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# Business Transformation In Emerging Markets: Insights From Vietnam

Do Van Anh  
Dao Thi Thanh Binh  
Luong Ngoc Minh (*Editors*)



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**Do Van Anh**

Hanoi University, Vietnam

**Dao Thi Thanh Binh**

Hanoi University, Vietnam

**Luong Ngoc Minh**

Hanoi University, Vietnam



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## INTRODUCTION

Emerging markets are undergoing profound business transformation driven by digitalization, artificial intelligence, sustainability, changing workforce expectations, evolving consumer behaviour, and increasing integration into global markets. These developments require organizations not only to respond to technological change but also to reconsider how they create value, manage people, govern organizations, engage customers, and build sustainable competitive advantage. Vietnam provides a particularly dynamic context in which to examine these transformations. Rapid economic development, increasing international integration, an expanding digital economy, and the emergence of new business models have created significant opportunities for Vietnamese organizations. At the same time, businesses are facing growing pressure to improve governance, accelerate digital transformation, develop adaptable workforces, respond to changing customer expectations, and integrate sustainability into their strategies and operations.

A central premise of this volume is that business transformation extends beyond the adoption of new technologies. Digital technologies and artificial intelligence are important drivers of change, but sustainable transformation also depends on organizational capabilities, human resources, leadership and governance, customer understanding, innovation, and the ability to respond effectively to social and environmental expectations. Transformation therefore emerges from the interaction between technology, people, organizational systems, markets, and sustainability. The volume also emphasizes the importance of contextualized business research. Rather than viewing Vietnam merely as a setting in which established management theories can be tested, the studies demonstrate how the distinctive characteristics of an emerging economy can contribute to broader discussions of contemporary management and business transformation. The empirical evidence generated from Vietnamese organizations, employees, consumers, and industries provides insights that may also be relevant to businesses operating in other rapidly developing economies.

The chapters originate from research addressing practical business problems while maintaining an academic and evidence-based approach. Collectively, they demonstrate the value of connecting postgraduate business education with research and professional practice. By investigating real organizations, industries, employees, managers, and customers, the contributors illustrate how systematic research can support better understanding and decision-making in rapidly changing business environments.

The chapters are organized to reflect the diverse but interconnected dimensions of business transformation in Vietnam, moving from tourism and hospitality transformation, through

digitalization and organizational change, to sustainability, governance, human resources, and market development.

The volume opens with *“Factors Influencing Tourists’ Decision to Choose an Ecotourism Destination: The Case of Pu Luong Retreat Vietnam”*. The chapter examines the factors shaping tourists’ decisions to select an ecotourism destination through the case of Pu Luong Retreat. The second chapter, *“Digital Transformation in Vietnam’s Hospitality Industry: Towards a Smart Hotel Framework”* moves from tourist decision-making to the transformation of hospitality operations. It examines the role of digital technologies in reshaping hotel services and operations and considers the development of a smart hotel framework appropriate to the Vietnamese hospitality context. The technological dimension of transformation is further developed in *“Aligning Human Resource Systems with AI-First Business Transformation: A Case Study of Software Engineers at FPT Software, Vietnam”*. Rather than treating artificial intelligence simply as a technological issue, the chapter considers its implications for human resource management and examines how HR systems can be aligned with an AI-first transformation strategy. This perspective is complemented by *“Data-Driven Decision Making in Digital Marketing Optimization and Operational Performance: Empirical Evidence from Vietnamese Retailers”*. The chapter investigates the growing role of data in managerial decision-making, particularly the ways in which data-driven approaches can support digital marketing optimization and contribute to operational performance in the Vietnamese retail sector.

The volume then turns to the customer experience with *“Antecedents and Behavioural Outcomes of Memorable Tourist Experience of International Tourists in Vietnam.”* The study investigates the factors contributing to memorable tourist experiences and examines their subsequent behavioural outcomes. Sustainability becomes the central concern of the following chapter, *“The Impact of Sustainable Practices on Business Performance in Vietnam’s Food Service Industry.”* The study examines whether and how sustainable business practices contribute to organizational performance in the food service sector. In doing so, it positions sustainability not merely as a corporate responsibility issue but as an increasingly important dimension of business strategy and value creation. The next chapter *“Impact of Executive Compensation on Firm Performance: Empirical Evidence from Vietnamese Banks,”* shifts attention to corporate governance and organizational performance. By examining the relationship between executive compensation and firm outcomes in Vietnamese banks, the study contributes to understanding how incentive structures may influence organizational effectiveness within the financial sector. Organizational transformation is explored from a different perspective in *“Evaluating Agile Maturity in Software Development and Proposing an*

*Improvement Model: The Case Study of Prep Technology Joint Stock Company.*”The chapter evaluates the maturity of Agile practices in a technology organization and proposes an improvement model, illustrating how organizational processes and capabilities need to evolve alongside technological and market change.

The subsequent part of the volume gives greater attention to the human dimension of business transformation, *“Factors Influencing Employee Adaptability in a Fast-Changing Operational Environment: A Case Study of Shopee Vietnam’s Business Development Team”* investigates the factors that enable employees to adapt to rapidly changing organizational environments. The chapter highlights employee adaptability as an increasingly important capability for organizations operating under conditions of continuous change. The market-facing dimension of transformation is addressed in *“Enhancing Brand Equity for Royal Long An Golf & Country Club.*” Focusing on strategic brand development, the chapter considers how organizations can strengthen brand equity and customer perceptions in an increasingly competitive service market.

The volume then returns to governance through *“The Effect of Corporate Governance on Risk-Taking Behavior in Vietnamese Commercial Banks.”* This chapter examines the relationship between governance mechanisms and organizational risk-taking, providing further insight into how governance structures shape strategic and managerial behaviour in Vietnamese financial institutions. Changes in the organization of work are examined in *“Flexible Work Arrangements and Work Outcomes Across Generations: The Mediating Role of Perceived Organizational Support.”* The study explores the relationship between flexible work arrangements and employee outcomes across different generations, while drawing attention to perceived organizational support as an important mechanism through which workplace practices influence employees. The volume concludes with *“Motivations to Cruise in Ha Long Bay, Vietnam,”* which examines the motivations underlying tourists’ decisions to choose cruise experiences in Ha Long Bay. The chapter contributes to a more nuanced understanding of tourist behaviour and provides insights relevant to the development and positioning of tourism products in one of Vietnam’s most internationally recognized destinations.

Although the chapters address different sectors and research problems, several common themes connect them.

First, the studies demonstrate the increasing importance of digital and technological transformation. From smart hotels and data-driven marketing to Agile software development and AI-first organizations, technology is changing both how businesses operate and how they organize people and resources. Importantly, the chapters also show that technological adoption

alone does not constitute transformation. Organizations need corresponding changes in capabilities, processes, human resource systems, and managerial decision-making.

Second, people remain central to transformation. Employee adaptability, organizational support, flexible working arrangements, and human resource alignment demonstrate that organizational transformation ultimately depends on how individuals experience and respond to change. Technology and strategy may provide the infrastructure for transformation, but employees translate these changes into organizational outcomes.

Third, the volume highlights the importance of governance and organizational systems. The studies of executive compensation and corporate governance in Vietnamese banks illustrate how governance structures and managerial incentives can influence firm performance and risk-taking. These issues become particularly important as organizations grow in scale and complexity.

Fourth, several chapters demonstrate a shift toward customer- and experience-centred value creation. Research on ecotourism destination choice, memorable tourist experiences, cruise motivations, and brand equity shows that organizations increasingly need to understand the psychological, experiential, and behavioural factors underlying customer decisions.

Finally, sustainability cuts across many of these transformations. It is addressed explicitly through sustainable practices in food services and ecotourism, but it also has broader implications for governance, organizational development, tourism, and long-term value creation. The studies presented in this volume provide a snapshot of Vietnamese businesses and industries at an important stage of economic and organizational development. They show organizations experimenting with new technologies, new approaches to work, new forms of customer engagement, more sophisticated governance practices, and increasingly explicit commitments to sustainability. At the same time, the findings underline the importance of context. Management practices cannot always be transferred unchanged from one economy or organizational environment to another. Institutional conditions, organizational cultures, workforce characteristics, consumer expectations, and stages of technological development all influence how particular practices operate. Vietnam therefore offers more than an empirical location for these studies. It provides a valuable context for understanding how global forces of business transformation are interpreted and implemented within an emerging economy. The Vietnamese cases presented in this book provide evidence of both the opportunities and complexities involved in this process. They also demonstrate the value of locally grounded empirical research in contributing to broader conversations about management and organizational transformation.

## **FACTORS INFLUENCING TOURISTS' DECISION TO CHOOSE AN ECOTOURISM DESTINATION: THE CASE OF PU LUONG RETREAT VIETNAM**

**Hoang Thi Thu Phuong, Vu Viet Dung, Bui Tran Phuong Hoa**

*British University Vietnam, Hanoi University*

### **Abstract**

Small and medium-sized tourism enterprises in emerging markets increasingly compete through customer experience, yet many still allocate marketing resources based on intuition instead of evidence. This chapter examines which perceived attributes actually convert traveller interest into an accommodation booking, using Pu Luong Retreat, a nature-based property in Thanh Hoa Province, Vietnam, as the case organization. A structured survey collected 308 responses from domestic and international tourists spanning three decision stages: prospective visitors, confirmed bookers, and past guests. After screening for straight-line responding, 252 valid cases were analysed using ordinary least squares regression, supplemented by non-parametric group comparisons. Four constructs were tested as direct predictors of behavioural intention. The model explains approximately half of the variance in tourists' decision. Economic and practical factors emerged as the strongest driver, followed by eco-destination image and push motivation, whereas service quality and hospitality showed no independent effect once value and image were accounted for. The findings reveal an importance-performance gap: the attribute that most strongly predicts choice is also the one on which the property is rated weakest. The chapter translates this evidence into a prioritised marketing transformation agenda for resource-constrained tourism operators.

**Keywords:** *business transformation; ecotourism; destination choice; perceived value; emerging markets; evidence-based marketing*

### **1. Introduction**

Vietnam's tourism sector has re-entered a period of rapid growth, recording 17.5 million international arrivals in 2024 and further growth in 2025 (Vietnam National Authority of Tourism, 2025, 2026). Alongside this recovery, travellers increasingly favour nature-based, low-density, and culturally embedded experiences, while sustainability has become an important accommodation consideration (Booking.com, 2023). For small and medium-sized tourism enterprises, this shift creates both opportunities and challenges, as customers increasingly purchase an experience that cannot be fully evaluated before consumption (Pine & Gilmore, 1999).

Pù Luông Nature Reserve in Thanh Hoa Province reflects this transition. Once a peripheral trekking destination, the area has experienced substantial accommodation investment over the past decade (Thanh Hoa Department of Culture, Sports and Tourism, 2023). Pu Luong Retreat now competes with more than seventy properties offering similar terraced landscapes, eco-lodge architecture, and sustainability messages. The key strategic question is therefore not whether the destination is attractive, but which perceived attributes differentiate properties at the point of booking.

Existing research provides only partial guidance. Destination-choice studies identify economic considerations, accessibility, and destination attributes as influential (Mutinda & Mayaka, 2012; Dahiya & Batra, 2016), while push-pull theory distinguishes internal travel motives from destination-side attractions (Dann, 1977; Crompton, 1979). Destination image is also established as an antecedent of tourist choice (Echtner & Ritchie, 1993; Baloglu & McCleary, 1999), with recent research extending this concept to eco-destination image (Chi & Pham, 2024). However, these perspectives are rarely integrated and tested among customers of a single tourism operator. Consequently, a gap remains between what existing literature explains and what individual accommodation businesses can translate into marketing decisions.

This chapter addresses this gap by estimating a destination-choice model using the customer base of a single enterprise and interpreting the findings alongside customers' demographic and behavioural profiles. It has three objectives: to examine the effects of service quality and hospitality, push motivations, economic and practical factors, and eco-destination image on tourists' decisions; to identify the strongest influence; and to translate the findings into an actionable marketing transformation agenda. Section 2 develops the framework and hypotheses, Section 3 explains the methodology, Section 4 presents and interprets the results, Section 5 discusses managerial implications, and Section 6 concludes.

## **2. Literature Review**

### **2.1. Push-pull motivation and destination choice**

The push-pull framework remains one of the most widely applied lenses for understanding travel behaviour. Dann (1977) argued that push motivation originates in internal needs, particularly the desire to escape routine and to gain recognition, while Crompton (1979) identified specific socio-psychological motives and demonstrated that destination attributes on the pull side interact with those internal needs. The framework's enduring value lies in its separation of why people travel from where they choose to go (Chi & Pham, 2024). Applied to accommodation choice, it implies that push motives establish the intention to travel, whereas pull-side evaluations determine which property captures that intention.

Empirical work in emerging markets supports the salience of practical, pull-side considerations. Mutinda and Mayaka (2012) found that economic factors and travel arrangements shaped destination choice among domestic tourists in Kenya, and Dahiya and Batra (2016) reported comparable emphasis on affordability, transportation, and convenience among Indian travellers. Latifah et al. (2024), examining young Indonesian travellers' motivation to visit Vietnam, similarly identified travel standards, affordability, and amenities alongside cultural and natural attractions.

