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-RESEARCH ARTICLE-

KNOWLEDGE MANAGEMENT IMPACT ON INNOVATION CAPACITY OF PRIVATE ENTERPRISES IN VIETNAM: THE ROLE OF DIGITALIZATION

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─Abstract─

The innovation potential of an organization hinges upon the efficacy of its knowledge management framework, a domain meriting deeper scrutiny by emerging scholars. This study investigates how different aspects of knowledge management—such as generation, sharing, and application—affect innovation capacity in private Vietnamese enterprises. It also examines how digitalization moderates these relationships. Surveys collected primary data, and smart-PLS analysis was used to assess reliability and correlations. Results highlight a positive link between knowledge management dimensions and innovation capacity. Moreover, digitalization emerges as a significant moderator in shaping the relationship between knowledge management processes and innovation capacity among private enterprises in Vietnam. This research provides valuable insights for policymakers seeking to formulate strategies aimed at bolstering innovation capacity through the effective deployment of knowledge management systems.

Keywords: Digitalization, Innovation Capacity, Knowledge Generation, Knowledge Application, Knowledge Management, Knowledge Sharing.

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INTRODUCTION

The contemporary global landscape is characterized by rapid transformations aimed at fostering human prosperity and convenience. Among the pivotal factors facilitating such advancements is globalization, which has effectively diminished barriers among nations, rendering the world readily accessible. Consequently, this phenomenon has engendered borderless commerce, facilitating the effortless exchange of goods and services across the globe with a mere click. However, amidst these advantages lie considerable challenges for organizations. Fierce competition prevails as businesses vie to surpass rivals and attract clientele, leading to heightened consumer churn and intensified competitive pressures. In this milieu, the judicious application of knowledge emerges as a critical determinant of success. Knowledge management, as elucidated by Xue (2017), serves as a strategic approach aimed at fostering organizational learning, efficiency, and innovation. Indeed, the adept utilization of knowledge resources holds the potential to bolster innovation capacity and foster organizational advancement. Nonetheless, a primary impediment to achieving these goals is the struggle of firms to swiftly adapt to fluctuating market dynamics, as noted by (Farooq, 2019).

Contemporary business enterprises predominantly prioritize the preservation of their competitive edge within their respective product markets. Notably, the field of knowledge management has only recently emerged as a distinct imperative, currently in the process of refining its conceptual underpinnings. According to Costa and Monteiro (2016), the synthesis of contemporary insights with existing knowledge within organizational frameworks results in the generation of value-added products, thereby fostering innovation. Knowledge management encompasses a spectrum of processes, including the creation, acquisition, integration, dissemination, and utilization of new information within organizational contexts to yield enhanced outputs. Given the exigency for originality and innovation within the fiercely competitive milieu (Siregar, Suryana, Ahman, & Senen, 2019), numerous scholars have extensively investigated various facets of innovation processes and strategies. Organizations deploy diverse resources to facilitate innovation Rahimi, Rostami, Shad, and Vafaei (2017), with this study focusing specifically on knowledge management as a critical resource (Dickel & de Moura, 2016). Innovation serves as a mechanism for enterprises to adapt to evolving environmental dynamics Lee (2016), constituting a proactive response to emerging contextual shifts and challenges. In the context of organizational settings, innovation entails the conception and implementation of novel ideas or methodologies to address emerging needs and opportunities. Prior research extensively underscores the pivotal role of innovation as a key determinant of long-term success and competitive advantage for businesses. Thus, the present study seeks to elucidate the intricate interplay between knowledge management processes and innovation capacity within organizational frameworks.

