies that approach the impact of innovation on competitive advantages via a strategy implementation process which examines the vertical impact of strategy innovation on innovation at remarkably supportive function levels, such as process and system innovation, and consequently assesses the role of these function level innovation practices in creating sustainable competitive advantage for the firms.

On the other hand, as mentioned above, enterprise innovation is more dynamic in the current context and allows businesses, especially young businesses, to quickly achieve a competitive advantage. Although the related studies on SMEs are also creating specific prerequisites and guidelines for young firms because a large proportion of SMEs are young firms [12–15], the context-based flexibility of innovation mentioned above means that it is necessary to conduct research with a specific focus on young firms with many distinctive attributes. With a different scale of innovation in each group of businesses and different degrees of the influence of Industry 4.0 on the national and industrial contexts, the current stock of knowledge contributed by previous studies is insufficient to explore innovation and provide appropriate guidance for innovation practices in young firms in developing countries. Therefore, to examine the impact of innovation based on the strategy implementation approach and consider it as a critical VRIN competency to help young businesses create a sustainable competitive advantage, the present study examines the following hypotheses in the research model (Figure 1):

- H1.** *Strategy innovation has a positive influence on the process innovation of young firms.*
- H2.** *Strategy innovation has a positive influence on the system innovation of young firms.*
- H3.** *Process innovation has a positive effect on the sustainable competitive advantage of young firms.*
- H4.** *System innovation has a positive effect on the sustainable competitive advantage of young firms.*



**Figure 1.** Research model.

### 3. Materials and Methods

#### 3.1. Data Collection Procedure

This study uses quantitative methods on data collected based on a questionnaire. Besides general questions collecting demographic characteristics, the questionnaire used a 7-point Likert scale with anchors ranging from 1 (strongly disagree) to 7 (strongly agree).

The questionnaire was translated into Vietnamese and subsequently back-translated to ensure the accurate interpretation of each observed variable.

In the first step, the questionnaire was sent to 12 experts to conduct a pre-test. We asked the experts to review the question items to provide their opinions on the appropriateness, clarity and relevance of the questions. After collecting experts' opinions, we corrected the questionnaire with suitable Vietnamese words based on the suggestions of the experts. The questionnaire was sent to the leaders of enterprises through a Google form. The respondents were department heads or equivalent or higher position holders with at least one year of working experience in the firm.

The survey is supported by the Vietnam Young Entrepreneurs Association (VYEA) on the commitment that this research product will be presented as a practical report to the Association after project completion. Based on the definition of young firms introduced by [1], this study only uses responses from firms that have been in business for 1 to less than 15 years. Additionally, respondents are leaders with at least 1 year of working experience at the current firm to assure that all the respondents understand their organization.

On the basis of the data collected, the study utilized quantitative analysis methods to describe and analyze the survey data and test the research hypotheses. Specifically, the quantitative analysis process was conducted as follows:

Firstly, the data were cleaned by checking and removing invalid responses. Because the survey was conducted online and respondents could only submit questionnaires after completing the questionnaire, all 350 questionnaires collected were fulfilled without any missing values. Next, as mentioned in the survey description, the study only used data from enterprises that operated for 1 to 15 years. The respondents were department heads or equivalent or higher position holders with at least one year of working experience in the firm. These primary data are checked in Excel to eliminate biased responses, i.e., a straight-line answer. After filtering the above criteria, the study excluded 61 cases that did not meet the requirements. Subsequently, we received 289 qualified and completed questionnaires for further analysis and research hypotheses.