## **2.2. Destination image and eco-destination image**

Destination image has long been treated as a direct antecedent of choice: travellers act on their perceptions of a place, and a more favourable image raises the probability that the destination is selected (Echtner & Ritchie, 1993). Baloglu and McCleary (1999) distinguish a cognitive dimension, comprising beliefs about attributes, from an affective dimension, comprising feelings toward the place, with overall image mediating the path to visitation intention. Chi and Pham (2024) extend this logic to ecotourism, defining eco-destination image as the overall impression of a destination as naturally beautiful, undisturbed, and unpolluted.

In markets where competing properties share the same landscape, image operates less as a differentiator between destinations than as a shared asset that individual operators both draw upon and contribute to. This raises a practical question of attribution: if the ecological image belongs to the destination rather than the property, does it still influence which property a traveller books?

## **2.3. Service quality as a competitive attribute**

Service quality is conventionally modelled as a determinant of satisfaction and loyalty (Parasuraman et al., 1988; Grönroos, 1984). The two-factor tradition in hospitality research complicates this expectation. Cadotte and Turgeon (1988) distinguish attributes whose absence produces dissatisfaction from those whose presence produces satisfaction, implying that once a competitive threshold is reached, further service investment may not differentiate providers. Whether service quality functions as a differentiator or a hygiene factor is therefore an empirical question specific to market conditions.

## **2.4. Behavioural intention as the dependent construct**

Because actual booking behaviour cannot be observed prospectively, this study follows established practice in modelling behavioural intention. Sheeran (2002) documents a substantial, if imperfect, intention-behaviour association across domains, and Um and Crompton (1990) establish intention as the accepted dependent construct in destination-choice

research. Intention is treated here as a proxy for choice, with the limitation acknowledged in Section 6.

### **2.5. Conceptual framework and hypotheses**

The framework tested in this chapter models tourists' decision as a function of four constructs, each entered as a direct predictor. Service quality and hospitality capture the perceived competence and warmth of the property's service delivery. Push motivational factors capture internal drives toward escape, relaxation, learning, and novelty. Economic and practical factors capture price fairness, value for money, accessibility, and the availability of booking information. Eco-destination image captures the perception of Pù Luông as ecological, scenic, and unspoiled.

An earlier specification of this research operationalised seven constructs, additionally including destination attributes, environmental awareness, and social influence. Review of the measurement instrument revealed content overlap: destination-attribute items duplicated the wording of the eco-destination-image scale, environmental awareness represents a personal value orientation belonging to neither the push nor the pull side of the framework, and social influence is conceptually contained within the social motives captured by push motivation. The model was therefore simplified to four theoretically distinct predictors. The excluded constructs were retained in the instrument and are reported descriptively.

Four hypotheses follow:

H1: Service quality and hospitality positively influence tourists' intention to choose Pù Luông for an ecotourism stay.

H2: Push motivational factors positively influence tourists' intention to choose Pù Luông for an ecotourism stay.

H3: Economic and practical factors positively influence tourists' intention to choose Pù Luông for an ecotourism stay.

H4: Eco-destination image positively influences tourists' intention to choose Pù Luông for an ecotourism stay.

## **3. Research Methodology**

### **3.1. Research design and data collection**

A structured self-administered questionnaire was distributed through the case organization's booking and communication channels, yielding 308 responses from domestic and international tourists in a single wave of data collection. The sampling frame was deliberately restricted to individuals with a concrete relationship to the property: past guests,

travellers holding confirmed bookings, and prospective visitors actively considering a stay. This design links measured intention to a specific purchase decision, not general travel attitudes.

**3.2. Sample and screening**

Because all items shared a common five-point Likert format, responses were screened for straight-line answering, defined as identical responses across all 31 Likert items. Fifty-six cases (18.2%) met this criterion and were excluded, leaving an analytical sample of 252. The screening materially affects inference: on the unscreened sample the same specification returns a coefficient of determination of .693, compared with .496 after screening, indicating substantial inflation from undifferentiated responding.

The retained sample comprises 136 domestic and 116 international respondents, distributed across three decision stages: 56 prospective visitors (22.2%), 112 confirmed bookers (44.4%), and 84 past guests (33.3%). Two-thirds of respondents had therefore not yet experienced the property at the time of measurement.

**3.3. Measures**

All constructs were measured with multi-item five-point Likert scales adapted from validated instruments and adjusted to the study context. Push motivational factors, eco-destination image, and tourist decision were adapted from Chi and Pham (2024); service quality and hospitality from Le (2024); and economic and practical factors from the destination-choice inventory of Mutinda and Mayaka (2012). Composite scores were computed as item means. Table 1 reports internal consistency.

*Table 1. Reliability of the measurement scales (n = 252)*

| Construct                           | Items | $\alpha$ | Interpretation |
|-------------------------------------|-------|----------|----------------|
| Tourist Decision (TD)               | 4     | 0.914    | Excellent      |
| Service Quality & Hospitality (SQH) | 4     | 0.904    | Excellent      |
| Push Motivational Factors (PMF)     | 5     | 0.848    | Good           |
| Economic & Practical Factors (EPF)  | 4     | 0.821    | Good           |
| Eco-destination Image (EDI)         | 4     | 0.906    | Excellent      |

Note. All coefficients exceed the conventional threshold of 0.70 (Hair et al., 2019).

**3.4. Analytical procedure**

Analysis proceeded in four stages. Descriptive statistics characterised the sample and the construct distributions. Cronbach's alpha assessed internal consistency. Because all constructs were measured with a single instrument at one point in time, Harman's single-factor test was applied to gauge common method bias; the first unrotated factor accounted for 47.2% of variance, below the 50% threshold conventionally cited (Podsakoff et al., 2003). Pearson correlations and ordinary least squares regression then tested the hypothesised effects. The Breusch-Pagan test did not reject homoscedasticity, so conventional standard errors are reported. Because composite scores were strongly negatively skewed, non-parametric tests were used for group comparisons: Kruskal-Wallis H tests across decision stages and Mann-Whitney U tests between domestic and international respondents.

#### **4. Findings and Discussion**

##### **4.1. Respondent profile**

The customer base is narrow and coherent. Respondents are predominantly female (61.0%) and concentrated in the 26-35 age bracket (50.6%); office-based professionals account for 49.4% and freelancers for a further 18.2%. Two-thirds travel as a couple (37.7%) or with family (29.9%), while solo travellers (5.2%) and organised groups (1.3%) are negligible. Respondents generally preferred quiet experiences. Relaxing in nature (28.6%) and exploring local culture (26.0%) together accounted for more than half of the sample, while only 7.8% preferred luxury stays.

Income shows a bimodal distribution: 36.0% earn between US\$400 and US\$800 per month and an equal 36.0% earn above US\$1,600. The property therefore serves two distinct wallets simultaneously, a structural feature with direct implications for packaging.

A tension appears when stated priorities are compared with modelled drivers. Asked what they prioritise when choosing a destination, respondents named natural landscape (80.5%) and peaceful atmosphere (68.8%) far more often than reasonable price (48.1%), and environmentally friendly practices were named by only 20.8%. The regression results reported below tell a different story.

##### **4.2. Descriptive statistics and construct differences**

Table 2 reports construct means. Eco-destination image records the highest rating, consistent with the strong appeal of the natural setting, while economic and practical factors record the lowest. All constructs are negatively skewed, reflecting generally favourable evaluations among a self-selected audience.

*Table 2. Descriptive statistics of the model constructs (n = 252)*

| Construct | M | SD | Skewness | Min-Max |
|-----------|---|----|----------|---------|
|-----------|---|----|----------|---------|

| Construct                     | M     | SD    | Skewness | Min-Max   |
|-------------------------------|-------|-------|----------|-----------|
| Tourist Decision (TD)         | 3.829 | 0.898 | -0.958   | 1.00-5.00 |
| Service Quality & Hospitality | 4.138 | 0.829 | -1.477   | 1.00-5.00 |
| Push Motivational Factors     | 3.997 | 0.732 | -1.421   | 1.00-5.00 |
| Economic & Practical Factors  | 3.690 | 0.748 | -0.754   | 1.00-5.00 |
| Eco-destination Image         | 4.167 | 0.785 | -1.953   | 1.00-5.00 |

Group comparisons provide further managerial insight across decision stages and market segments. Past guests rate service quality, push motivation, and eco-destination image more highly than prospective visitors, suggesting that direct experience reinforces perceptions of the service, underlying motives, and destination image. Economic and practical factors show the opposite pattern, declining to 3.560 among past guests, as value is assessed more critically after payment. International respondents also rate eco-destination image (4.319 versus 4.037,  $p < .001$ ) and push motivation (4.103 versus 3.906,  $p = .001$ ) significantly higher than domestic respondents. However, the two groups do not differ in stated intention ( $p = .402$ ) or value evaluation ( $p = .779$ ). Domestic respondents instead report significantly greater influence from recommendations and online reviews (3.853 versus 3.529,  $p = .001$ ).

### 4.3. Correlation and regression results

All four predictors correlate positively and significantly with tourists' decision, ranging from  $r = .540$  for service quality to  $r = .634$  for eco-destination image (all  $p < .001$ ). Inter-predictor correlations are moderate to high, peaking at  $r = .706$ , so multicollinearity diagnostics are reported alongside the regression estimates.

Table 3 reports the regression results. The model is highly significant,  $F(4, 247) = 60.71$ ,  $p < .001$ , and explains approximately half of the variance in tourists' decision ( $R^2 = .496$ , adjusted  $R^2 = .488$ ), a large effect by conventional behavioural-science benchmarks (Cohen, 1988). Variance inflation factors range from 1.67 to 2.88, comfortably below the threshold of 10.

*Table 3. OLS regression predicting Tourist Decision (n = 252)*

| Predictor                     | b        | SE    | t    | $\beta$ | p     | VIF  |
|-------------------------------|----------|-------|------|---------|-------|------|
| Service Quality & Hospitality | 0.112    | 0.072 | 1.56 | 0.103   | .119  | 2.14 |
| Push Motivational Factors     | 0.176*   | 0.082 | 2.16 | 0.143   | .032  | 2.17 |
| Economic & Practical Factors  | 0.374*** | 0.070 | 5.34 | 0.312   | <.001 | 1.67 |

| Predictor             | b       | SE    | t     | $\beta$ | p    | VIF  |
|-----------------------|---------|-------|-------|---------|------|------|
| Eco-destination Image | 0.308** | 0.088 | 3.51  | 0.269   | .001 | 2.88 |
| Constant              | -0.002  | 0.254 | -0.01 | —       | .995 | —    |

Note. DV = Tourist Decision.  $R^2 = .496$ ; adjusted  $R^2 = .488$ ;  $F(4, 247) = 60.71$ ,  $p < .001$ .

Breusch-Pagan  $\chi^2(4) = 5.57$ ,  $p = .234$ , so conventional standard errors are reported. Mean VIF = 2.22. Significance: \*\*\*  $p < .001$ , \*\*  $p < .01$ , \*  $p < .05$ .

Three of the four hypotheses are supported. Economic and practical factors constitute the strongest individual effect ( $\beta = .312$ ,  $p < .001$ ), followed by eco-destination image ( $\beta = .269$ ,  $p = .001$ ) and push motivation ( $\beta = .143$ ,  $p = .032$ ). Service quality and hospitality is not supported as an independent predictor ( $p = .119$ ).

#### 4.4. Interpretation

Economic and practical factors were the strongest predictor, consistent with Mutinda and Mayaka (2012), Dahiya and Batra (2016), and Zeithaml's (1988) perceived-value framework. Their low mean but high regression weight indicates an importance-performance gap (Martilla & James, 1977), particularly relevant because most respondents were prospective visitors relying on verifiable pre-visit cues such as price, inclusions, and accessibility.

Eco-destination image also significantly influenced choice, supporting Chi and Pham (2024), while push motivation had a weaker effect, possibly because respondents had already selected Pù Luông as their destination. In contrast, service quality was not significant despite its strong correlation with intention ( $r = .540$ ). Its high mean and stronger ratings among past guests suggest that service may function as a hygiene factor (Cadotte & Turgeon, 1988): service quality is strong, but prospective customers lack sufficient evidence of it before booking.

Finally, because the evaluative constructs remain correlated, particularly eco-destination image, individual coefficients should be interpreted as marginal effects. Thus, the overall relationship between favourable evaluations and intention is more robust than the precise ranking of individual predictors.

#### 5. Managerial Implications

Taken together, the findings point to a set of marketing priorities rather than a broad call for further investment. This distinction is especially important for enterprises with limited financial and managerial resources, since the greatest returns are likely to come from reallocating effort rather than simply increasing expenditure.