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Vietnam stands out as one of the swiftest-growing economies within Southeast Asia, having experienced an impressive 350% increase in GDP since 1991. The nation has emerged as a focal point for technological innovation and manufacturing prowess. Despite encountering various vicissitudes since gaining independence, Vietnam persists in its pursuit of prosperity and has solidified its status as a pivotal player in the Southeast Asian economic landscape. The global landscape has witnessed a remarkable surge in digitization and e-commerce, catalysed by the rapid response to the pandemic (Ngoc-Tan & Gregar, 2018). In response, the Vietnamese government has embarked on a transformative journey towards embracing the digital era, aiming for comprehensive overhauls across various digital sectors through the National Digital Transformation Program (NDTP), slated for realization by 2030, with interim targets set as early as 2025 (Ngoc Thang & Anh Tuan, 2020). Augmenting public awareness of digital issues, fostering investments in technology, and enhancing digitalization across enterprises of all scales and industries are pivotal strategies aimed at expediting these revolutionary changes in governmental and economic spheres. Over the forthcoming three-year span, strategic initiatives will be undertaken to enhance various industries, with a primary focus on fostering economic growth (Lam, Nguyen, Le, & Tran, 2021). Despite the adverse impacts of the pandemic on the Vietnamese economy, the accelerated pace of digitization and e-commerce is anticipated to hasten the realization of this strategic vision. Vietnam aspires to derive a significant proportion—30%—of its GDP from the digital sector by 2030, while concurrently targeting an annual labour productivity growth rate of 7% through investments in digital workforce development (Nguyen, Phan, & Nguyen, 2016). Central to this endeavour is the aim to achieve 80% digitization of public services at level 4, encompassing the online availability of administrative documents and facilitation of digital platform access. The implementation of e-government, or digital government, promises enhanced convenience and efficiency in public services, thereby expediting processes related to business registration, taxation, finance, and banking (Than, Nguyen, Tran, & Le, 2019). This, in turn, accelerates business operations, fostering rapid economic advancement.

The current research endeavours to address several notable lacunae within the existing literature, particularly pertaining to the investigation of a model encompassing factors such as innovation capacity, knowledge generation, knowledge sharing, knowledge application, and digitalization, specifically within the context of Vietnam, which has not been extensively explored in recent studies.

This study builds upon existing research in several ways. Firstly, it expands upon the work of Doran, McCARTHY, and O'connor (2019) by incorporating additional factors such as knowledge sharing and application, along with examining the moderating role of digitalization. Secondly, it extends upon the research conducted by (Ritala, Olander, Michailova, & Husted, 2015) by introducing factors like knowledge generation, application, and digitalization. Thirdly, it complements the findings of Obeidat, Al-

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Suradi, Masa'deh, and Tarhini (2016) by integrating knowledge generation and sharing. Lastly, inspired by previous studies on the moderating effect of digitalization, this research explores its role in the relationship between innovation capacity and various knowledge processes.

LITERATURE REVIEW

The process encompassing the identification, generation, acquisition, and organization of pertinent data, culminating in the systematic management of knowledge storage, dissemination, and application within organizations, is commonly referred to as the knowledge management (KM) approach (Hebibi, Raimi, & Milićićević, 2019). Acknowledging that a company's ability to cultivate and harness information significantly influences its value, KM has garnered substantial attention within numerous large corporate entities. To cultivate a sustainable competitive advantage conducive to fostering innovation and enhancing organizational efficacy, managers must adeptly employ effective KM strategies (Soniewicki & Paliszkiewicz, 2019). In light of escalating competition within both local and international markets, there is an escalating imperative for astute knowledge management practices across all domains, both internal and external to the organization.

The process of knowledge generation can be facilitated through diverse channels. Various sources, including employees, clients, business partners, and competitors, serve as reservoirs from which information can be created and acquired. The synergy between explicit and tacit knowledge yields novel insights, constituting what is termed as knowledge production. The act of generating new information or refreshing existing knowledge from both explicit and tacit organizational sources is commonly referred to as knowledge generation (Kasemsap, 2018).

In org settings, knowledge is developed, shared, and validated via social processes and cognitive mechanisms. Doran et al. (2019) studied the link between knowledge creation and innovation in Irish SMEs, finding a positive correlation with public info sources influencing product innovation. Shujahat et al. (2019) explored this link in Pakistan's IT sector, finding that knowledge worker productivity mediated between knowledge generation, use, and innovation.