### 3.2. Measurement Items

In this study, strategy innovation was examined using five observed variables adapted from the study of [36]. To measure the process innovation, this study adapted items in the study of [4–7]. The measurement of system innovation was performed based on seven observed variables adapted from the studies of [4–7] (Table 1). The items on innovation were adopted and adapted from previous studies, with only slight modifications made to ensure appropriateness and clarity. Significantly, the original observed variable questions about the sustainable competitive advantages were adjusted as they were originally not suitable as they addressed the relationship between the two variables mentioned in the hypothesis. Specifically, the original observed variable is as follows: "(i) The innovations we introduced enabled us to enjoy a superior market position for a reasonable period; (ii) The new changes we introduced have been appreciated by our clients/customers, giving us a distinct advantage for some time now; (iii) Our competitors could not easily match the advantages of the new products or services that we introduced; (iv) The new products or services we introduced were a stepping stone for further development". This way of asking respondents will not be objective because the questions are already asked about the causal relationship between innovation and competitive advantage. Therefore, the first observed variable excluded the word "innovation". In addition, to avoid misunderstanding and to be objective for any business pursuing differentiated or low-cost competitive advantages, the second observed variable should not only refer to customers' evaluation of a differentiated competitive advantage. It should mention the customer's rating to ensure the answer objectively reflects any types of advantage, whether they it is achieved via low cost or differentiation. The third item that was removed was the word "new products/services" because of the competitive advantage created by innovation from different levels of strategy, process and system. Hence, elimination of the word "new products/services" helps the

answer to reflect the overall competitive advantage which does not only result from new products/services.

**Table 1.** Measurement items.

Sources	Adopted/Adapted Items
	Strategy Innovation
[36]	STR1. Making major changes (volume) to existing products/services STR2. Making rapid changes (speed) to existing products/services STR3. Developing novel (new) products/services for the market STR4. Using forecasting tools and techniques to predict threats STR5. Using forecasting tools and techniques to imagine future opportunities
	Process Innovation
	PRO1. Setting standards for the performance of service/product PRO2. Mapping processes to reduce non-value activities PRO3. Improving documentation of processes PRO4. Measuring conformance with processes PRO5. Institutionalizing continuous improvement processes PRO6. Using structured processes for identifying customer needs and translating them into requirements for providing products and services
	System Innovation
[4–6]	SYS1. Focus on achieving a balanced portfolio of competitive advantages for which customers are willing to pay, e.g., cost with novelty SYS2. View knowledge as a paramount competitive advantage to be gained from inside and outside the company SYS3. Involve customers early in the service/product development process, pulling the service/product design in the direction of customer needs SYS4. Transfer lessons learned from previous activities to succeeding people SYS5. Cultivate staff to provide system-wide thinking and specialized knowledge SYS6. Open communication channels to all functions and ranks in the organization SYS7. Act as a good partner with others, such as suppliers, partners, and customers, in creating and maintaining mutual win/win scenarios
	SCA: Sustainable Competitive Advantage
[17]	SCA1. Our firm gains a superior market position SCA2. The new changes we introduced have been highly appreciated by our clients/customers SCA3. Our competitors could not easily match the advantage that we introduced; SCA4. The new products or services we introduced were a steppingstone for further development.

## 4. Results

### 4.1. Demographic Characteristics

The descriptive results of 289 qualified questionnaires showed that 87.5% of firms participating in the survey were operating for 3 to less than 15 years. In terms of business area, more than half of the firms were involved in the service sector (accounting for 56.1%), and the rest were manufacturing enterprises. Regarding the firm size, up to 90.7% were SMEs with fewer than 300 employees.

In addition, in terms of the individual characteristics of the respondents, 100% of the leaders had worked for the current firm for at least one year; in which 49.1% of managers had working experience of 5 years and above, 30.1% had 3 to 5 years of experience, and 20.8% worked for 1 to years. This study only used the responses from managers with at least one year of working experience for the current firms to make sure that the respondents had sufficient understanding about the issues mentioned in the questionnaires. The respondents who were the department head or held an equivalent position accounted for 42.6%; vice-

CEOs accounted for 27.3% of respondents; and the rest were CEOs (30.1%). The majority of firms' CEOs had bachelor's and graduate degrees (accounting for 90%), only 6.2% of CEOs had a high school diploma, and 3.8% had a lower qualification.

#### 4.2. Assessment of Measurement Model

The study used partial least-squares structural modeling (PLS-SEM) and used SmartPLS to assess the research model and examine the hypotheses. There are two steps in using the powerful PLS-SEM method, namely, the measurement model and structural model assessment. Based on different requirements suggested by previous studies [37,38], a sample size of 289 was adequate to the task of performing analysis.