The clearest managerial priority emerges from the relationship between importance and performance. Perceived value exerts the strongest influence on decision-making, yet it receives

the weakest evaluation among the principal drivers. Because value is formed through a comparison of benefits and sacrifices, improving it does not necessarily require lower prices. A more effective response is to make benefits easier to recognise while reducing the uncertainty, effort, and time associated with planning and booking. Itemised package inclusions, clear transfer costs and schedules, and comprehensive pre-arrival guidance would allow potential guests to understand what they are paying for before making a commitment.

The income distribution does not support reliance on a single rate structure. Instead of organising offers primarily around room categories, the retreat should provide two clearly differentiated packages. An entry-level option combining accommodation, breakfast, and a guided village walk, with transfers shown separately, would suit mid-income travellers who regard the stay as a considered expense. For higher-income customers, an inclusive package could combine meals, spa access, and a guided activity. This structure encourages self-selection and changes the conversation from whether the price is acceptable to which package offers the better fit.

Eco-destination image independently shapes choice, but prospective visitors evaluate it less favourably than those who have already stayed. Visual content should therefore play a central role during acquisition rather than serving only as post-stay or retention material. Priority should be given to strong ecological storytelling across the platforms where travellers first encounter the destination. Seasonal campaigns are also needed to challenge the assumption that Pù Luông is appealing only during a limited period of the year.

The difference between the evaluations of past guests and prospective visitors suggests a communication problem rather than an operational weakness. Past guests rate service quality highly, whereas potential customers have not yet seen enough evidence to form the same judgement. Further service investment may therefore produce less value than making current standards more visible. Testimonials should refer to specific service encounters, booking pages should state expected response times, and guests could be introduced to named staff before arrival. Such measures make an otherwise intangible attribute more credible and reduce uncertainty before purchase.

Domestic and international travellers show different decision patterns. International visitors respond more strongly to ecological image and experiential appeal, highlighting the importance of persuasive visuals and credible information on international booking platforms. Domestic travellers rely more on recommendations and online reviews (Litvin et al., 2008), suggesting that Vietnamese-language communication should emphasise verified reviews and transparent

pricing. As booking intention does not differ significantly between the two groups, international travellers may mainly require clearer information to convert interest into bookings.

For managers of comparable enterprises, the transferable lesson is methodological as much as substantive. Stated priorities describe what brings a destination into the consideration set; modelled drivers describe what converts consideration into a booking. Designing a marketing programme from stated priorities alone risks over-investing in attributes that every competitor also claims. For policymakers and destination management organisations, the influence of ecological image on customer choice suggests that destination-level environmental stewardship can generate commercial benefits for individual operators, supporting coordinated investment.

## **6. Conclusion**

This chapter examined which perceived attributes convert traveller interest into accommodation booking in an emerging-market ecotourism setting. Based on 252 screened responses from a single property's actual and prospective customers, the four-factor model explained about half of the variance in tourists' decision. Economic and practical factors were the strongest driver, followed by eco-destination image and push motivation, while service quality and hospitality had no independent effect once value and image were controlled for.

The chapter makes three main contributions. Theoretically, it integrates push-pull and destination-image perspectives within a single-operator context, showing that eco-destination image can directly influence enterprise-level customer choice. Methodologically, it demonstrates the importance of response-quality screening, as explained variance declined from .693 to .496 after undifferentiated responses were removed. Practically, it translates the findings into a prioritised marketing transformation agenda based on importance-performance analysis.

The findings should be interpreted with several limitations. The study relies on cross-sectional self-report data, correlated evaluative constructs, and behavioural intention rather than observed bookings. Future research could apply structural equation modelling, longitudinal designs, and multi-group analysis across multiple properties to test construct relationships over time and assess whether the dominance of economic and practical factors generalises beyond this case.

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## **DIGITAL TRANSFORMATION IN VIETNAM'S HOSPITALITY INDUSTRY: TOWARDS A SMART HOTEL FRAMEWORK**

**Chu Thi Phuong Thao**

*IMC Krems University*

### **Abstract**

**Background:** The 4.0 revolution, the recover of international arrivals after COVID-19, and rising guest expectations are requiring hotels across thriving markets to practice digitalization, yet Vietnamese hospitality researches remain fragmented across single-technology or single-outcome studies. **Purpose:** This conceptual paper synthesizes the distinguished literatures on digital transformation to smart hotels, and organizational capabilities to propose an integrative framework explaining how Vietnamese hotels move from separate technology adoption to ensured business transformation. **Method:** Narrative literature review and thematic analysis of peer-reviewed literature, industry reports, and government publications focusing on post-Covid period between 2020-2026 from both international and Vietnam context. **Findings:** The proposed model integrates four interrelated layers of capabilities that progress from enabling technology resources to digital business transformation outcomes; contextualized within unique boundary conditions present in Vietnam: resource constraints faced by SMEs, skill gaps, and maturing government support. **Contributions:** The SHDT framework provides hoteliers, owners, suppliers, and authorities with guideline to focus on capability-development rather than technology adapting behaviors. It also provides academic researchers with several propositions that can be empirically tested in future studies.

**Keywords:** *digital transformation; smart hotel; dynamic capabilities; hospitality industry; Vietnam*

### **1. Introduction**

#### **1.1. Background**

Value creation and delivery mechanisms have been changed due to advancement of technology under the context of Fourth Industrial Revolution. Hospitality industry is one of the many industries undergoing significant changes right before our eyes. Smart technology like AI, IoT, big data, cloud, mobile applications, and contactless solutions have been implemented into hotel operations globally, transforming processes such as reservations, check-in, housekeeping, energy management, guest personalization and more. Hotel technology is also on the rise in Vietnam as the country's tourism and hospitality industry recovers following a devastating year due to COVID-19. BDP+Partners (2025) predicts that the Vietnamese hospitality technology

market will increase from approximately USD 5.88 billion in 2025 to USD 11.29 billion by 2030.

Digital transformation also occurred at the behest of government policy. Vietnam's Ministry of Culture, Sports and Tourism charted the course for digital destination marketing, booking services, and enterprise management with its approval of the Digital Tourism Development Plan for 2021-2025 (Ministry of Culture, 2022). Meanwhile, Vietnam's Prime Minister issued Decision No. 10 33/QĐ- TTg approving the Action Program on Digital Economy and Digital Society Development for the period of 2026-2030 to "make breakthroughs in digital infrastructure, data and society governance; develop industries empowered by the Internet and intelligent technology," specifically naming the hospitality sector among those industries to benefit from such support (Prime Minister of Vietnam, 2026). Within this context, luxury hotels have piloted smart-room features, AI concierge bots, facial recognition check-in, and service robots (Nguyen et al., 2026), while smaller counterparts such as SME hotels-leading numerical growth in Vietnam's lodging sector-have been slower and more selective in their digital adoption decisions (Tung & Lin, 2024).

Despite growing enthusiasm for digital technologies, many Vietnamese hotels have adopted them piecemeal-an online booking engine here, a mobile check-in kiosk there-without a coherent organizational strategy connecting these tools to broader business transformation. Existing empirical studies confirm that individual technologies are diffusing (Nguyen & Luu, 2025) and that specific adoption decisions, such as service robots, are shaped by identifiable organizational and environmental factors (Nguyen et al., 2026), yet there remains limited understanding of how these discrete technologies collectively constitute a transformation into a 'smart hotel,' and what organizational capabilities are required to sustain that transformation beyond isolated tool adoption.

Despite the important findings made by previous studies, literature about digital transformation in Vietnamese hospitality industries remains fragmented in three aspects. First, many studies attempt to explain whether hotels adopt digital technologies but not how these technologies can become embedded into hotel routines and transform hotel operations. Second, studies often focus on one aspect of technology, organizational capabilities, or business outcomes at the expense of others. Empirical findings rarely tell the whole story of transformation: i.e., a sequential capability-building process that connects technology, capabilities, and outcomes. Third, given the rising influence of national-level digital transformation policies shaping institutions, few studies integrate these policies into their theoretical frameworks of hotel transformation.

Until now, there is still proper framework explaining how Vietnamese hotels can move from solely technology adoption to capability building, business operation transformation, and sustainable business transformation within their institutional environment. Attempting to fill this gap, we introduce the Smart Hotel Digital Transformation (SHDT) framework. SHDT views digital transformation as a process of building dynamic capabilities (vs. a series of independent technology adoption decisions).

The purpose of this study is to build an integrative review of literature on digital transformation, smart hotels, and organizational capabilities to advance our understanding of smart hotel transformation, particularly: (1) technologies and practices associated with smart hotel digital transformation efforts, specifically focusing on how digital technologies are adopted and used in hotels in Vietnam; (2) identifying the requisite capabilities that hotels must possess and cultivate to effectively convert technology adoption into true business transformation; (3) developing an integrative conceptual framework that relates these technologies, capabilities, practices, and ultimately business impacts nested in institutional contexts in Vietnam; and (4) develop propositions to inspire future empirical studies.

- RQ1: What technologies and practices characterize smart hotels in the Vietnamese context?
- RQ2: What organizational capabilities enable hotels to translate digital technology adoption into business transformation?
- RQ3: How do these technologies and capabilities jointly enhance business competitiveness, resilience, and sustainability for hotels operating in Vietnam?

## **2. Literature Review**

### **2.1. Digital Transformation in Hospitality**

Digital transformation (DT) has been defined as “the intentional, continuous, and determined use of digital technologies-cloud, big data, internet-of-things, artificial intelligence-to change businesses, how they operate and how they create value” (Bui & Truong, 2025; Westernman et al., 2014). DT deploys new technologies to reinvent business models, value propositions, and processes rather than simply automating existing processes (Bui & Truong, 2025). DT requires “embracing new mindsets, organizing people, data, and processes differently, and redesigning how value is created and delivered” (Bui & Truong, 2025). Tourism and hospitality scholars have applied DT to specific industry functions, including destination marketing communications (Bui & Truong, 2025; Nguyen & Luu, 2025), guest communications (Nguyen & Luu, 2025), data-driven decision-making (Duarte Alonso et al., 2025), and guest service delivery processes. Scholars agree that DT allows tourism and hospitality firms to better adapt

to increasingly volatile demand environments while also generating new bases of competitive advantage (Nguyen & Luu, 2025).

Three themes emerge consistently in hospitality DT scholarship. First, DT leads to changes to internal operational processes. Electronic exchange of data decreases transaction times and increases overall operational efficiency. Second, DT requires changes to the business model that enable novel value propositions and revenue streams. Third, DT allows firms to better connect with guests and personalize their service, leading to improved customer experience outcomes (Bui & Truong, 2025). Vietnamese scholars increasingly treat DT as essential to recovery rather than elective (Nguyen & Luu, 2025).

## **2.2. Smart Hotels: Concept and Dimensions**

A 'smart hotel' extends beyond a merely 'digitized' hotel that has simply added digital channels to legacy processes. Instead, it denotes a property in which interconnected technologies actively sense guest needs, automate operations, and personalize service delivery in real time. Jaremen et al. (2016) define a smart hotel using resource-based and intellectual-capital theory as "any technological system of service delivery that reacts to cues from its internal and external environments either automatically or through little human intervention" and describe the construct as having been discussed more by practitioners than scholars/researchers—a deficit that the current paper aims to help address through theoretical consolidation. Industry 4.0 literature related to hospitality corroborates several dimensions frequently discussed in smart hotel literature including smart rooms (room temperature/lighting controlled by IoT devices), digital personal assistants/chatbots (virtual concierge services using AI), mobile and/or keyless check-in/out, service robots (hotel flooring cleaner/deliveries), and centralized data hubs/platforms that interface with other subsystems (Duarte Alonso et al., 2025; Nguyen et al., 2026). Duarte Alonso et al. (2025) actually found eleven empirically distinct dimensions of involvement and impact with Industry 4.0 from hotel and restaurant managers in Vietnam. Technologies included were used to Market (online presence), Perform (operations), Connect, and Modernize while impacts were found to cluster into Strategic impacts, Financial impacts, and Interactive impacts.

## **2.3. International Comparative Examples of Smart Hotel Adoption**

Case studies from other countries also find that while technology adoption is important for successful smart hotel transformation, organizational capability matters too. Gupta et al. (2022) conducted a study at the Novotel Ambassador Seoul Dongdaemun Hotel in South Korea about the adoption of an AI-enabled service robot. Robots are also seen as complementary to

employees rather than a replacement of manpower and successful implementation was attributed to the organization's readiness for service redesign (Gupta et al., 2022).

Another example comes from Jaremen et al. (2016), where they provided insights into PURO Hotel's ICT-enabled business model in Poland. They describe how the hotel had connected and integrated ICT systems for front-of-desk services, housekeeping services, guest-room equipment and facilities as backend support. The alignment of front-and back-end ICT capabilities allowed the hotel to achieve lower operating costs, increase customer satisfaction and experience greater efficiencies in hotel operations.

The two aforementioned examples support the consistent conclusion from Vietnamese literature reviewed above: technologies themselves do not create transformation. Competitive advantage can be achieved through capability-building that allow the organization to weave digital technologies into business operations and service processes (Gupta et al., 2022; Jaremen et al., 2016).