Likewise, Mardani, Nikoosokhan, Moradi, and Doustar (2018) examined the association between knowledge creation and innovation within the context of Iran. With a sample size of 120 workers, the study utilized the PLS approach for data analysis, revealing a significant correlation between knowledge creation and innovation.

H1: *Knowledge generation has an association with innovation capacity in Vietnam.*

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Knowledge dissemination is crucial within organizations to ensure information reaches those who need it. This process, integral to effective knowledge management, involves sharing information across the company for utilization at all levels. It facilitates the exchange of explicit and tacit knowledge, serving as the basis for creating new insights and enhancing organizational resources. Research by Ritala et al. (2015) in Finland revealed that external information sharing positively impacts innovation performance, though it may be hindered by knowledge leakage. Similarly, Singh, Gupta, Busso, and Kamboj (2021) explored knowledge sharing's relationship with firm performance, particularly innovation, in the UAE context. Their study of 404 SMEs found a significant impact of knowledge sharing on firm performance, with innovation playing a crucial role. In India's industrial sector, another study with 190 respondents found that while structural social capital had no significant impact on tacit knowledge sharing, other forms of social capital were positively associated with it. Additionally, a study in China involving 394 respondents found a significant relationship between knowledge sharing and innovation capability.

H2: *Knowledge sharing has an association with innovation capacity in Vietnam*.

Corporations must integrate organizational knowledge into their products, procedures, and services to maintain a competitive advantage. This necessitates placing relevant and practical information in appropriate formats. The overarching objective of knowledge management is knowledge application, which involves effectively utilizing knowledge to achieve organizational objectives through delegated authority and autonomy. Simply investing in information sharing and storage is insufficient; the focus must be on applying knowledge effectively. In contemporary business landscapes, companies prioritize maintaining their competitive edge within their product markets. Knowledge management, still in its nascent stages, is gradually establishing itself as a legal requirement and refining its theoretical foundations. By integrating new-age information with existing organizational skills and competencies, value-added products are generated, fostering innovations. Consequently, Obeidat et al. (2016) investigated the relationship between knowledge application, a facet of knowledge management, and innovation capacity within Jordan's consultancy sector. Employing a sample of 216 respondents, their analysis using multiple regression suggested that while social network approaches had a significant negative impact on innovation, knowledge management processes such as codification and personalization positively influenced innovation. Similarly, Ode and Ayavoo (2020) explored the relationship between knowledge management and innovation capacity in Nigeria. Their study of 293 respondents, employing structural equation modelling, indicated that knowledge management techniques directly and indirectly support corporate innovation. They found that knowledge creation, application, and storage significantly influence business innovation, with knowledge application mediating the link between information processes and innovation. Likewise, Nadi, Haghshenas, and Khorsandi (2022)

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investigated the relationship between knowledge application, a component of knowledge management, and innovation in Spain. Their study, which included 216 respondents, utilized the PLS-SEM analysis approach. The findings suggest a connection between knowledge management and innovation.

H3: *Knowledge application has an association with innovation capacity in Vietnam.*

The increasingly digitalized world fosters global technological innovation, intensifying competition among firms. Innovation becomes pivotal for gaining a competitive edge, as it sets firms apart from their competitors, thus providing superiority. Effective creation and management of knowledge within firms are crucial for achieving this differentiation and securing a competitive advantage through innovation. Digitalization plays a significant role in raising the standards for firms, as it moderates the relationship between knowledge management and innovation. In this context, Ali, Gongbing, and Mehreen (2018) investigated the moderation effect of digitalization on the relationship between supply chain finance and the performance of SMEs in Pakistan. Using a sample of 1900 SMEs selected through simple random sampling, the study employed the AMOS analysis approach. Results indicated a significant impact of supply chain finance on the performance of Pakistani SMEs, with digitalization actively moderating this relationship.

