THE EFFECT OF PARTNER RELATIONSHIP AND INNOVATION ON BUSINESS PERFORMANCE OF ENTERPRISES IN VIETNAMESE AGRICULTURAL PRODUCTION

MSc. Nguyen Quoc Toan* - Nguyen Ngoc Dung**

Abstract: ***This study aims to evaluate the impact of partner relationships and innovation on business performance. In this context, partner relationships are treated as a form of social capital, while innovation is examined in terms of product, process, and marketing innovation. The research employs a qualitative approach, utilizing in-depth interviews with 20 directors, general directors, and managers from 20 enterprises within the agricultural production sector. The findings reveal a strong connection between social capital, innovation, and business performance, highlighting the critical role these factors play in driving organizational success.***

• Keywords: *social capital, innovation, business performance, Vietnam.*

Date of receipt: 14th Feb., 2025
Date of delivery revision: 20th Mar., 2025
Date of receipt revision: 10th Apr., 2025
Date of approval: 03rd May, 2025
DOI: https://doi.org/10.71374/jfar.v25.i3.30

1. Introduction

The relationship between innovation capability and business performance has been explored extensively by scholars through various methods, including both synthesis and empirical research. However, to date, there has been no study examining the impact of innovation capability on the business performance of technology companies in Vietnam's agricultural production sector. In addition, while current research on social capital focuses primarily on its general impact on operational efficiency within supply chains across different countries, there is a gap in studies specifically addressing how social capital and innovation capability together influence the business performance of enterprises.

Previous research suggests that social capital plays a crucial role in enabling technology companies to build and strengthen social networks (Akintimehin et al., 2019). These networks facilitate the flow of knowledge, information, and other resources between businesses, thereby enhancing their innovation capabilities (Maurer et al., 2011). In the context of increasing resource pressures, such as those exacerbated by the pandemic, transformation remains a critical driver of business innovation (Soto-Acosta, 2020). However, there is a lack of targeted research on how technology companies can enhance their innovation capabilities through the cultivation of social capital. Moreover, strengthening social capital could serve as a key factor in helping businesses improve their innovation capabilities and overall performance.

The relationship between social capital, innovation capability, and business performance has garnered significant attention from researchers. However, several research gaps remain. First, no study has simultaneously examined the combined impact of social capital and innovation capability on business performance. While there are a few studies exploring the role of social capital and innovation efficiency in business performance, most contemporary research tends to focus more on innovation efficiency and its direct effects on business performance, rather than on innovation capability and its relationship with performance. Second, most research on innovation efficiency and business performance has been concentrated in developed countries, with some studies conducted in emerging economies like China, India, and South Korea. However, in transition economies such as Vietnam, there has been little exploration of how social capital and innovation capability influence business performance. Third, while existing studies have investigated the individual impacts of social capital or innovation capability on business performance, no research has specifically

** Foreign Trade University; email: nqtoan1205@gmail.com*
*** Project Management Board of the Ministry of Education and Training; email: nndungmoet@gmail.com*

focused on technology enterprises in the agricultural production sector across different business contexts. Given that businesses vary widely, as do the sectors they operate in, the impact of social capital and innovation capability may differ accordingly. This makes research on the effects of social capital and innovation capability on business performance in technology enterprises within the agricultural production sector essential.

The findings of this study will not only contribute to the development of technology manufacturing enterprises in the agricultural production sector in Vietnam, but may also offer valuable insights that can be applied to other manufacturing enterprises in countries with similar economic conditions.

2. Literature review

2.1. Innovation

Innovation is widely recognized as a critical factor in driving organizational effectiveness and maintaining a competitive edge (Slåtten & Mehmetoglu, 2014). To remain competitive, organizations focus on innovating and continuously improving products, processes, and services within a dynamic market environment (De Dreu & West, 2001). Hart, Palmer, Christie, and Lander (2002) argue that innovation is a form of prosocial behavior that significantly influences an organization's success. Often embedded in organizational strategies, innovation is seen as essential for gaining a competitive advantage and ensuring long-term economic viability (Hyland & Beckett, 2004). On an individual level, employee innovative behavior refers to the ability to generate and implement new and useful ideas within the workplace (Scott & Bruce, 1994). This behavior is vital for fostering organizational innovation and sustaining a firm's competitive advantage (Newman et al., 2018).

2.2. Social capital

Social capital, which originates from social network theory, is particularly relevant to our study due to its focus on the relationships that exist at multiple levels. The use of social capital theory allows us to explore concepts such as social ties, social interaction, trust, and reciprocity (Pratono, 2018). Previous research on social capital has suggested it can be understood through three distinct dimensions: structural, relational, and cognitive (Chang et al., 2012). The structural dimension concerns the extent and closure of connections within a social network; the relational dimension focuses on the strength of these relationships, with trust and trustworthiness being central factors; and the cognitive dimension refers to the shared values, norms, and beliefs that bind the network together. This study explores social capital from the perspective of the relationship between businesses and their partners.