#### **2.4. Digital Technologies in Hotels**

The technologies most discussed in the reviewed literature can be grouped into six categories: (1) artificial intelligence, including recommendation engines and AI-powered personalization shown to lift revenue per available room (BDP+Partners, 2025); (2) the Internet of Things, enabling smart-room automation and predictive maintenance; (3) big data and analytics, supporting demand forecasting and guest segmentation; (4) cloud computing, underpinning scalable property-management and reservation systems; (5) mobile applications and online travel agency (OTA) platforms, which mediate booking and guest communication; and (6) contactless and robotic service technologies, including facial recognition, self-service kiosks, and service robots (Nguyen et al., 2026). These technologies interact rather than operate independently: for example, AI personalization typically depends on the data infrastructure created by cloud and IoT systems, illustrating why isolated technology adoption without integration rarely produces transformation.

#### **2.5. Theoretical Foundations**

Three sets of research provide inspiration for the framework. According to Resource-Based View theory, competitive advantage endures when a company possesses resources or attributes that are valuable, rare, costly to imitate, and non-substitutable (Barney, 1991). Translated into the current endeavor, guest database ownership and digital infrastructure might be relevant sources of sustained competitive advantage. Dynamic Capabilities Theory, derived from RBV, suggests that firms must identify opportunities, mobilize resources to capture value, and continuously innovate their organizational structures and processes to survive periods of

uncertainty (Taasiringan, 1997). With digital transformation generally understood to be less a 'set it and forget it' initiative and more of a process of building internal capabilities for continuous improvement, dynamic capabilities theory is also a useful lens. Finally, adoption of organizational innovations like digital technologies can be described using the Theory of Technology-Organization-Environment Framework (TOE), which proposes that adoption is related to technological (i.e., platform features), organizational (i.e., leadership support, available resources, readiness for change), and environmental (competitive pressures, regulatory requirements) contexts (Bui & Truong, 2025; Nguyen & Luu, 2025; Tung & Lin, 2024). For example, (Tung & Lin, 2024) conducted an AHP-DEMATEL analysis with sample of SME hotels in Vietnam, and concluded that "technological context was a cause variable that directly and indirectly influences the digitalization of hotel businesses in Vietnam while organizational context was a dependent variable affected by other constructs in the model" (pp. 1730). Marketing opportunities, available funding, perceived difficulties, and compatibility were all constructs that were shown to highly influence adoption decision-making, while prior technology experience was not. Similarly, (Nguyen & Luu, 2025) conducted a mixed-methods analysis of 292 managers from four- and five-star hotels and resorts to validate a modified TOE framework via PLS-SEM. Results confirmed that contextual factors concerning technology (TOE-T), the organization (TOE-O), and the surrounding environment (TOE-E) all significantly predict perceived usefulness (PU), perceived ease of use (PEOU), and attitude toward using service robots, which ultimately directly affected behavioral intention to use. This is consistent with the Theory of Reasoned Action and Technology Acceptance Model, which postulates that PU and PEOU influence customers' and consumers' willingness to adopt technology (Davis, 1989) (Davis, 1989). In short, the RBV and dynamic capabilities theories discussed above justify examining capabilities at the organizational level instead of technologies alone. TOE theory further justifies examining the organizational level in addition to technological and environmental contexts.

## **2.6. Vietnamese Hospitality Context**

In the past time, when tourism demand has gradually recovered, Vietnam's hotel sector has undergone remarkable digital transformation trends. Advanced technologies such as artificial intelligence, face recognition, automatic service robots, data analysis platforms, etc., have been more deployed by internationally branded hotels and large domestic hotel groups (Nguyen et al., 2026). Vietnam hotel sector suffers from lack of homogeneity when it comes to technology adoption as many others industries do. Hotel sector has long had a two-track operation system: Hotel chains with capital advantages and well-established business patterns have financial

resources, digital expertise, IT infrastructure, and organization readiness necessary for adopting technology across their operations. However, SME hotels still account for a large proportion of Vietnam hotels and continue to struggle to find resources to digitalise their operations such as financial capacity, digital skills, IT infrastructure, and organizational readiness (Nguyen & Luu, 2025; Tung & Lin, 2024). From there, it can be seen that although technology has been made easily accessible to many businesses, it is the capability of the organization that will determine the success of digital transformation of businesses.

Another force that pushes the digital transformation trend of Vietnam's hotel sector is institutions. Digital Tourism Development Plan towards 2025 released by the Ministry of Culture, Sports and Tourism encourages businesses to provide digital tourism products and services, support businesses to have basic digital skills to develop digital tourism products and services. Additionally, Digital Economy and Digital Society Development Program to 2030, assigned by the Prime Minister, will continue to develop the national digital infrastructure, digital data governance, and promote the development of artificial intelligence, creating a favorable foundation for the digital transformation of many industries, including hotels (Ministry of Culture, 2022; Prime Minister of Vietnam, 2026). Both of these institutions have laid a favorable institutional foundation for businesses to implement their digital transformation when they have the capabilities.

## **2.7. Literature Synthesis**

The reviewed articles highlight three main consistencies in the literature. Firstly, digital transformation involves more than adopting new technologies; organizational capabilities need to be cultivated, such as digital leadership, employees' skillsets, data governance, and organizational readiness (Bui & Truong, 2025; Jaremen et al., 2016; Nguyen & Luu, 2025). Secondly, technologies by themselves do not create competitive advantage, instead, creating value requires businesses to incorporate technologies into their operations and services, which enables efficiency and personalization, thus elevating customer experience (Gupta et al., 2022; Jaremen et al., 2016). Lastly, the Vietnamese hospitality industry still has significant financial, technological, and human resource barriers to digital transformation while support from the government is increasing (Nguyen & Luu, 2025; Tung & Lin, 2024). These barriers are particularly impactful for SMEs.

Although the articles share some similarities, each article focuses on only one part of the bigger picture, lacking academic literature that connects these concepts and demonstrating how they fit into one another in the digital transformation process. The application of theories is also fragmented; TOE was mostly applied to organizational technology adoption, TAM was used to

understand employee/user acceptance of technology, and RBV and Dynamic Capabilities Theory were not utilized frequently in hospitality literature. To date, there is still no study showing how digital technologies are converted into capabilities, applied to operations to transform the business, and create long-term outcomes within the institutional context of Vietnam.

**Table 1:** *Synthesis of Key Literature Informing the Proposed Framework*

| Source               | Primary Focus                           | Theoretical Lens            | Key Contribution to This Synthesis                                                                            |
|----------------------|-----------------------------------------|-----------------------------|---------------------------------------------------------------------------------------------------------------|
| Nguyen (2025)        | Sector-wide DT & opportunities barriers | Descriptive / TOE-adjacent  | Identifies financial, human-resource, infrastructure, and policy barriers to DT across Vietnamese tourism     |
| Bui & Truong (2025)  | Enterprise-level DT antecedents (HCMC)  | SEM; TOE                    | Staff capacity, business goals, culture, technology platform, and government policy significantly predict DT  |
| Pham (2024)          | SME hotel digitalization factors        | TOE; AHP-DEMATEL            | Technological context is a causal driver; marketing benefits and financial resources are top critical factors |
| Nguyen et al. (2026) | Service robot adoption intention        | TAM + TOE, PLS-SEM          | TOE factors shape usefulness/ease-of-use/attitude, which sequentially drive adoption intention                |
| Alonso et al. (2025) | Industry 4.0 involvement & outcomes     | Exploratory factor analysis | Eleven dimensions of Industry 4.0 involvement and strategic/financial/interactive outcomes                    |
| BDP+Partners (2025)  | Industry trends & ROI evidence          | Industry/market report      | AI personalization linked to RevPAR gains; market growth projections to 2030                                  |
| MCST Vietnam         | Sector policy                           | Policy document             | National roadmap for digital tourism destination marketing and                                                |

| Source                | Primary Focus                           | Theoretical Lens          | Key Contribution to This Synthesis                                                                                        |
|-----------------------|-----------------------------------------|---------------------------|---------------------------------------------------------------------------------------------------------------------------|
| (2022)                |                                         |                           | enterprise support                                                                                                        |
| PM of Vietnam (2026)  | National digital economy policy         | Policy document           | Whole-of-government digital economy and AI governance program, 2026-2030                                                  |
| Gupta et al. (2022)   | AI robots & stay experience (Seoul)     | Organizing Vision Theory  | Four propositions: automation, information gathering, personalization, seamless service; staff view robots as complements |
| Jaremen et al. (2016) | Smart hotel concept & ICT (Wrocław)     | RBV; intellectual capital | Defines smart hotel; case evidence that ICT integration cuts staffing ratio and cost while raising satisfaction           |
| Vinpearl (2019)       | Group-wide facial recognition (Vietnam) | Practitioner case         | Centralized biometric database enables cross-property personalization at scale for a large domestic chain                 |

### 3. Research Methodology

#### 3.1. Research Design

This research follows a conceptual research design which builds theory. Instead of gathering primary data, this research reviews articles from academia, policy papers, and industry reports to provide an integrative framework on digital transformation specific to Vietnam's hospitality industry. The reason for using a narrative literature review method is that it allows the researcher to combine evidence from various sources and allows room for conceptual development, which helps with fragmented research and suggest new relationships between concepts.

#### 3.2. Literature Search Strategy

Articles were searched from Scopus, Web of Science, ScienceDirect, and Google Scholar databases, as well as Vietnamese government policies and industry reports. Keywords used for search strings were “digital transformation”, “smart hotel”, “hospitality”, “Vietnam”, “Industry 4.0”, “dynamic capabilities”, “TOE framework”, and combinations thereof. Majority of the

searched publications were published from 2020–2026 to emphasize recent digital transformation efforts after the pandemic, but some theoretical publications were kept if necessary. All sources were chosen based on the contribution to digital transformation within hospitality, methodological credibility of studies, and information regarding technology adoption, organizational capabilities, smart hotels, or business transformation.

### **3.3. Analytical Framework**

For explicit analysis, this paper is guided by thematic analysis. In particular, it draws from Braun and Clarke (2006) six phases of thematic analysis that have been used beyond qualitative data collection to synthesis literature reviews as well as Thomas and Harden (2008) thematic synthesis approach specifically designed for systematic reviews of mixed sources. This is because while some of the sources reviewed involved quantitative SEM and PLS-SEM analyses (Bui & Truong, 2025; Nguyen et al., 2026), others were qualitative case studies (Gupta et al., 2022; Jaremen et al., 2016) or policy documents (Ministry of Culture, 2022; Prime Minister of Vietnam, 2026). Thomas and Harden (2008) approach allows for these different sources to be coded as it extracts findings from any primary study's methodology.

## **4. Findings & Discussion**

### **4.1. Overview of Synthesized Themes**

The thematic synthesis converges on four interlinked layers, further shaped by boundary conditions specific to the Vietnamese institutional context. Figure 1 presents these layers as the proposed Smart Hotel Digital Transformation (SHDT) framework

### **4.2. Conceptual framework and propositions**

#### **4.2.1. The Proposed Smart Hotel Digital Transformation (SHDT) Framework**

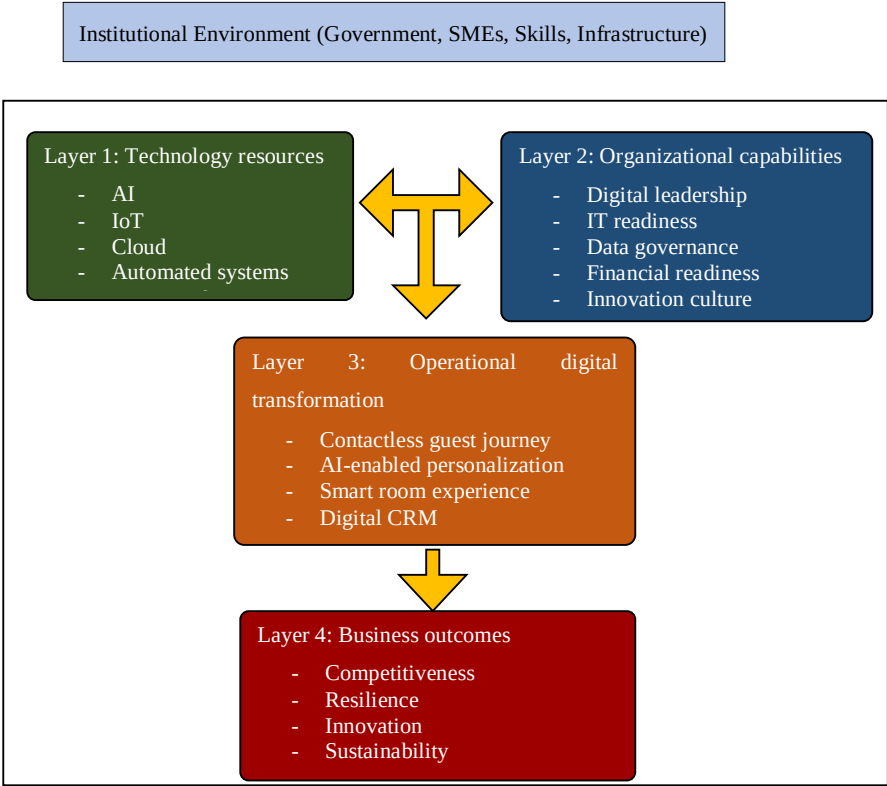


Figure 1. Proposed Smart Hotel Digital Transformation (SHDT) Framework.