H4: *Digitalization moderates the nexus amid knowledge generation and innovation capacity in Vietnam.*

Every system relies on its knowledge system to operate effectively. Firms first create internal and external knowledge systems, followed by establishing protocols for secure knowledge sharing. This secure sharing enables timely delivery of knowledge, facilitating smooth achievement of targets and ensuring system security. Such secure knowledge sharing also empowers firms to pursue a competitive edge through innovation. Digitalization is a notable driver in this process, moderating the relationship between knowledge management and innovation. In this context, Xu and Zhong (2023) investigated the moderation effect of digitalization on the relationship between income inequality and energy consumption across multiple economies. Analysing data from 108 economies spanning 2000 to 2019, the study employed the GMM analysis approach. Results indicated a significant association between income inequality and energy consumption, with digitalization actively moderating this relationship.

H5: *Digitalization support moderates the nexus amid knowledge sharing and innovation capacity in Vietnam.*

Knowledge management encompasses comprehensive information systems within any organization, involving all stakeholders. This knowledge system significantly

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influences both internal and external factors. The application of knowledge represents a crucial phase within the knowledge management system, aiming to ensure alignment among all stakeholders during implementation. However, system crashes during knowledge application are not uncommon, prompting firms to exercise maximum caution. Effective application of the knowledge system can lead to a competitive edge. Digitalization serves as a driving force compelling firms to acquaint themselves with updated knowledge systems, thereby moderating the relationship between knowledge application and innovation. In this context, Behl et al. (2023) examined the moderation effect of digitalization on the relationship between customer involvement and innovation in hybrid offerings across multiple economies. Utilizing data from 250 respondents, the study employed the SEM analysis approach. Results indicated a significant association between customer involvement and innovation in hybrid offerings, with digitalization actively moderating this relationship.

H6: *Digitalization support moderates the nexus amid knowledge application and innovation capacity in Vietnam.*

RESEARCH METHODOLOGY

The research endeavours to assess the influence of knowledge generation, sharing, and application on the innovation capacity of private enterprises in Vietnam. Additionally, it explores the moderating effect of digitalization on the relationships between knowledge generation, sharing, application, and innovation capacity. Primary data were collected through surveys administered to selected respondents. The variables were operationalized using questions derived from previous literature; for instance, knowledge generation was quantified using five questions adapted from (Zheng et al., 2011), as presented in Table 1.

Table 1: Measurement Scale of Knowledge Generation

Items	Questions	Sources
KG1	Our company has the capacity to generate technological knowledge.	(Zheng et al., 2011)
KG2	Our company has the capability to generate marketing knowledge.	
KG3	Our company possesses the ability to generate managerial knowledge.	
KG4	Our company has the capacity to generate knowledge.	
KG5	Our company has the capability to generate technological knowledge.	

Moreover, knowledge sharing serves as an independent variable in the study. It is assessed using seven questions adapted from (Wang & Wang, 2012), as outlined in Table 2.

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Table 2: Measurement Scale of Knowledge Sharing

Items	Questions	Sources
KS1	Individuals within my organization regularly exchange knowledge derived from their experiences.	(Wang & Wang, 2012)
KS2	Individuals within my organization often gather knowledge from others based on their experiences.	
KS3	Individuals in my organization frequently exchange knowledge regarding know-where or know-whom with others.	
KS4	Individuals within my organization often gather knowledge of know-where or know-whom from others.	
KS5	Individuals within my organization frequently exchange knowledge based on their expertise.	
KS6	Individuals within my organization often gather knowledge from others based on their expertise.	
KS7	Individuals within my organization are willing to share lessons from past failures when they deem it necessary.	

Furthermore, knowledge application is employed as an independent variable in the study. It is assessed using four questions adapted from (Wang & Wang, 2012), as presented in Table 3.

Table 3: Measurement Scale of Knowledge Application

Items	Questions	Sources
KAP1	Our organization invests significant effort into refining, organizing, storing, and applying the collected knowledge.	(Andreeva & Kianto, 2011)
KAP2	Our organization holds and utilizes numerous relevant patents and licenses.	
KAP3	In our organization, it is customary to document in writing the lessons learned through practical experience.	
KAP4	In our organization, we ensure that the most crucial experiences gained are meticulously documented.	