The measurement model examines the relationship between latent variables and observed variables. The assessment of the measurement model's reliability and validity is performed through an algorithm technique in SmartPLS software. The research model of this study includes 4 reflective constructs. Hence, to achieve reliability, the out-loading of items should be greater than 0.7 and the Cronbach's alpha, composite reliability (CR) should be higher than 0.7 as well [39–41]. In addition, to establish convergent validity, the average variance extracted (AVE) should be greater than 0.5 [39–41]. Table 2 indicates that the outer loading for all items associated with the constructs in the research model is higher than 0.7, with the lowest value at 0.746. In addition, Cronbach's Alpha and CR values are both higher than 0.7, with values ranging from 0.838 and above. Regarding the AVE value, the AVE of all five latent variables in the research model are greater than 0.5, with the range from 0.607 to 0.717. Therefore, the measurement model demonstrates acceptable reliability and validity, providing a qualified foundation for further analysis (Figure 2).

**Table 2.** Results of outer model evaluation.

Latent Constructs Additionally, Items	Outer Loading	Cronbach's Alpha	rho_A	CR	AVE
Strategy Innovation		0.838	0.839	0.885	0.606
STR1	0.746				
STR2	0.765				
STR3	0.791				
STR4	0.806				
STR5	0.784				
System Innovation		0.914	0.920	0.932	0.661
SYS1	0.829				
SYS2	0.767				
SYS3	0.847				
SYS4	0.841				
SYS5	0.839				
SYS6	0.812				
SYS7	0.749				
Process Innovation		0.902	0.903	0.925	0.671
PRO1	0.775				
PRO2	0.836				
PRO3	0.831				
PRO4	0.831				
PRO5	0.852				
PRO6	0.789				
Sustainable Competitive Advantage		0.869	0.880	0.910	0.717
SCA1	0.837				
SCA2	0.898				
SCA3	0.811				
SCA4	0.838				

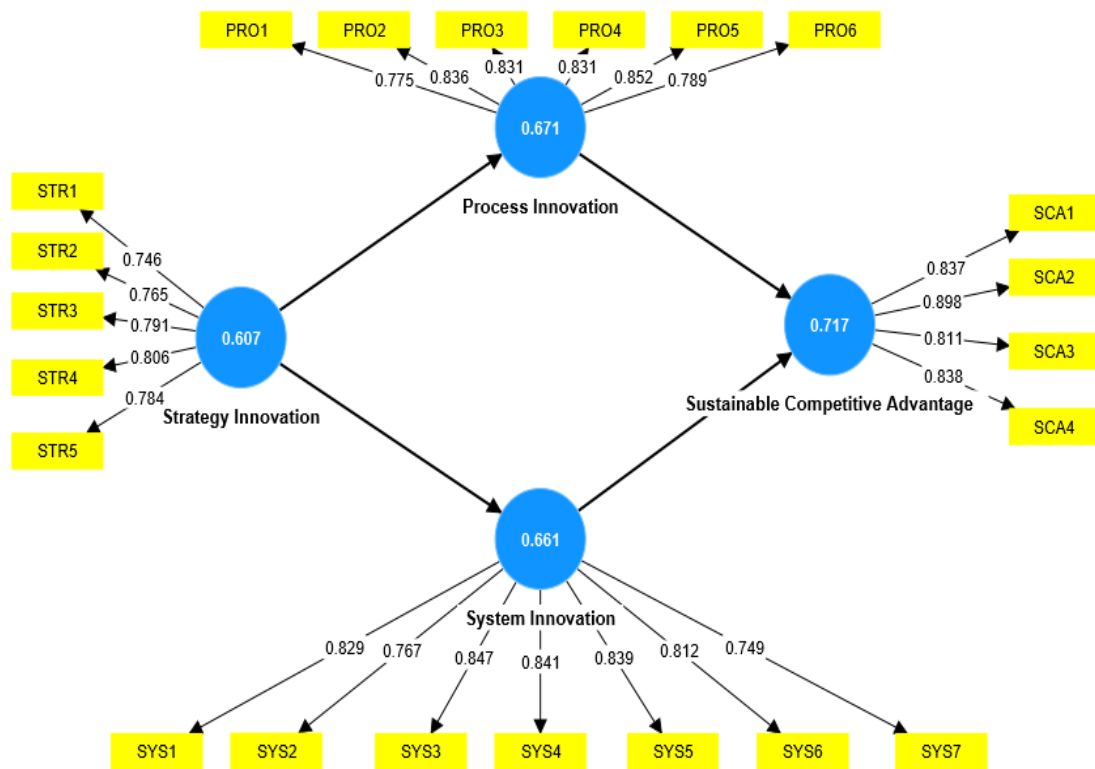


Figure 2. Result of measurement model.