The proposed Smart Hotel Digital Transformation (SHDT) framework conceptualizes digital transformation as a capability-building process rather than a series of isolated technology adoption decisions. While previous studies have primarily examined digital technologies, organizational readiness, or business outcomes separately, the SHDT framework explains how these elements interact to transform hotel operations within Vietnam's institutional context. By integrating the Technology-Organization-Environment (TOE) framework, Resource-Based View (RBV), and Dynamic Capabilities Theory, the framework provides a sequential explanation of how digital technologies create sustained organizational value.

The framework comprises four interconnected layers. Layer 1, Digital Technology Resources, includes AI, IoT, cloud computing, big data analytics, mobile applications, contactless technologies, and service robots. These layers make up the technologies that form the technical

enablers of transformation but are not sufficient on their own for competitive advantage. In line with RBV, technology gains value through their application within an organization (Barney, 1991).

**Layer 2: Organizational Digital Capabilities.** This layer is considered the primary driver of the framework based on Dynamic Capabilities Theory. It consists of digital leadership and organizational vision, digital skills of employees, culture of innovation, IT infrastructure readiness, financial capability, and data management. This combination of capabilities allows hotels to sense, adopt, and continually transform digital technologies to facilitate organizational change (Taasiringan, 1997). This lens also complements the TOE lens as the organization's readiness to change is highlighted as pivotal to successful technology adoption and implementation (Bui & Truong, 2025; Nguyen et al., 2026).

**Layer 3: Operational Digital Transformation** reflects the outward expression of the organization's capabilities in the form of redesigned business processes. Unlike Layer 1, this layer focuses on operational processes that have been transformed through digital technologies. This includes connected guest journeys, artificial intelligence-enabled personalization, automated hotel operations, data-driven decision making, and digital customer relationship management. These processes are separated from Layer 1 technologies to demonstrate that competitive advantage is gained from transforming how the organization works, not by the tech tools they own (Gupta et al., 2022; Jaremen et al., 2016)

**Layer 4: Business Transformation Outcomes** reflects the desired long-term effects of transforming operations. These outcomes include improved operational efficiency, guest experience, organizational agility, innovation in services offered, competitive advantage, and sustainability. Unlike previous studies that often examine direct technology-performance relationships, the SHDT framework proposes that these outcomes emerge through the progressive development of organizational capabilities and operational transformation.

Finally, this framework is contextualized within the institutional setting of Vietnam. Policies affecting SMEs' digitalization efforts, resource constraints, labor skill shortage, infrastructure gaps are context factors accelerating or hindering digital transformation speed and efficacy. These elements affect how capabilities are built and operational practices are transformed; they do not simply restrict from the outside but enable or inhibit certain practices. Therefore, we situate the SHDT framework within the context of Vietnam.

#### **4.2.2. Research Propositions**

**P1:** Digital technology resources positively influence the development of organizational digital capabilities.

P2: Organizational digital capabilities positively influence operational digital transformation

P3: Operational digital transformation positively influences business transformation outcomes.

P4: Vietnam's institutional context moderates the relationships among digital technology resources, organizational digital capabilities, operational digital transformation, and business transformation outcomes.

#### **4.3. Discussion: Comparison with prior studies**

The SHDT framework is consistent with, but extends, prior Vietnamese hospitality research in three ways. First, where Bui and Truong (2025) and Tung and Lin (2024) identify discrete antecedents of digital transformation using TOE variables, the SHDT framework organizes these antecedents into an explicit capability layer that is causally prior to observable smart hotel practices, offering a more structured account of why some antecedents (e.g., financial resources, marketing benefits) matter more than others. Second, although Nguyen et al. (2026) and Duarte Alonso et al. (2025) found that certain technology- adoption outcomes occurred (behavioral intention and strategic/financial/interactive outcomes, respectively), this study frames those constructs as merely a part of the larger outcome layer, upon which future research may project additional smart hotel practices to see if results from service-robot use or Industry 4.0 adoption generalize. Third, whereas many of the reviewed studies simply conducted their research in Vietnam without explicitly addressing how the national context affects their studies, this article highlights national initiatives (Ministry of Culture, 2022; Prime Minister of Vietnam, 2026) as determinant forces molding the transformation process, contributing to the wider finding of Dione (2020) that digital economy development in Vietnam goes hand in hand with institutional renovation.

#### **4.4. Theoretical and Contextual Implications**

Theoretically, the SHDT framework contributes to hospitality management scholarship by integrating RBV/dynamic-capabilities and TOE perspectives, which are typically applied separately, into a single multi-layer model, and by adding smart hotel practice as an explicit intermediate construct between capability and outcome, addressing calls in the literature (Duarte Alonso et al., 2025) for more holistic understanding of Industry 4.0 adoption and its business-model implications. Contextually, the framework highlights that Vietnam's dual-track hospitality industry-internationally branded upscale hotels progressing rapidly and SMEs lagging behind-requires differentiated capability-building strategies rather than a uniform digital transformation roadmap, and that government policy plays an increasingly central enabling role that should be incorporated into future firm-level studies.

#### **4.5. Contributions**

This study makes three theoretical contributions. First, it reconceptualizes digital transformation in hospitality as a capability accumulation process rather than a series of discrete technology adoption decisions. Second, it integrates TOE, RBV, and Dynamic Capabilities Theory into a sequential process model explaining how digital technology resources are transformed into organizational capabilities, operational transformation, and business transformation outcomes. Third, it contextualizes this transformation process within Vietnam's institutional environment, demonstrating how government policy, SME constraints, workforce capability, and digital infrastructure shape the transformation pathway in an emerging hospitality market.

## **5. Managerial Implications**

SHDT further recommends that hotel enterprises should view DT not as a series of technology adoption decisions but as an enduring capability-development journey. Hotels should work on building organisational capabilities including digital-enabling leadership, employees' digital skills and knowledge, data governance, and financial and IT readiness before investing in cutting-edge digital technologies. Hotel organisations should invest in technologies that support their goals and fit well within their operations to redesign their service delivery processes and ultimately achieve operational excellence, enhanced customer experiences and sustained competitive advantage. Strategic hotel SMEs with limited resources can take on DT in smaller steps by choosing technology with highest operational value-add and continuing to build on organisational capabilities.

The results also emphasize the role of government support in digital transformation efforts throughout the hospitality sector in Vietnam. National-level efforts have built the foundation of a healthy institutional landscape within which businesses can succeed. However, there is an opportunity for public officials to provide additional assistance for SMEs that face obstacles related to access to capital, technology, and talent. Government officials can build on prior investments in digital infrastructure by increasing focus on data governance and AI-specific regulations. They can also expand training programs to continue growing the labor pool of digitally skilled workers. Finally, governments can play matchmakers by facilitating public-private partnerships that make affordable technology, financing, and technical expertise more accessible. Such efforts would narrow the gap between larger hotel groups and SMEs and accelerate digital transformation at scale.

Technology providers should recognize that successful digital transformation depends not only on technological functionality but also on organizational readiness. Consequently, digital solutions should be modular, scalable, interoperable, and affordable to accommodate the

varying capabilities of different hotel segments, particularly SMEs. Beyond software and hardware, providers should offer implementation support, employee training, and consulting services to facilitate technology integration and organizational change. Greater attention to system interoperability, cybersecurity, and data governance will further strengthen hotels' confidence in adopting advanced digital technologies and contribute to more sustainable digital transformation outcomes.

## **6. Conclusion**

Aimed at integrating the disconnected literature on digital transformation specific to Vietnam's hospitality industry into a holistic framework, this conceptual paper draws on extant research examining antecedents of digital transformation at the enterprise level (Bui & Truong, 2025), hotel digitalization at the SME level (Tung & Lin, 2024), Industry 4.0 participation and performance (Duarte Alonso et al., 2025), adoption of service robots (Nguyen et al., 2026), opportunities and barriers faced by the entire sector (Nguyen & Luu, 2025), evidence from the hospitality industry market (BDP+Partners, 2025), and Vietnam's digital-economy vision and policy (Ministry of Culture, 2022; Prime Minister of Vietnam, 2026) to propose the Smart Hotel Digital Transformation (SHDT) framework consisting of four-stages nested but interdependent layers of enabling technologies, organizational digital capabilities, smart hotel practices, and business transformation outcomes bounded by contextual conditions particular to Vietnam.

The paper contributes an integrative theoretical lens combining Resource-Based View, Dynamic Capabilities Theory, and the Technology-Organization-Environment framework, addresses a documented gap in the literature between technology-adoption studies and organizational-capability perspectives, and offers a practically grounded roadmap tailored to Vietnam's dual-track hospitality industry of internationally branded upscale properties and resource-constrained SMEs. As a conceptual paper, this study is necessarily limited by its reliance on secondary literature rather than primary data, and the proposed framework has not yet been empirically tested. The literature base, while spanning several recent Vietnamese and Vietnam-focused studies, remains relatively small, and reliance on a narrative rather than systematic review process introduces potential selection bias. Additionally, several underlying sources rely on cross-sectional survey data, limiting causal inference even within the primary studies synthesized here.

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**ALIGNING HUMAN RESOURCE SYSTEMS WITH AI-FIRST BUSINESS  
TRANSFORMATION: A CASE STUDY OF SOFTWARE ENGINEERS AT FPT  
SOFTWARE, VIETNAM**

**Pham Thi Van**

*Hanoi University, Vietnam*

**Abstract**

Artificial intelligence is changing the basis of competition in global technology services, requiring firms to move from labor-scale delivery toward AI-enabled, outcome-based value creation. This study examines whether the human resource (HR) system for software engineers at FPT Software is prepared for that transition. An exploratory case-study design combined structured interviews with 20 software engineers and analysis of company and industry documents. The HR system was assessed across compensation, staffing, training and development, and performance management, with attention to horizontal fit among practices and vertical fit with business strategy. The findings indicate that staffing, project-based rewards, and results-oriented appraisal supported FPT Software's 2021-2025 scale-driven delivery model. However, substantial training investment was weakly connected to pay, career progression, and performance recognition. Perceived below-market pay among experienced engineers, project-dependent job security, unclear career paths, and the absence of direct skill-based rewards create retention and capability risks under an AI-first strategy. The chapter proposes an integrated HR architecture built around AI-first job families, applied capability development, value-based performance and rewards, dual career pathways, and differentiated retention. The study shows how HR-system fit must be renewed when an emerging-market technology firm changes its source of competitive advantage.

**Keywords:** *strategic human resource management; AI-first transformation; HR-system fit; software engineers; emerging markets; Vietnam*

**1. Introduction**

Artificial intelligence (AI) is reshaping software development and technology-service delivery. AI-assisted coding, testing, and documentation can reduce repetitive work, while enterprise clients increasingly expect domain expertise, governance, and measurable outcomes. The World Economic Forum (2025) identifies AI and big data among the fastest-growing skill areas and estimates that 39% of workers' core skills will change by 2030. Competitive advantage is therefore becoming less dependent on workforce scale and more dependent on developing and retaining AI-augmented talent.

This transition is consequential in Vietnam, where technology firms are expanding internationally while competing for experienced talent. The national IT sector faces an estimated shortfall of approximately 200,000 qualified workers (Bách Dương, 2025). Firms that train employees without aligning compensation, careers, performance measures, and employment arrangements may increase employees' external marketability without securing the capabilities needed for transformation.

FPT Software provides a relevant case. It serves more than 1,100 clients across over 30 countries and territories (FPT Software, n.d.) and surpassed USD 1 billion in global IT-services revenue in 2023 (FPT Software, 2023). Its historical position rested on scalable engineering, cost-efficient delivery, and reliable execution. FPT now describes a shift toward an AI-native, AI-first service model emphasizing high-value managed services, industry solutions, and AI-augmented engineering (FPT Corporation, 2026). This changes both engineering work and the HR system needed to support it.

An HR system creates value when its practices form a coherent bundle and elicit the capabilities required by strategy (Jiang et al., 2012; Wright & McMahan, 1992). Horizontal fit concerns whether practices reinforce one another; vertical fit concerns whether they support business strategy (Baird & Meshoulam, 1988). A coherent system may nevertheless become strategically outdated when the business model changes.

Less is known about how an emerging-market technology provider should reconfigure a scale-oriented HR system for AI-first value creation. This chapter asks: (1) How is the current HR system experienced by software engineers, and to what extent does it exhibit horizontal and vertical fit? (2) What workforce requirements follow from the AI-first direction? (3) What changes can improve attraction, development, motivation, and retention during the transition?

The study provides exploratory evidence across business units and job ranks and connects HR-system fit with a Balanced Scorecard strategy map. It shows how financial and customer priorities cascade into internal-process and human-capital requirements.