Moreover, digitalization serves as a moderating variable in the study. It is assessed using four questions adapted from (Zhen, Yousaf, Radulescu, & Yasir, 2021a), as outlined in Table 4.

Table 4: Measurement Scale of Digitalization

Items	Questions	Sources
DG1	The teams collaborate effectively in initiatives for innovation and digital transformation.	(Zhen, Yousaf, Radulescu, & Yasir, 2021)
DG2	The organization's culture clearly embraces digital technology changes.	
DG3	Digital innovation and change are inherent aspects of the organization's culture.	
DG4	The organization shares its digital strategy with staff members, taking their suggestions into consideration.	

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Lastly, innovation capacity serves as the dependent variable in the study. It is assessed using six questions adapted from (Lin, Chen, & Kuan-Shun Chiu, 2010), as presented in Table 5.

Table 5: Measurement Scale of Innovation Capacity

Items	Questions	Sources
IC1	Our firm adopts new process technology.	(Lin et al., 2010)
IC2	Our firm secures process technology patents.	
IC3	Our firm embraces advanced CAD/CAM equipment.	
IC4	Our firm implements advanced real-time process control technology.	
IC5	Our firm procures advanced automated quality control equipment/software.	
IC6	Our firm acquires advanced programmable equipment.	

The study surveyed private organization employees through purposive sampling, distributing surveys via mail and personal visits. Out of 577 surveys, 357 valid responses were obtained, indicating a 61.87% response rate. Smart-PLS was used to assess data reliability and variable associations. Additionally, three dimensions of knowledge management (knowledge generation, sharing, and application) were employed as independent variables, along with digitalization as a moderating construct, and innovation capacity as the dependent construct. Figure 1 depicts these variables.

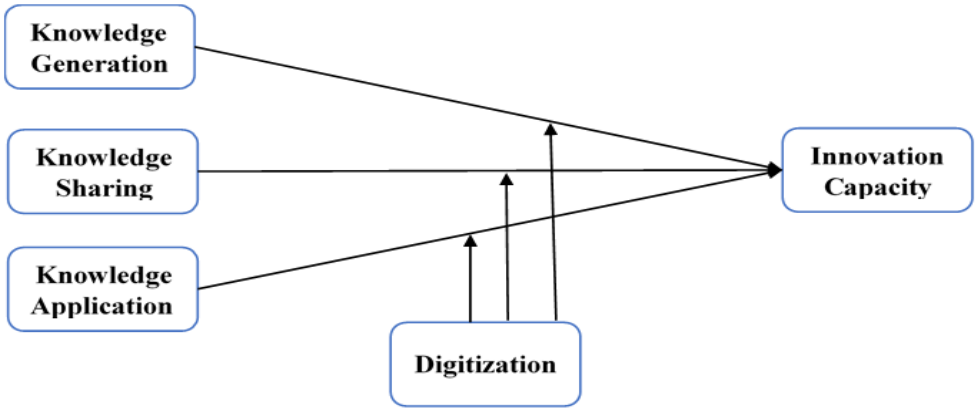

Figure 1: Theoretical Model

Research Findings

The study assesses convergent validity using Alpha and CR, with values over 0.70, and

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loadings and AVE, with values above 0.50, indicating a strong correlation between items Table 6.