In terms of discriminant validity, this value should be qualified to establish the distinction between latent variables in the research model. In this study, we utilized the widely accepted heterotrait–monotrait (HTMT) ratio to assess the discriminant validity. Accordingly, HTMT ratio should be less than 0.85 to establish discriminant validity [42,43]. Table 3 indicates that the discriminant validity between the constructs in the research model is acceptable, thus allowing for further analysis to test hypotheses.

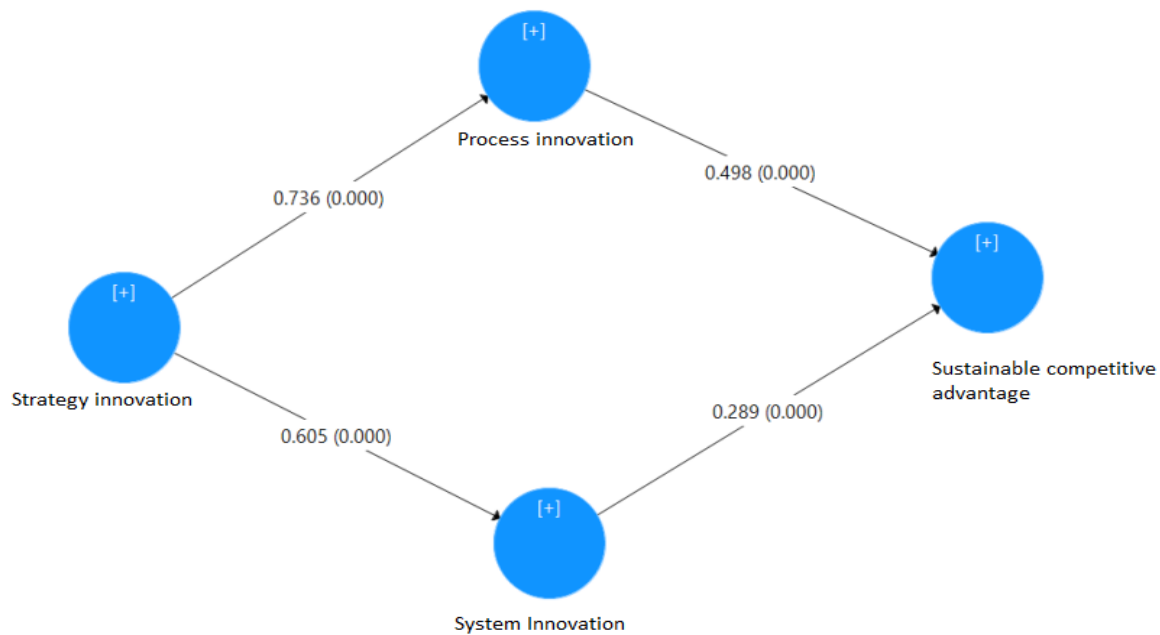
Table 3. HTMT result.

	Sustainable Competitive Advantage	System Innovation	Process Innovation	Strategy Innovation
Sustainable Competitive Advantage				
System Innovation	0.705			
Process Innovation	0.788	0.777		
Strategy Innovation	0.723	0.686	0.845	

### 4.3. Assessment of Structural Model

Firstly, in order to evaluate the structural model, it is necessary to check the multicollinearity by considering the VIF (variance inflation factor). The VIF value for all constructs in the research model should be lower than 5 in order to establish acceptable multicollinearity in the research model [39,40]. The multicollinearity test results show that the VIF value for all constructs in the study ranged from 1.000 to 2.004, indicating an acceptable collinearity level. Hence, the research model did not have multicollinearity and it was qualified to be used to address the further analysis to examine the hypotheses (Figure 3).





**Figure 3.** Result of structural model.

After testing multicollinearity, we examined the research hypotheses through testing their direct relationships based on conducting 5000-sample bootstrapping (one tail). To accept the research hypotheses, it was necessary to consider the  $p$  value ( $<0.05$ ),  $t$  value ( $>1.65$ ), and the CI confidence interval value. It was also necessary to consider the standardized beta coefficient and the  $f^2$  in order to evaluate the impact level.