3. Methodology

This study involved conducting in-depth interviews with 20 enterprises operating within the agricultural production sector, covering a range of sub-sectors including animal feed production, veterinary medicine manufacturing, feed additives production, livestock, poultry, and aquatic feed production, as well as food processing. The interviews were carried out between September and December 2024, providing valuable qualitative insights into the perspectives and experiences of key stakeholders in these industries.

Each in-depth interview lasted between 90 and 120 minutes, allowing for a comprehensive exploration of the topics related to social capital, innovation capability, and business performance. Participants in these interviews included directors, general directors, and senior managers, all of whom played pivotal roles in shaping the strategic direction and operational practices of their respective companies. These individuals were selected for their deep knowledge of the companies' internal operations and their decision-making roles, ensuring that the data collected would be rich in strategic insights.

The diversity of the enterprises included in the study panning multiple segments of the agricultural production sector provided a broad range of perspectives on how social capital and innovation capabilities influence business performance. This approach also allowed for comparisons across different areas of the sector, helping to highlight sector-specific challenges and opportunities, as well as common trends that may inform broader industry practices. The findings from these interviews contribute to a deeper understanding of how social capital and innovation interact to drive performance, particularly in the context of Vietnam's agricultural production sector, where both challenges and opportunities related to technological adoption and resource access are rapidly evolving.

4. Results and findings

4.1. Partner Relationships and Business Performance

The results of in-depth interviews show that businesses have implemented many solutions to strengthen partnerships and supplier relationships. Businesses focus on close cooperation with strategic suppliers, in planning and implementing trade promotion programs, organizing conferences and seminars to increase engagement.

For our input material suppliers, we focus on timely payment of debts and participation in training sessions and seminars is also an important part of our strategy to develop long-term relationships with suppliers (animal feed manufacturers).

We provide comprehensive solutions to help reduce input costs for businesses, while creating sustainable cooperation opportunities. Regular meetings and exchanges with suppliers not only help improve product and service quality but also create conditions for discussing market needs and the ability of partners (veterinary medicine and animal feed, livestock, poultry, and aquatic product manufacturers).

In addition, businesses evaluate and select reputable suppliers with competitive prices and quality support services, and maintain close communication to jointly resolve arising issues. This process is carried out through evaluating transaction data with suppliers, exchanging information about difficulties in the cooperation process and finding effective solutions (Yigitbasioglu, 2010). Regular two-way discussions help both sides better understand each other's needs and expectations, thereby coming up with common development initiatives. Focusing on strategic partners and effectively exploiting trade promotion programs is the key to improve business efficiency and promote sustainable cooperation.

We also apply flexible and suitable solutions to each supplier in different business areas of the group, ensuring maximum cooperation efficiency and long-term development (enterprises producing veterinary medicine and animal feed, livestock, poultry, and aquatic products).

Some businesses believe that an important element in a relationship-building strategy is to maintain credibility and fulfill commitments agreed upon with suppliers. This not only helps to strengthen trust but also contributes to increasing sales, creating a harmonious and mutually beneficial cooperative environment.

We organize annual customer conferences to meet, exchange directly and listen to feedback from customers. In addition, giving Tet gifts, organizing regular sports and dining events are also part of the strategy to maintain long-term relationships (animal feed and veterinary medicine manufacturing enterprises).

We pay special attention to providing comprehensive services during and after sales, supporting customers to the maximum in the business process. Relationships with customers are built on the basis of approaching, understanding needs, providing suitable products and services, as well as organizing meetings and exchanges to update information on needs and products (animal feed manufacturing enterprises).

In addition, businesses also emphasize improving and enhancing the quality of products and services to better meet the needs of customers. The cooperative relationship is built on the principle of mutual benefit, ensuring common interests in every stage of development (Bauwens & Defourny, 2017).

For suppliers, we maintain close cooperation through exchanges on technical services and training for employees, while with agents, we continue to organize support activities such as conferences and care for farm customers (Enterprises producing animal feed, livestock, poultry, and aquatic products).

Most of the companies interviewed said that building social relationships has a direct impact on their ability to innovate and their business results. This is evident when companies and suppliers share the benefits and risks in the cooperation process. This not only helps reduce production costs and increase profits, but also enhances the reputation of the company thanks to the quality and brand of the supplier. Changing the relationship with suppliers can help achieve better prices, improve the ability to supply on time, and ensure flexibility in production (Mclvor & McHugh, 2000).