## **2. Literature Review**

### **2.1. HR systems and strategic fit**

Strategic human resource management treats staffing, development, rewards, and performance management as an interdependent system. Boxall and Purcell (2016) describe HR strategy as the choices through which managers build and organize the workforce. Schuler (1992) distinguishes philosophy, policies, programs, practices, and processes, emphasizing that design and implementation jointly shape employee experience. The value of one practice therefore depends partly on its combination with others and on strategic context.

Horizontal fit refers to consistency among HR practices: advanced training is credible when appraisal, careers, and rewards recognize the resulting capability. Vertical fit refers to alignment with business strategy (Baird & Meshoulam, 1988; Delery & Doty, 1996). Different competitive strategies require different employee behaviors and HR arrangements (Schuler & Jackson, 1987). A scale model may emphasize rapid staffing, reliable execution, and cost control, whereas innovation requires learning, collaboration, and longer-term investment in scarce expertise.

The best-fit perspective is especially relevant during transformation because practices that supported the previous model may become constraints (Boxall & Purcell, 2016; Delery & Doty, 1996). The question is whether the whole system signals the capabilities and behaviors the organization now values.

## **2.2. Human capital and competitive advantage**

The resource-based view identifies valuable, rare, difficult-to-imitate, and organizationally embedded resources as sources of advantage (Barney, 1991). Firm-specific human capital and the systems that develop and coordinate it can be difficult to reproduce (Wright et al., 1994). Engineers who combine AI proficiency, domain knowledge, client understanding, architecture, and governance judgment are therefore strategically pivotal.

This logic supports differentiated investment according to the value and uniqueness of human capital (Lepak & Snell, 1999). AI solution architects, AI-augmented engineers, domain-AI consultants, platform engineers, and governance specialists may require more targeted recruitment, development, careers, and retention than a uniform engineering pool. Criteria must remain transparent and fair.

HR systems influence ability, motivation, and opportunities to contribute (Jiang et al., 2012). Training has limited strategic impact if employees cannot apply new skills or if rewards privilege older behaviors. Short-term delivery measures may also discourage reusable intellectual property, responsible experimentation, and peer learning. Analysis must therefore consider the signals produced by the practice bundle.

## **2.3. Strategy maps and the analytical framework**

Kaplan and Norton's (2004) strategy map links financial, customer, internal-process, and learning-and-growth objectives. Human and organizational capabilities enable critical processes; those processes deliver customer value; and customer value drives financial outcomes. The framework works backward from desired outcomes to the workforce capabilities and conditions required to deliver them.

The study describes compensation, staffing, development, and performance practices; assesses horizontal fit; compares vertical fit across the 2021-2025 scale model and 2026-2030 AI-first model; and translates identified gaps into recommendations.

### **3. Research Methodology**

#### **3.1. Research design and organizational context**

The study adopted an exploratory single-case design to examine an HR system in its organizational and strategic context, rather than test causal relationships or estimate a population. The unit of analysis was the HR-practice bundle experienced by FPT Software engineers, a core delivery group directly affected by AI-assisted development and higher-value solution work.

Structured interviews provided primary evidence. Corporate disclosures, company publications, and industry material provided the strategic context. Secondary evidence was not used to treat every employee perception as formal policy.

#### **3.2. Sample and data collection**

Convenience sampling produced 20 current engineers with at least one year of organizational experience across three business units: six junior (Dev 1), seven mid-level (Dev 2-Dev 3), and seven senior engineers (Dev 4-Dev 5). Experience ranged from one to nine years. The distribution enabled comparison by rank but does not represent the global workforce.

Online interviews were conducted from March 1 to March 15, 2026, and lasted approximately 15 minutes. An 18-question instrument adapted from Dreher and Dougherty (2001) covered compensation, staffing, development, and performance measurement. Categorical selections were supplemented by explanations where relevant. Participation was voluntary and reporting was anonymous.

#### **3.3. Analysis and limitations**

Responses were summarized by counts and percentages; comments were grouped by HR component and recurring concern. Analysis described the practice configuration, assessed horizontal consistency, and compared it with the capabilities implied by the scale-driven and AI-first strategies.

Convenience sampling, a sample of 20, structured categories, and limited management triangulation constrain the findings. Results are diagnostic and case-specific; statements about practices refer to participant experiences unless supported by public evidence.

### **4. Findings & Discussion**

#### **4.1. Configuration of the current HR system**

#### **4.1.1. Compensation and rewards**

Twelve of 20 participants perceived below-market pay, eight viewed it as market-equivalent, and none viewed it as market-leading. Five of six junior engineers reported market-equivalent pay, whereas five of seven mid-level and six of seven senior engineers reported below-market pay. The concentration among experienced employees matters because their specialized and firm-specific knowledge is harder to replace.

Nineteen participants reported variable, performance-contingent pay linked mainly to project and individual results. Internal ranks determined pay ranges. All 20 reported no immediate increase for additional skills or certifications and described standardized benefits. These practices support consistency and cost control but do not strongly reward scarce capabilities.

The configuration coheres with project delivery, but AI-first transformation requires learning and reusable assets whose value may exceed one project cycle. When training builds capability but rewards recognize mainly current delivery, the organization may capture only part of its investment.

#### **4.1.2. Staffing and employment security**

All participants described combined internal and external hiring, with suitable internal candidates prioritized. The Employee Centre reallocates engineers when projects end or contract, supporting rapid redeployment under fluctuating outsourcing demand.

Selection also emphasized immediate contribution. Sixteen participants believed that experience and demonstrated achievement were prioritized over future potential, while three perceived greater emphasis on potential and one reported that the choice depended on project needs. Similarly, 16 perceived cultural fit as more influential than diversity. These patterns can support short-term coordination and delivery reliability, but a strong preference for proven experience and similarity may constrain the learning agility and cognitive diversity needed for new AI-enabled services.

Thirteen participants described employment as insecure or project-dependent, six considered it secure, and one was uncertain; all seven mid-level respondents reported insecurity. Operationally, the Employee Centre is a flexible internal labor market, but psychologically it may be experienced as a waiting stage before separation. This ambiguity conflicts with capability building whose return spans multiple projects.

#### **4.1.3. Training, development, and careers**

Training was a visible strength. All participants described a combination of technical and soft-skill development. Thirteen characterized delivery as a mix of online learning and on-the-job development, while seven viewed it as predominantly online. Company systems record training,

certifications, and skill information, supporting project matching and workforce planning. These features provide a foundation for large-scale capability development.

The main weakness was the learning-career link. Eighteen participants reported unclear promotion pathways; the other two mainly recognized a broad technical-versus-managerial choice rather than transparent standards. Seventeen reported no formal succession plan and three were unsure. Employees may therefore not see how new capabilities lead to progression, responsibility, or pay.

A learning platform is not a capability system by itself. Capability becomes useful when employees can apply it, receive feedback, progress, and be rewarded for value created; otherwise learning may become an hours-or-certificates compliance measure.

#### **4.1.4. Performance management**

Nineteen participants described results-based performance measurement and top-down evaluation through a direct or project manager; only one reported formal client input. The arrangement provides clear accountability at scale.

An annual, manager-led system focused on immediate results provides limited information about learning, cross-project collaboration, responsible AI use, reusable assets, and knowledge transfer. Because measures direct attention, traditional indicators risk preserving the behaviors of the previous model.

#### **4.2. Horizontal fit: coherence around delivery, misfit around capability**

The HR system demonstrates partial horizontal fit. Staffing, performance, and variable rewards reinforce a project-based delivery logic. Engineers are selected for capabilities they can use quickly, assigned according to project demand, evaluated on delivery results, and rewarded through project-related outcomes. Internal ranks and standardized benefits support consistency at scale. This bundle is coherent when the strategic objective is reliable, cost-efficient execution. The principal misfit lies between training and the other practices. The company invests in continuous learning and maintains a skills inventory, but participants reported no direct skill-based pay, unclear promotion criteria, limited succession planning, and performance measures that rarely recognize capability application. The system therefore encourages employees to acquire skills without consistently showing how those skills change their career prospects or economic rewards. Project-dependent security intensifies the tension: the organization requests long-term learning while employees experience continued short-term dependence on project availability.

This configuration may create a capability-retention paradox. Training increases the stock and visibility of employee skills, yet weak career and reward links reduce the organizational return

on that investment. The risk is greatest among experienced engineers, who reported stronger concerns about pay and job security and who possess the knowledge most relevant to solution architecture, client relationships, and technical leadership. Horizontal fit must therefore be renewed around a capability-and-value logic, not only around project execution.

4.3. Vertical fit across two strategic periods

The current HR system exhibits stronger vertical fit with FPT Software's 2021-2025 model than with its AI-first direction. The earlier model relied on scalable engineering capacity, cost control, rapid project staffing, and consistent delivery across international markets (FPT Corporation, 2022; FPT Software, 2023). Internal hiring, rank-based pay, project bonuses, flexible redeployment, and results-oriented appraisal all supported that model. The system was not necessarily ineffective; it was adapted to a different source of value.

The strategic context is changing. FPT's direction emphasizes AI-native operations, AI-augmented engineers, higher-value services, reusable solutions, and stronger business outcomes (FPT Corporation, 2026). Engineers must orchestrate AI tools, validate outputs, integrate systems, understand client domains, create reusable components, and apply responsible-AI governance. The strategic issue is whether the HR bundle reinforces that direction.

Under the AI-first model, several current practices become misaligned. A pay structure centered on internal rank ranges may not respond quickly to scarce AI and domain capabilities. Project bonuses can undervalue reusable intellectual property whose benefits accrue across projects. Achievement-focused staffing can overlook learning agility and future potential. Project-dependent employment can discourage long-term capability investment. Unclear career paths and limited succession planning weaken the development of technical leadership. Results-based appraisal remains necessary, but its definition of results must expand beyond immediate project milestones.

The transformation can be summarized through a strategy-map logic. The table links future business outcomes to the HR requirements that enable them.

Table 1: Strategy-map alignment for FPT Software's AI-first transformation

| Perspective | 2026-2030 strategic shift                                                            | Required workforce and HR response                           |
|-------------|--------------------------------------------------------------------------------------|--------------------------------------------------------------|
| Financial   | From headcount-led growth to AI-first revenue, reusable assets, and stronger margins | Reward AI productivity, asset reuse, and scarce capabilities |

| Perspective         | 2026-2030 strategic shift                                                    | Required workforce and HR response                                                        |
|---------------------|------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| Customer            | From delivery vendor to trusted, industry-focused AI transformation partner  | Develop domain consulting, architecture, outcome orientation, and responsible-AI judgment |
| Internal process    | From executing requirements to governed AI-assisted delivery and reusable IP | Redesign work; use applied learning; recognize knowledge and asset creation               |
| Learning and growth | From deployable pool to AI-first job families                                | Build transparent competencies, careers, succession, capability pay, and retention        |

The bottom-up relationship is central. Financial and customer ambitions cannot be achieved simply by setting targets. They depend on new internal processes, which in turn depend on a workforce architecture that develops and retains the required human capital (Kaplan & Norton, 2004). Vertical fit therefore requires a system-level transition rather than an isolated training initiative.

5. Managerial Implications

FPT Software should retain project-staffing flexibility while differentiating AI-augmented engineers, AI solution architects, platform engineers, domain-AI consultants, and governance specialists. Each family needs a competency profile covering technical proficiency, domain knowledge, consulting skills, governance, and reusable-asset contribution. Workforce planning can then forecast demand by role and priority industry, consistent with differentiated investment in strategically valuable human capital (Lepak & Snell, 1999).

Existing learning infrastructure provides a strong platform, but completion should require demonstrated application. A tiered model can move from foundational generative-AI literacy to project-level AI-assisted development and advanced architecture, integration, domain, and governance pathways. Evidence should include a validated project application, reusable component, domain use case, or governance assessment. Managers should allocate project time for learning transfer.

Core delivery measures should remain, while the scorecard adds safe AI adoption, verified productivity, output quality and security, reusable intellectual property, knowledge transfer, domain expertise, collaboration, and client outcomes. Simplistic targets such as lines of code or tool-use counts could reward volume or unsafe adoption.

Rewards should reinforce the same logic. Skill premiums can recognize scarce verified capabilities; team bonuses can reward reusable assets according to adoption and impact; and market adjustments can address gaps in pivotal roles. Governance and quality gates should precede productivity rewards so speed does not compromise client trust.

Career architecture should offer equivalent status for technical and managerial progression. Technical pathways may lead from senior engineer to principal engineer, AI solution architect, governance lead, and chief architect. Promotion criteria should specify scope, AI-delivery maturity, domain depth, asset contribution, governance, mentoring, and client impact.

Succession planning should identify readiness, development assignments, and backup coverage for pivotal roles without promising automatic promotion. Transparent standards connect training, assignment, appraisal, and career movement while limiting perceptions of favoritism.

Retention should reflect capability value and scarcity. Market premiums, strategic assignments, hyperscaler projects, innovation forums, mentoring, and protected learning time may be combined for pivotal AI and domain talent, with published eligibility criteria and periodic review.