Table 4 demonstrates that all four research hypotheses about the impact of strategy innovation on process innovation and system innovation, and the influence of system innovation and process innovation on sustainable competitive advantage creation, were confirmed in this study. In particular, the study indicated the strong impact of strategy innovation on process innovation, and the impact of this on SCA was found to be positive and strong, with a beta coefficient of 0.736;  $f^2 = 1.185$ . Regarding the relationship between the two aspects of process and system innovation with sustainable competitive advantage, process innovation had the stronger influence on sustaining the sustainable competitive advantage of young Vietnamese enterprises of the two, with a beta value of 0.489, and  $f^2$  value reached 0.266.

**Table 4.** Hypothesis test result.

Hypothesis	Relationship	Beta Value	$t$ Value	Results
H1	Strategy Innovation $\longrightarrow$ Process Innovation	0.736	24.103	Supported
H2	Strategy Innovation $\longrightarrow$ System Innovation	0.605	14.016	Supported
H3	Process Innovation $\longrightarrow$ Sustainable Competitive Advantage	0.489	7.196	Supported
H4	System Innovation $\longrightarrow$ Sustainable Competitive Advantage	0.289	4.118	Supported

## 5. Discussion

Innovations in strategy, process, and system are significant factors in improving and enhancing the sustainable competitive advantages of young firms in Vietnam. The results of this study not only provided important evidence for the resource-based view and contingency theory but also filled important theoretical and practical gaps. This result has contributed a significant empirical study to the current stock of knowledge for guiding innovation practices in enterprises [2–7,16,17,21], especially for young firms at different levels. This study sheds light on the major influence of strategy innovation on both process and system innovation, as well as the relationship between systems, process innovation and

the sustainable competitive advantage of firms. The study, which is approached under the view of strategy implementation, identified the vertical linkages between these innovation practices at both strategy and function level and yielded significant findings to enrich the current knowledge of sustaining sustainable competitive advantages through innovation. The study, which drew on the literature on strategy implementation, identified the links and synergies between these innovation characteristics, giving important new information about how they interact to affect competitive advantage.

Considering the limited resources of young firms, the findings in this study may have a remarkably directional role in enhancing innovation practices at both strategy and implementation level to enable young firms to gain sustainable competitive advantages.

First, in terms of strategy innovation, as pointed out in the research hypothesis evaluation, the results confirmed the influence of strategy innovation on process and system innovation. As important aspects of strategy implementation, process and system innovation were found to enhance young firms' sustainable competitive advantage. Based on the measurement of strategy innovation, the findings of this significant effect suggested that young businesses need special consideration to apply innovation at the strategic level, including active innovation in changing and developing products and services to meet the varying requirements of the market. Young Vietnamese businesses, in particular, need to understand the importance of professional predictions. It is necessary for firms to use forecasting tools and techniques to identify opportunities and challenges in the future, as well as changes in customer demands. These strategy innovation practices are important for the young Vietnamese businesses because they might not yet have a solid foundation and guidelines for implementing such practices in practical business.

Secondly, process innovation is found to be a crucial function of strategy implementation, having a strong impact on the sustainable competitive advantage of young Vietnamese firms. This finding extended the previous findings creatively [2–7] in relation to process innovation with the strategy implementation approach. Therefore, to develop a sustainable competitive advantage through innovation, young businesses should effectively utilize innovation in products or services at the strategy level to meet the market requirements and perform at the process level. The guidelines for applying process innovation are highlighted in the observed variables mentioned above. The guidelines for innovation practice at the process level are that it should be user-friendly, useful, approachable, and easy to apply. This finding suggested that the young firm should establish guiding documentation for the process, proactively select the optimal process and standards, and especially reduce non-value-added activities that even cause waste in most businesses. Specifically, PRO6 suggested that the company should have a process of identifying customer's requirements and converting these requirements as standards for product production or act of supplying services. This process innovation practice is one of the directions to exploit the great benefits of developing connections and value co-creation networks between firms and their customers.