The results of in-depth interviews with enterprises show that solutions and sources of raw materials, products and services from suppliers will directly affect production costs. This will have a significant impact on the business results of the enterprise, especially when there is a change in the supply source. However, for agricultural production companies with foreign direct investment, with cooperation from many suppliers from many different countries, the change does not greatly affect the business results, but on the contrary, these enterprises can take advantage of this diversity to better meet the needs and expectations of customers.

When considering customer relationships, most enterprises affirm that changes in customer relationships have a direct impact on the business results of the enterprise. The positive impact can be clearly seen when the relationship with customers is improved, helping to increase sales and profits, while at the same time, accessing more easily, reducing intermediaries. When there is a closer bond with customers, revenue will grow due to trust and long-term cooperation, and conversely, weak relationships can lead to decreased sales and profits (Gounaris, 2005).

Improving the relationship helps the company better understand the needs of customers, while customers will also better understand the products and strategies of the business. This cooperation creates practical results and promotes the common development of both parties, helping each party to fully develop the potential of our company (Enterprise producing animal feed, livestock, poultry, aquatic products).

By maintaining good customer relationships, businesses can quickly grasp customer requirements and expectations, and then set improvement goals to meet those needs more effectively. This not only helps sustainable growth but also strengthens customer trust. However, changes in relationships with large customers can have a negative impact, especially when there is a decrease in production. Other customers may question the change. However, to properly assess the impact, it is necessary to carefully consider the reasons behind the change, such as price, product quality, or after-sales care, and then have an appropriate remedial strategy.

4.2. Innovation and Business Performance

Most of the agricultural enterprises interviewed said that they are implementing innovation strategies, of which a few enterprises are implementing comprehensive innovation, most of them are implementing product, process, and marketing innovation. Enterprises all said that product innovation to meet market demand is an important factor, but at the same time, related activities such as management processes and marketing strategies also need to be improved to suit the product. This not only helps improve productivity but also enhances market relevance, expands market share, increases the number of customers and output. In the context of rapidly changing markets, enterprises also need to flexibly adjust their strategies to ensure sustainable development (Broman & Robert, 2017).

Innovate products to suit market demand, combined with that, it is also necessary to innovate related activities from management processes, innovate marketing activities to suit the product. From there, improve productivity, improve market suitability and expand the market, number of customers, increase output (Enterprises producing veterinary drugs, additives, animal feed)

The market changes rapidly, so we change according to strategy and develop sustainably (Enterprises producing animal feed)

In addition, most businesses in agricultural production realize that innovation has a strong impact on business performance. In the context of strong market fluctuations, especially the shift from small-scale to large-scale farming, companies are forced to reform their organizations, products, processes and marketing strategies to keep up with trends. Organizational innovation, in particular, is considered the factor with the most obvious and positive impact on business results (Abdi & Senin, 2014). Product innovation is an important key to help businesses increase revenue, expand markets and attract customers more easily thanks to expectations of superior quality of new products. However, if the change is not obvious, this can cause disappointment and reduce customer confidence in future products.

Currently, there are many market fluctuations, especially the shift from small-scale farming to large-scale farming, so companies must innovate their organization, products, processes, and marketing accordingly. The innovation of the organization has a more positive and obvious impact on business results than other activities (Animal feed and additive production enterprises). Product innovation increases sales by 50%. Organizational innovation increases productivity and reduces costs (Animal feed production enterprises)

Furthermore, process and organizational innovation is a key factor to help businesses thrive in the new era, especially in the context of the global economic recession. Meanwhile, product innovation to meet the needs of the market and consumers not only creates a competitive advantage but also helps businesses dominate the digital market. From there, building a strong organization, combined with product design suitable for each specific market and program, will create sustainable and effective revenue.

Through interviews, most agricultural enterprises believe that the conditions for successful innovation are close connection with common goals and strong commitment from leaders. Innovation thinking needs to be deployed from top to middle leaders, implemented synchronously from top to bottom and following clearly defined processes. This process requires active participation and promotion from the top leader, who will be the main driving force in the implementation. The innovation process needs to be built on specific criteria, with effectiveness evaluated through detailed reports and clear data collection, helping to identify actual progress (Martinsuo & Poskela, 2011).

Another important condition is a deep understanding of market needs, along with investment in R&D, training and capacity building of the workforce. Investment in modern technology and equipment also plays an important role in improving operational efficiency. The key factor for successful innovation is the consensus and commitment of people – those in the organization must adapt to change and be ready to support the transformation process. To implement innovation, there must be increased investment in science and technology, research, recruitment of talented personnel and, more importantly, the company's leadership must clearly recognize the need for change and be committed to it.