The Employee Centre can become a Capability Transition Pool. Engineers between projects should enter time-bound AI reskilling, domain bootcamps, internal-product work, or supervised innovation. Milestones, coaching, and placement targets can convert downtime into capability. Indicators should include internal fill rates for AI-first roles, validated skills, asset reuse, redeployment time, career visibility, pivotal-role turnover, and AI-enabled client outcomes.

For emerging-market firms, transformation requires coordinated changes in work design, development, appraisal, rewards, careers, and security. Policymakers and universities can support flexible AI and domain-learning pathways, but firms must create the opportunities and incentives that convert education into organizational value.

## **6. Conclusion**

This study examined the HR system experienced by 20 software engineers at FPT Software and assessed its alignment with the company's strategic transition. The system showed coherent support for the 2021-2025 scale-driven delivery model: achievement-oriented staffing, flexible redeployment, project-based rewards, and results-focused appraisal enabled rapid and cost-efficient execution. Its principal horizontal weakness was the limited connection between substantial training investment and pay, career progression, succession, performance recognition, and employment security. That weakness becomes a larger vertical misfit as FPT Software shifts toward AI-first, domain-specific, outcome-based value creation.

The chapter contributes a system-level response. AI-first job families define the pivotal work; applied development builds the required capability; performance and rewards reinforce responsible value creation; dual career paths and succession sustain technical leadership; and differentiated retention protects scarce human capital. The Balanced Scorecard logic clarifies that these are not independent HR projects. They form the learning-and-growth foundation for new internal processes, customer value, and financial outcomes.

The findings remain exploratory because of the small convenience sample, reliance on employee perceptions, structured questions, and limited management evidence. Future research should include larger and more diverse samples, interviews with HR and business leaders, longitudinal measures of AI capability and retention, and comparisons across Vietnamese and other emerging-market technology firms. Such work can test whether renewed HR-system fit translates strategic AI ambition into durable organizational capability.

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**DATA-DRIVEN DECISION MAKING IN DIGITAL MARKETING OPTIMIZATION  
AND OPERATIONAL PERFORMANCE: EMPIRICAL EVIDENCE FROM  
VIETNAMESE RETAILERS**

**Dao Duc Giang**

*Hanoi University*

**Abstract**

As digital transformation accelerates across Vietnam, the retail sector has generated an increasingly rich stream of behavioral data from e-commerce transactions, cashless payments, and marketing technology (MarTech) platforms. Yet managerial awareness of data's strategic value has not always translated into willingness to invest in data-driven decision making (DDDM), partly because the practical payoff of such investment remains poorly quantified relative to the costs of early-stage adoption.

This study empirically investigates the impact of data-driven decision making in digital marketing optimization on operational efficiency and firm performance within the context of Vietnam's emerging retail market. Using secondary panel data drawn from the audited financial statements of three listed Vietnamese retailers, Mobile World Group (MWG), FPT Retail (FRT), and Digiworld (DGW), covering 2020 to 2025 ( $n = 18$  firm-year observations), the study applies multiple regression analysis to test the relationships among marketing efficiency, inventory turnover, and revenue growth. The results show that marketing efficiency has a statistically significant positive effect on inventory turnover, supporting the view that data-driven marketing improves demand forecasting and inventory management. The same relationship does not hold for revenue growth, which is not significantly explained by marketing efficiency or firm size. This null result is interpreted with reference to the limitations of a small, three-firm panel rather than treated as evidence against the hypothesis. Taken together, the findings point to a cross-functional spillover from marketing analytics to supply chain operations that has received limited attention in prior literature, and offer practical implications for managers seeking to build more resilient, data-informed retail organizations in emerging markets.

**Keywords:** *Data-driven decision making; digital marketing optimization; operational efficiency; inventory turnover; emerging markets; Vietnam retail.*

**1. Introduction**

Vietnam currently offers favorable conditions for the growth of a data-driven economy. According to the population projections of Vietnam's General Statistics Office (GSO), built on the 2024 mid-term Population and Housing Census, the country remains within its “golden” demographic structure, with the working-age population, and particularly the 25–39 age cohort,

at a historically high share of the total, a window projected to last until 2036 (GSO, 2026). This cohort is generally digitally fluent, relies heavily on mobile and online platforms, and tends to view technological change favorably, although the pace of adoption still varies with education and income. Government policy reinforces this trend: Vietnam's national digital transformation program seeks to embed technology across government, the economy, and society, and this push has coincided with a rapid expansion of transaction-level data across sectors. In retail specifically, online sales have grown quickly, and cashless payment channels (QR codes, e-wallets), point-of-sale systems, and MarTech platforms now generate large volumes of behavioral data on Vietnamese consumers.

Translating this data surge into effective strategy, however, is not straightforward. A growing body of research points to a structural, rather than purely cyclical, rise in the cost of acquiring customers. Chiavari (2026) shows that in the United States, the ratio of selling and advertising expenses to production costs rose by 60–90 percent between 1980 and 2014, driven by increasing returns to scale that allow large “superstar” firms to intensify competition for customers and push up the marginal cost of acquisition for smaller rivals. In a market such as Vietnam's, where small and medium-sized enterprises (SMEs) contribute substantially to national output, rising customer acquisition costs (CAC) risk functioning as a structural barrier to entry rather than a short-term expense to be absorbed.

At the same time, simply accumulating data is not sufficient. Firms that collect large volumes of behavioral and transactional data without converting it into decision-relevant analysis risk wasting that resource altogether, leaving the underlying risk of business failure largely unchanged. The strategic value of data, in other words, depends on the analytical and organizational capability to act on it, not on its volume alone.

Despite the growing literature on data-driven decision making (DDDM), existing studies in emerging economies such as Vietnam suffer from three notable limitations. First, prior research relies heavily on qualitative case studies or perception-based surveys, which are prone to self-reporting bias and do not capture objective, verifiable outcomes; there remains a shortage of empirical work that uses audited secondary data to quantify the impact of marketing data optimization. Second, the marketing literature tends to evaluate data adoption strictly through short-term marketing metrics, such as CAC or return on ad spend (ROAS), while largely overlooking cross-functional spillover effects on supply chain efficiency and inventory management. Third, although digital payment infrastructure and MarTech adoption in Vietnam have expanded rapidly, limited empirical evidence exists on how businesses translate this data surge into operational resilience.

To address these gaps, this study pursues three objectives:

1. To empirically quantify the impact of data-driven marketing efficiency on operational performance (specifically inventory turnover), using panel data from listed Vietnamese retail enterprises.
2. To evaluate the direct contribution of optimized marketing analytics to aggregate revenue growth and financial sustainability.
3. To formulate a cross-functional data-integration framework that offers actionable managerial implications for decision-makers navigating high acquisition costs and volatile market conditions in emerging markets.

## **2. Literature review**

In Vietnam's increasingly competitive retail sector, where consumer behavior shifts quickly, the adoption of marketing technology (MarTech) is no longer simply a communication tool; it has become a strategic resource that directly shapes operational performance. This section develops the theoretical foundation for the study, drawing on Information Processing Theory and Dynamic Capabilities Theory, to explain the relationship between marketing cost efficiency and firm-level operational indicators, before reviewing the relevant empirical literature and developing the study's hypotheses.

Developed by Galbraith (1974) and extended by Tushman and Nadler (1978), Information Processing Theory (IPT) conceptualizes the organization as an information-processing system. As the business environment becomes more uncertain and complex, an organization's information-processing needs rise accordingly; performance depends on whether its information-processing capacity keeps pace with those needs. Applied to this study, Vietnam's retail sector is characterized by intense competition and fast-changing consumer behavior, both of which generate high demand uncertainty. MarTech tools, CRM systems, point-of-sale platforms, Google Analytics, and marketplace analytics such as Shopee Analytics, function as the infrastructure that expands a firm's information-processing capacity, converting raw data into usable market signals rather than leaving it siloed within the marketing department. When marketing data is processed effectively, the Marketing Efficiency Ratio (MER) improves, and more accurate demand signals help dampen the bullwhip effect in the supply chain, reducing excess ordering.

In addition, Teece, Pisano, and Shuen (1997), later extended by Eisenhardt and Martin (2000), with the Dynamic Capabilities Theory, argue that in fast-changing environments, static resources are insufficient to sustain competitive advantage. Firms instead require dynamic capabilities, the capacity to sense, seize, and reconfigure resources in response to a changing

environment. In the context of this study, sensing corresponds to the collection of behavioral, traffic, and consumption-trend data through marketing campaigns; seizing corresponds to the analysis of that data to adjust advertising budgets and forecast which products are likely to perform well; and reconfiguring, arguably the most important link for this study, corresponds to firms using marketing intelligence to redeploy inventory, adjust purchasing plans, and clear slow-moving stock. This reconfiguration capability is expected to manifest directly as an increase in inventory turnover (INV\_TURN), reflecting faster stock rotation, lower holding costs, and reduced markdown risk.

Hossain, Agnihotri, Rushan, Rahman, and Sumi (2022) show that marketing analytics capability strengthens financial performance by reinforcing three constituent capabilities, market sensing, market seizing, and market reconfiguration, which map closely onto the sensing-seizing-reconfiguring framework proposed by Teece et al. (1997).

In a retail setting closer to the present study's regional context, Polimpung and Mulyono (2026) compare the marketing-to-revenue ratio of three listed Indonesian retailers, AMRT, MIDI, and RALS, over the 2023–2025 period. The two firms whose ratios met or exceeded the global retail benchmark of 7.1% recorded positive revenue growth, while the firm operating well below the benchmark experienced a decline in absolute revenue; the authors caution, however, that the ratio is informative only when read against the trend in absolute revenue, since business models differ in the marketing intensity they require.

Hofmann (2017), in a system-dynamics simulation published in the *International Journal of Production Research*, examines the three defining properties of big data, volume, variety, and velocity, and finds that velocity, the speed at which data is processed, carries the greatest potential to mitigate the bullwhip effect in supply chains.

On the relationship between inventory turnover, firm performance, and firm size, the influential study by Gaur and Kesavan (2008), published in *Retail Supply Chain Management*, remains one of the most cited works in this area. Using a panel of U.S. retailers, they find that inventory turnover tends to rise with sales growth, but that the magnitude of this effect depends on firm size, implying that size is not merely a nuisance control variable but may itself moderate the relationship between operating variables.

In the Vietnamese context specifically, recent studies have begun to explore the relationship between data and technology adoption and firm performance. Ngoc and Tran (2022), surveying 154 Vietnamese e-commerce firms, find that the adoption of customer analytics is positively associated with firm innovation, and that innovation mediates the relationship between customer analytics adoption and firm performance.

Taken together, this literature has largely developed within separate functional silos, marketing, supply chain management, or corporate finance, and few studies directly test the relationship between marketing efficiency (MER) and inventory turnover (INV\_TURN). This is the gap the present study addresses, by empirically testing the relationships among MER, INV\_TURN, and revenue growth (REV\_GROWTH) among Vietnamese listed retailers, controlling for firm size (SIZE).

### **Hypotheses:**

1. H1: Marketing efficiency (MER) has a significant positive effect on inventory turnover (INV\_TURN), reflecting the premise that data-driven marketing improves demand forecasting and operational efficiency.
2. H2: Marketing efficiency (MER) has a significant positive effect on revenue growth (REV\_GROWTH).
3. H3: Firm size (SIZE) exerts a positive control effect on both inventory turnover (INV\_TURN) and revenue growth (REV\_GROWTH).

## **3. Research methodology**

### **3.1. Data collection**

This study uses panel data spanning 2020–2025, compiled from the audited annual financial statements of three of Vietnam's leading listed retail and omnichannel enterprises: Mobile World Group (MWG), FPT Retail (FRT), and Digiworld (DGW). For each firm-year, the following line items were collected: net revenue, selling expenses, cost of goods sold (COGS), net inventories, and total assets. The resulting panel comprises 3 firms × 6 years = 18 firm-year observations.

### **3.2. Analytical technique**

The study applies multiple linear regression, grounded in Dynamic Capabilities Theory and Information Processing Theory, to estimate the spillover effect of marketing data optimization on operational efficiency. Two models are estimated:

#### **Model 1: Operational efficiency framework (H1, H3)**

$$INV\_TURN_{it} = \beta_0 + \beta_1 \cdot MER_{it} + \beta_2 \cdot SIZE_{it} + \varepsilon_{it}$$

#### **Model 2: Financial growth framework (H2, H3)**

$$REV\_GROWTH_{it} = \alpha_0 + \alpha_1 \cdot MER_{it} + \alpha_2 \cdot SIZE_{it} + e_{it}$$

where  $i$  indexes the firm ( $i = 1..3$ : MWG, FRT, DGW),  $t$  indexes the year ( $t = 2020..2025$ ),  $\beta_0$  and  $\alpha_0$  are intercepts,  $\beta_1$ ,  $\beta_2$ ,  $\alpha_1$ , and  $\alpha_2$  are slope coefficients, and  $\varepsilon_{it}$ ,  $e_{it}$  are random error terms.