Third, system innovation is an important factor in implementing a strategy that is confirmed to have a significant impact on the sustainable competitive advantage of young businesses. Therefore, young businesses must pay special attention to applying innovation according to the guiding directions in building systems, including: "SYS1—Focus on achieving a balanced portfolio of competitive advantages for which customers are willing to pay, e.g., cost with novelty; SYS2—View knowledge as a major competitive advantage to be gained from inside and outside the company; SYS3—Involve customers early in the service/product development process, pulling the service/product design toward customer needs; SYS4—transfer lessons learned from previous activities to succeeding people; SYS5—Cultivate staff to provide system-wide thinking and specialized knowledge; SYS6—Open communication channels to all functions and ranks in the organization; SYS7—Act as a good partner with others, such as suppliers, partners, and customers in creating and maintaining mutual win/win scenarios". With the orientation of building a system with the above practice orientations, following these practices will contribute to the enhancement

of the exploitation of knowledge resources in innovation. These findings are consistent with those of previous studies [17,30,33]. Moreover, the SYS5 is the guideline for staff training that not only mentions skills but also systematic and holistic thinking. Employee's skill and holistic perception are also weaknesses of young businesses in Vietnam [44,45]. Therefore, the justification behind suggested guidance for training employees in SYS5 is that makes sense in practical terms to leverage their system-wide thinking, such as enhancement of understanding the vision, mission, goals, and competitive advantage of the young businesses [46]. Consequently, employees can develop a systematic and holistic mindset to understand the meaning of their specific job in the overall direction of the firm. This is a great way to enlighten young businesses where most leaders have not paid enough attention to vision and systematic thinking. When employees have system-wide thinking with a deep understanding of the vision, ideals, direction, destination, business philosophy, the reason for the existence of the business as well as the meaning of their work, they will be more inspired to have higher levels of excitement, engagement and innovation at work.

In addition, establishing an early connection channel with customers helps businesses to expand their market access and mitigate risks when introducing new products. Furthermore, cultivating strong partnerships with stakeholders to develop and sustain the mutually beneficial relationships is also a very important way to help the company integrate deeply into the industry value network and optimize coordination with external partners in the value chain management. Young businesses can explore a value co-creation mechanism by collaborating with stakeholders to effectively implement innovation, thereby contributing to creating and maintaining a sustainable competitive advantage.

## 6. Limitations and Further Studies

Data from 289 young firm leaders in Vietnam, a relatively small sample, were used in the study. Although the results are insightful, they might not be entirely representative of all young businesses in Vietnam or other developing nations. To improve the generalizability of the results, future research might take into account larger and more varied sample sizes. A cross-sectional design was employed in the study to collect data at a specific point in time. The capacity to establish causal links between variables was constrained by this design. Future research may use longitudinal designs to investigate how innovation is dynamic and how it affects long-term competitive advantage.

Further research could explore the moderating effects or controlling role of various factors on the relationship between innovation and sustainable competitive advantage. For instance, the role of industry characteristics, firm size, market share, business area, type of organizational structure and level of business-processes bureaucracy, organizational culture, or external environment factors could be examined to provide a more comprehensive understanding of the innovation-SCA relationship. Additionally, future research could delve into additional dimensions of innovation, such as organizational innovation, marketing innovation, or social innovation, to provide a more comprehensive analysis of their impact on the sustainable competitive advantage in young firms.

## 7. Conclusions

This study has made an essential addition to the current theoretical foundation, filling a research gap on innovation in young enterprises with a novel approach based on a strategy implementation standpoint. This is an important contribution to enriching the current stock of knowledge on innovation and sustaining a competitive advantage for the young firms in developing countries. Moreover, this research is also highly practical and applicable, providing an important guideline for innovation practices at both the strategy and function level in strategy implementation, contributing significantly to enhancing sustainable competitive advantages for young businesses. Young Vietnamese firms need to take advantage of the innovation competency that is feasible for all of them to establish and should consistently implement innovation at all levels, from strategy to function levels of systems and processes. In the context of the resource constraints of young businesses, this is

a bright and great direction for young businesses to build core competencies that can satisfy all 4 VRIN criteria of RBV theory, namely, value, rare, hard-to-imitate, and irreplaceable, in order to develop a sustainable competitive advantage.

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