When implementing innovation, we focus on human resources and each specific requirement of product innovation, or process, or marketing (enterprises producing veterinary drugs, animal feed)

To implement innovation, we invest resources in research and development (enterprises producing animal feed)

When implementing innovation, our enterprise needs to clearly understand market needs, invest in R&D, invest in training, improve employee capacity and invest in upgrading technological equipment (enterprises producing animal feed)

Innovation is not limited to products, but also includes areas such as marketing, finance, personnel training and processes. Specifically, product innovation requires investment in finance, experts and suppliers; process innovation requires equipment and supporting experts; while organizational innovation requires a focus on human resources and training. To ensure success, a clear and consistent product strategy must be developed, and strong investment in research and development (R&D) must be made (Cooper, 2019). Collaboration and leveraging of knowledge resources from partners are also important factors. These innovations must be directly applied in production practices to bring practical value.

5. Conclusions

To innovate and improve partner relationships, businesses should focus on fostering open communication, co-innovation, and aligning strategic goals. This includes regular check-ins, establishing feedback loops, and co-developing products through joint innovation efforts. Investing in shared technology platforms and AI tools can enhance collaboration and efficiency. Additionally, creating win-win solutions through incentive programs, mutual training, and cross-training helps strengthen relationships. Long-term contracts and clear conflict resolution mechanisms promote trust and commitment. Focusing on sustainability initiatives and expanding into new markets through referrals or affiliate programs also boosts growth. Celebrating joint milestones and sharing success stories solidifies the partnership and encourages continued innovation.

References:

Abdi, K., & Senin, A. A. (2014). Investigation on the impact of organizational culture on organization innovation. Journal of Management Policies and Practices, 2(2), 1-10.

Akintimehin, O. O., Eniola, A. A., Alabi, O. J., Eluyela, D. F., Okere, W., & Ozordi, E. (2019). Social capital and its effect on business performance in the Nigeria informal sector. Heliyon, 5(7).

Bauwens, T., & Defourny, J. (2017). Social capital and mutual versus public benefit: The case of renewable energy cooperatives. Annals of Public and Cooperative Economics, 88(2), 203-232.

Broman, G. I., & Robèrt, K. H. (2017). A framework for strategic sustainable development. Journal of cleaner production, 140, 17-31.

Chang, C. W., Huang, H. C., Chiang, C. Y., Hsu, C. P., & Chang, C. C. (2012). Social capital and knowledge sharing: effects on patient safety. Journal of advanced nursing, 68(8), 1793-1803.

Cooper, R. G. (2019). The drivers of success in new-product development. Industrial marketing management, 76, 36-47.

De Dreu, C. K., & West, M. A. (2001). Minority dissent and team innovation: the importance of participation in decision making. Journal of applied Psychology, 86(6), 1191.

Gounaris, S. P. (2005). Trust and commitment influences on customer retention: insights from business-to-business services. Journal of Business research, 58(2), 126-140.

Hyland, P. W., & Beckett, R. C. (2004). Innovation and enhancement of enterprise capabilities. International Journal of Technology Management & Sustainable Development, 3(1), 35-46.

Martinsuo, M., & Poskela, J. (2011). Use of evaluation criteria and innovation performance in the front end of innovation. Journal of Product Innovation Management, 28(6), 896-914.

Maurer, I., Bartsch, V., & Ebers, M. (2011). The value of intra-organizational social capital: How it fosters knowledge transfer, innovation performance, and growth. Organization Studies, 32(2), 157-185.

McIvor, R., & McHugh, M. (2000). Collaborative buyer supplier relations: implications for organization change management. Strategic Change, 9(4), 221-236.

Newman, A., Tse, H. H., Schwarz, G., & Nielsen, I. (2018). The e ff ects of employees' creative self-e ffi cacy on innovative behavior: The role of entrepreneurial leadership. 89 (March), 1–9.

Pratono, A. H. (2018). From social network to firm performance: The mediating effect of trust, selling capability and pricing capability. Management Research Review, 41(6), 680-700.

Scott, S. G., & Bruce, R. A. (1994). Determinants of innovative behavior: A path model of individual innovation in the workplace. Academy of management journal, 37(3), 580-607.

Slåtten, T., & Mehmetoglu, M. (2015). The effects of transformational leadership and perceived creativity on innovation behavior in the hospitality industry. Journal of Human Resources in Hospitality & Tourism, 14(2), 195-219.

Soto-Acosta, P. (2020). COVID-19 pandemic: Shifting digital transformation to a high-speed gear. Information Systems Management, 37(4), 260-266.

Yigitbasioglu, O. M. (2010). Information sharing with key suppliers: a transaction cost theory perspective. International Journal of Physical Distribution & Logistics Management, 40(7), 550-578.