Table 6: Convergnet Validity

Constructs	Items	Loadings	Alpha	CR	AVE
Digitalization	DG1	0.900	0.883	0.919	0.741
	DG2	0.832			
	DG3	0.878			
	DG4	0.831			
Innovation Capacity	IC1	0.768	0.794	0.866	0.618
	IC3	0.792			
	IC5	0.797			
	IC6	0.787			
Knowledge Application	KAP1	0.787	0.869	0.911	0.720
	KAP2	0.851			
	KAP3	0.912			
	KAP4	0.839			
Knowledge Generation	KG1	0.896	0.914	0.936	0.745
	KG2	0.880			
	KG3	0.790			
	KG4	0.879			
	KG5	0.867			
Knowledge Sharing	KS1	0.762	0.886	0.911	0.594
	KS2	0.797			
	KS3	0.718			
	KS4	0.826			
	KS5	0.730			
	KS6	0.769			
	KS7	0.787			

The study also assesses discriminant validity, which indicates the correlation between variables. This is evaluated using the Heterotrait-Monotrait (HTMT) ratio, with values not exceeding 0.90. These findings indicate a low correlation between variables, as outlined in Table 7.

Table 7: Discriminant Validity

	DG	IC	KAP	KG	KS
DG					
IC	0.720				
KAP	0.454	0.767			
KG	0.437	0.707	0.595		
KS	0.543	0.751	0.638	0.479	

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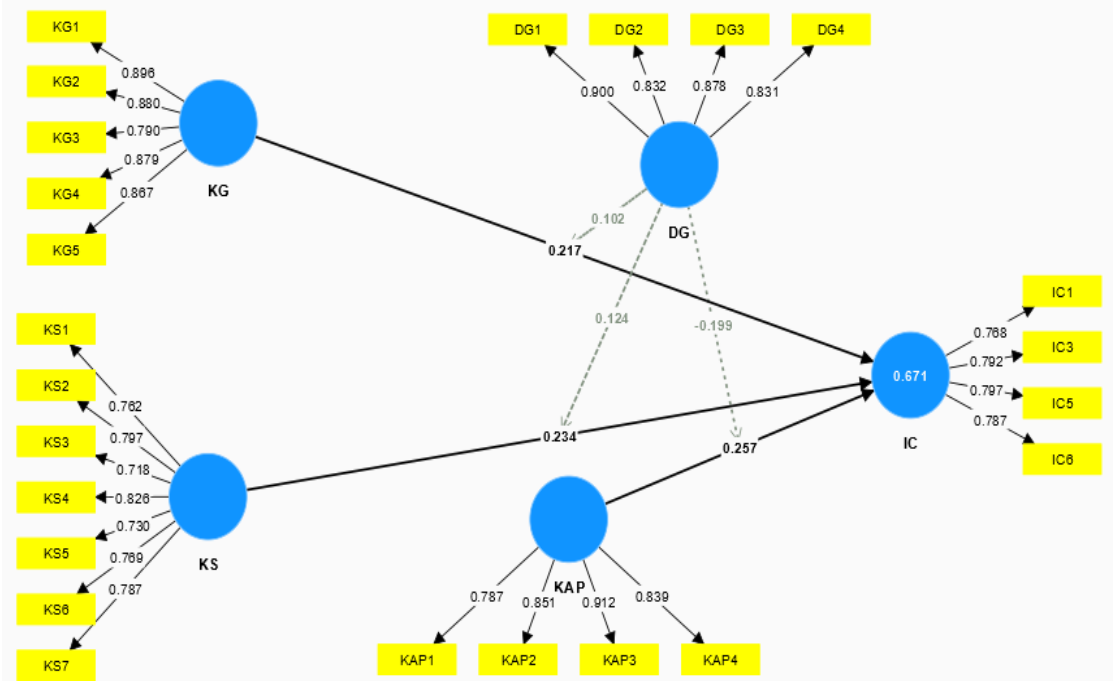

Figure 2: Measurement Model Assessment

Path analysis shows a positive link between knowledge generation, sharing, and application with innovation capacity, confirming H1, H2, and H3. Additionally, digitalization significantly moderates this relationship among private enterprises in Vietnam, supporting H4, H5, and H6. These results are summarized in Table 8.

Table 8: Path Analysis

Relationships	Beta	Standard Deviation	T Statistics	P Values
DG -> IC	0.337	0.039	8.574	0.000
KAP -> IC	0.257	0.045	5.724	0.000
KG -> IC	0.217	0.044	4.955	0.000
KS -> IC	0.234	0.051	4.575	0.000
DG x KG -> IC	0.102	0.041	2.485	0.013
DG x KS -> IC	0.124	0.050	2.471	0.014
DG x KAP -> IC	-0.199	0.049	4.082	0.000

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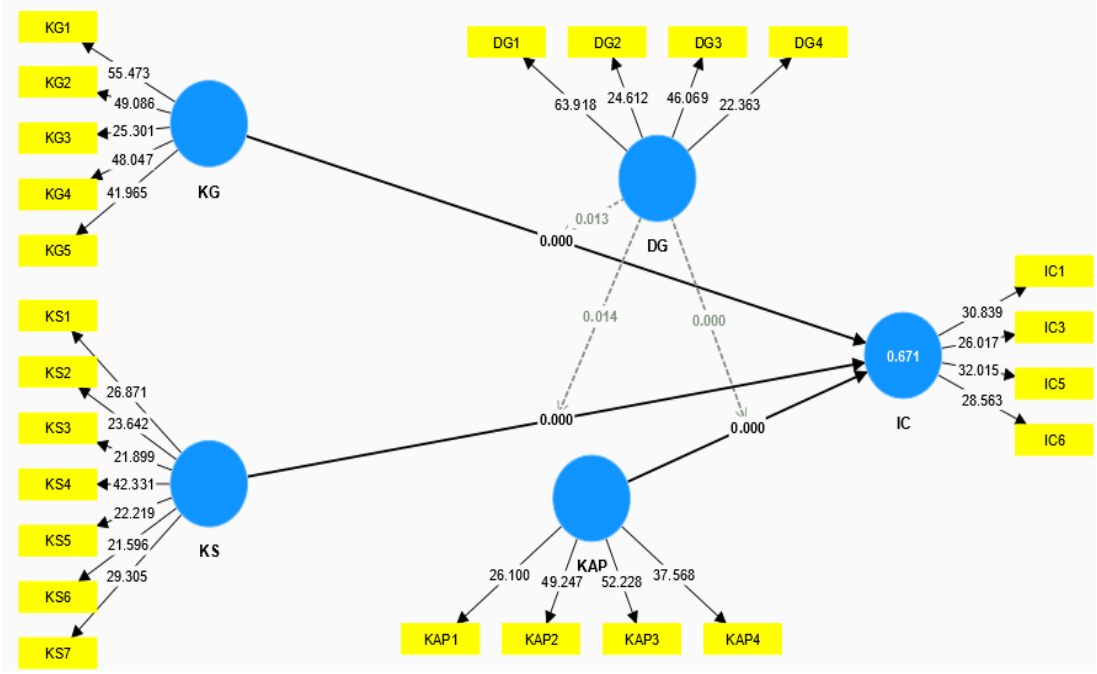

Figure 3: Structural Model Assessment

DISCUSSION

In the context of private firms in Vietnam, this research provides a comprehensive analysis of the intricate interplay among KM practices, innovation potential, and the impact of government-driven digitization initiatives. Understanding the processes involved in knowledge creation, dissemination, and utilization is pivotal for fostering innovation and sustaining competitive advantage in Vietnam's evolving economy, which is increasingly driven by knowledge-intensive sectors (Truong, 2019). The study delves into the foundational aspect of KM, knowledge generation, to explore how Vietnamese private enterprises leverage internal expertise, external collaborations, and investments in research and development to generate novel perspectives, ideas, and solutions. By examining factors such as resource allocation, leadership support, and organizational culture, the research elucidates the determinants of effective knowledge generation strategies and their implications for innovation capacity. Furthermore, the study investigates knowledge sharing as a critical mechanism for fostering a collaborative and continuous learning culture within organizations, echoing the perspectives of (Naqshbandi, Meeran, & Wilkinson, 2023) and (Azeem, Ahmed, Haider, & Sajjad, 2021). Through empirical analysis and case studies, the study identifies barriers to and enablers of successful knowledge sharing practices in Vietnam, with particular emphasis on the role of digital technologies in overcoming geographical constraints, enhancing real-time communication, and fostering communities of practice. Additionally, the research examines how government-led digitization initiatives, such

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as the development of digital infrastructure, provision of e-government services, and establishment of technology parks, can enhance information exchange and promote collaboration between the public and private sectors. By assessing the extent to which digital platforms, social networks, and virtual collaboration tools facilitate knowledge sharing and innovation, the study offers valuable insights into how government interventions can support and catalyse knowledge-sharing endeavours within Vietnam's private sector.

Furthermore, this research delves into the pivotal domain of knowledge application, characterized by the integration of information and insights into organizational operations, products, and services to drive value creation and competitive advantage. It seeks to uncover optimal practices, barriers, and opportunities for enhancing the effectiveness of knowledge application strategies by examining how private enterprises in Vietnam translate their knowledge assets into tangible outcomes. This inquiry underscores the importance of aligning knowledge application endeavours with organizational objectives and market demands, while also highlighting how government incentives and regulations can stimulate innovation-led growth, as noted by (Zabala-Iturriagagoitia, 2022). Exploring the potential of emerging technologies such as blockchain, data analytics, and artificial intelligence to catalyse sustainable innovation in Vietnam's private sector and streamline knowledge application processes is also a focus of this study. Additionally, it underscores the significance of investing in digital infrastructure and capabilities to optimize the outcomes of knowledge management and digitalization initiatives. To enhance employee digital literacy and skills, investment in digital training programs, expanded access to digital tools and platforms, and improved internet connectivity are recommended (Nedungadi, Menon, Gutjahr, Erickson, & Raman, 2018). Moreover, initiatives such as technology incubators, innovation awards, and open data initiatives can offer valuable resources and support to private enterprises seeking to leverage digital technologies for innovation and growth (Battistella, De Toni, & Pessot, 2018). Fostering a culture of experimentation, risk-taking, and innovation within private enterprises is another key recommendation of this study, which may involve promoting a positive corporate culture, providing leadership support, and offering incentives to employees who propose ideas, experiment with new technologies, and view failure as a learning opportunity. Additionally, initiatives such as innovation challenges, hackathons, and cross-functional collaboration can provide employees with opportunities to collaborate, share ideas, and collectively develop innovative solutions to complex challenges (Pihlajamaa & Merisalo, 2021).

IMPLICATIONS

The study carries significant implications for various stakeholders in Vietnam's private sector, academia, policymakers, and corporate leaders. It underscores the importance of fostering a conducive environment for knowledge creation, sharing, and application

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within private enterprises through investments in R&D, collaborative initiatives, and supportive regulations. Additionally, it emphasizes the pivotal role of government-led digitization initiatives in enhancing innovation capacity by providing e-government services, technology parks, and digital infrastructure to facilitate cooperation, information exchange, and technology adoption. Furthermore, the study emphasizes the utilization of digital tools such as blockchain, data analytics, and artificial intelligence to enhance knowledge management processes and drive sustainable innovation. Addressing challenges related to digital literacy, data security, and technical infrastructure is crucial for leveraging knowledge management and digitalization effectively to enhance competitiveness and economic growth. Policymakers can leverage these findings to formulate policies aimed at enhancing innovation capacity through effective knowledge management systems.

LIMITATIONS

Despite its contributions, this study has limitations. Firstly, the diverse nature of Vietnam's private sector, spanning various industries, firm sizes, and locations, may hinder the generalization of findings. The focus on private businesses may overlook state-owned enterprises and SMEs, which are significant players in Vietnam's economy. Additionally, the reliance on quantitative and qualitative data may limit the scope of research and overlook contextual nuances. Restricted access to confidential data from private businesses may introduce biases or gaps in the findings. Moreover, the study's focus may overlook broader socioeconomic factors influencing Vietnam's innovation ecosystem, such as cultural norms and legal frameworks. Lastly, the rapidly evolving technology landscape may render some conclusions outdated, necessitating continuous research updates for ongoing relevance.

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