### **3.3. Variable definitions**

#### **Dependent variables.**

**INV\_TURN (Inventory Turnover):** represents operational efficiency and the firm's capacity to release working capital. A higher ratio indicates more accurate demand forecasting, leaner inventory, and a more optimized supply chain.

**REV\_GROWTH:** measures the firm's capacity for market expansion and financial growth, calculated as the year-over-year percentage change in net revenue.

**Independent variable.**

**MER (Marketing Efficiency Ratio):** calculated as net revenue divided by selling expenses. This ratio serves as this study's proxy for data-driven decision-making capability in marketing: a higher MER indicates that marketing spend is being allocated more precisely (better customer targeting, more efficient budget allocation) and is generating more revenue per unit of marketing cost.

**Control variable.**

**SIZE (Firm Size):** measured as the natural logarithm of total assets, included to control for scale effects, since a large retailer such as MWG enjoys structural scale advantages not available to smaller peers.

4. Findings and discussion

4.1. Operational impact (Model 1)

Model 1 tests whether marketing efficiency explains variation in inventory turnover once firm size is held constant. This is the operational channel through which H1 predicts that data-driven marketing should register.

| Overall model significance (F-test) |        |
|-------------------------------------|--------|
| F-statistic                         | 7.7774 |
| df (regression, k)                  | 2      |
| df (residual)                       | 15     |
| p-value of F-test                   | 0.0048 |

The overall model is statistically significant at the 1% level ( $F(2, 15) = 7.777, p = 0.0048$ ). MER and SIZE jointly account for a meaningful share of the variation in inventory turnover, so the specification as a whole carries explanatory power that is unlikely to reflect chance.

| Variable  | Coefficient | Std. Error | t-Stat | df | p-value |
|-----------|-------------|------------|--------|----|---------|
| Intercept | 7.4995      | 7.0690     | 1.0609 | 15 | 0.3055  |

|             |               |        |         |    |               |
|-------------|---------------|--------|---------|----|---------------|
| <b>MER</b>  | <b>0.1616</b> | 0.0755 | 2.1409  | 15 | <b>0.0491</b> |
| <b>SIZE</b> | -0.4547       | 0.6450 | -0.7049 | 15 | 0.4916        |

|                                  |        |
|----------------------------------|--------|
| R-squared                        | 0.5091 |
| Adjusted R-squared               | 0.4436 |
| SE(y) - Std. Error of regression | 1.8913 |
| N (observations)                 | 18     |

The coefficient on **MER** is positive and statistically significant ( $\beta = 0.1616$ ,  $p = 0.0491$ ), supporting **H1**: in this sample, each additional unit of **MER**, that is, each additional dong of revenue generated per dong of selling expense, is associated with roughly 0.16 additional inventory turns per year. The direction and significance of this effect follow the causal chain developed in Section 2. Marketing spend that generates more revenue per unit of cost is, by construction, better targeted, better-targeted acquisition yields cleaner demand signals and cleaner demand signals allow purchasing and replenishment decisions to track actual demand more closely, reducing both excess stock and stockout risk. In terms of the dynamic capabilities framework, the result captures the reconfiguration step, which is marketing intelligence is being converted into inventory action.

The coefficient on **SIZE**, by contrast, is negative and statistically insignificant ( $\beta = -0.4547$ ,  $p = 0.4916$ ), so **H3** is not supported in the operational model. Substantively, scale may simply confer no additional turnover advantage once marketing efficiency is accounted for, which is consistent with the diminishing returns to scale that Gaur and Kesavan (2008) document for inventory productivity in U.S. retail. Statistically, with 18 observations the estimate is too imprecise to distinguish a modest positive effect from zero, so the negative point estimate should not be read as evidence of a scale penalty. On either reading, there is no indication that firm size, rather than marketing efficiency, is driving the differences in turnover observed across the panel.

Taken together, the two predictors account for roughly half of the variation in inventory turnover ( $R^2 = 0.509$ ; adjusted  $R^2 = 0.444$ ). For a two-variable specification estimated on a small panel, this is a strong fit, and it leaves the central inference intact, marketing efficiency, not scale, is the variable doing the explanatory work.

## **4.2. Financial impact (Model 2)**

Model 2 applies the same specification to revenue growth, the direct financial outcome hypothesized in H2.

| Overall model significance (F-test) |        |
|-------------------------------------|--------|
| F-statistic                         | 1.2001 |
| df (regression, k)                  | 2      |
| df (residual)                       | 15     |
| p-value of F-test                   | 0.3285 |

The model does not reach overall significance ( $F(2, 15) = 1.200, p = 0.3285$ ). H2 is therefore not supported in linear form. Within this sample, marketing efficiency shows no statistically detectable direct effect on revenue growth once firm size is controlled for.

Three considerations argue against reading this null result as evidence that marketing efficiency is irrelevant to growth. First, revenue growth is an inherently noisier outcome than inventory turnover. It is shaped by macroeconomic conditions, competitive dynamics, category mix, and one-off events, none of which a two-variable model captures. Second, statistical power is limited. With three firms observed over six year-over-year growth intervals each ( $n = 18$ ), the model can detect only large effects, and the estimates are correspondingly sensitive to firm-specific shocks in individual years. Third, and most substantively, Model 1 suggests that the payoff of marketing efficiency may travel through an operational channel, faster inventory turnover, rather than appearing as a direct, contemporaneous lift in revenue; a specification that regresses growth on MER alone would systematically understate such an indirect effect. The appropriate conclusion is that the direct marketing-to-revenue link is weaker, more contingent, or slower-moving than the marketing-to-operations link, not that it is absent.

Descriptive, firm-level evidence nonetheless points in the same direction, even though it cannot substitute for a significant panel estimate. Over 2024–2025, the trajectory of Mobile World Group's (MWG) revenue growth broadly tracks the trend in its selling expenses and in paid traffic observed via Semrush, a pattern consistent with a marketing–revenue link operating at the level of the individual firm. This reading also aligns with Polimpung and Mulyono (2026), who find in Indonesian retail that marketing-spending ratios become informative only when interpreted alongside absolute revenue trends: the association exists, but it is conditional and firm-specific rather than mechanical.

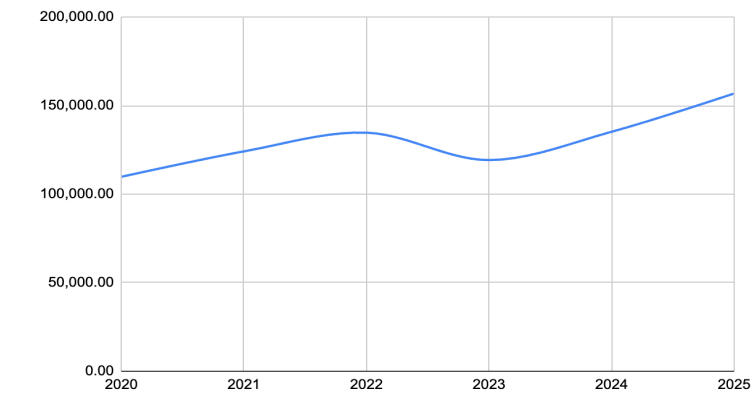


Figure 1. Net revenue of MWG, 2020–2025 (billions VND). Source: compiled by the author from MWG audited financial statements.

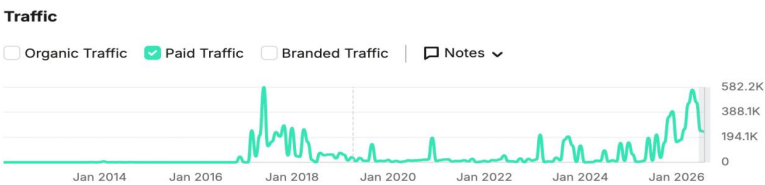


Figure 2. Estimated paid traffic to thegoididong.com (MWG), 2014–2026. Source: Semrush ([semrush.com/analytics/overview](https://semrush.com/analytics/overview))

5. Managerial implications

The results reframe the business case for marketing analytics. The significant link between MER and inventory turnover indicates that the return on first-party data infrastructure, GA4, CRM systems, and server-side tagging, is not confined to marketing KPIs such as CAC or ROAS; it extends to the inventory and working-capital outcomes that CFOs and operations leaders already monitor. Marketing efficiency should therefore be treated as a cross-functional performance indicator rather than a departmental one, and analytics investment justified on the strength of both channels: more precise customer acquisition today, and leaner working capital over time. In practical terms, this argues for reallocating budget away from undifferentiated, high-spend advertising (“burning cash” on ads) and toward the data capability that makes precision possible.

The binding constraint implied by these findings is not the volume of data collected but the degree to which it is integrated across functions. If the operational payoff of marketing analytics

materializes in the supply chain, it can be realized only where marketing data actually reaches demand planning. Breaking down the silo between marketing and operations, connecting campaign and traffic analytics to demand-forecasting and replenishment systems, and reviewing forecasts jointly rather than sequentially are therefore first-order priorities. Success should be measured accordingly: not only in ROAS, but in inventory turns achieved and markdowns avoided, the operational metrics with which this study's results are most directly consistent.

## **6. Conclusion**

This study asked whether data-driven marketing efficiency, proxied by the Marketing Efficiency Ratio, produces a measurable spillover into operational and financial performance among listed Vietnamese retailers. Using audited panel data for three firms over 2020–2025, it finds clear support for the operational half of that question: firms that generate more revenue per unit of marketing spend also turn their inventory over faster, exactly as the sensing–seizing–reconfiguring logic of dynamic capabilities theory predicts. The financial half remains open. No direct effect of marketing efficiency on revenue growth could be established in this sample, which suggests that the link is weaker, more contingent on strategy and market conditions, or channeled indirectly through operations, rather than absent altogether.

The contribution is primarily empirical. This is among the first studies to test a cross-functional link between marketing analytics and inventory performance in Vietnamese retail using audited secondary data rather than survey or perception-based measures, thereby answering calls in the literature to connect marketing outcomes with operational and supply-chain metrics instead of treating them as separate research streams.

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## **ANTECEDENTS AND BEHAVIOURAL OUTCOMES OF MEMORABLE TOURIST EXPERIENCE OF INTERNATIONAL TOURISTS IN VIETNAM**

**Do Ngoc Yen Yen and Ph.D. Phan Thi Kim Ngan**

*Hanoi University*

### **Abstract**

**Background:** Tourism competitiveness increasingly depends on the emotional, cognitive, and social value that a trip creates rather than on service delivery alone, making memorable tourism experience (MTE) a central construct for destination management. **Purpose:** This study explores the antecedents of MTE among international tourists in Vietnam and examines how these experiences shape post-visit behavioural outcomes. **Method:** An interpretivist, inductive qualitative design was adopted, drawing on semi-structured online interviews with eight international tourists and analysed through thematic analysis. **Key findings:** Memorability was shaped by authentic everyday encounters, local hospitality, and the emotional reinterpretation of novelty, with the most powerful memories attached to ordinary rather than spectacular moments. Positive word-of-mouth was near-universal, whereas revisit intention depended on destination attachment and situational constraints. **Practical implications:** Destination managers and tourism businesses should prioritise the preservation of everyday cultural settings, invest in human-centred service, and design post-trip engagement strategies that do not rely solely on repeat visitation.

**Keywords:** *Memorable tourism experience; authenticity; behavioural outcomes*

### **1. Introduction**

Tourism competitiveness increasingly depends on whether a trip produces lasting emotions, personal meaning, and memories, not only on the quality of attractions and services. Memorable Tourism Experience (MTE) captures this emotional, cognitive, sensory, and social dimension of travel that persists after the journey and continues to influence tourists' post-visit evaluations and decisions (Kim, 2010; Hosany, Sthapit, & Björk, 2022). While quantitative studies have established links between MTE and outcomes such as revisit intention, word-of-mouth, and destination attachment, they offer limited insight into how tourists interpret experiences or why particular moments become memorable, pointing to the need for richer qualitative work (Hosseini, Cortes Macias, & Almeida Garcia, 2023).

Vietnam offers a relevant context, combining cultural heritage, everyday community life, cuisine, and hospitality with growing competition from neighbouring destinations. Understanding what international visitors remember and how those memories translate into advocacy and return travel is therefore both theoretically and practically important. The central

research problem is that limited qualitative evidence explains how MTE is formed among international tourists in Vietnam and how authenticity, social interaction, novelty, and everyday experience interact and are integrated into lasting memory.

The study aims to identify the experiential factors international tourists in Vietnam regard as important, explain how these factors interact in constructing memorability, and examine how memorable experiences shape word-of-mouth and revisit intention. It addresses two questions: (1) What factors shape memorable tourism experiences among international tourists in Vietnam? (2) How do these experiences influence post-visit behavioural outcomes, particularly positive word-of-mouth and revisit intention?

The research gap is threefold: MTE evidence remains concentrated in quantitative research in developed destinations; lived experiences of international tourists across multiple Vietnamese destinations remain under-researched; and existing models tend to treat authenticity, novelty, social interaction, emotion, and service as parallel rather than interacting antecedents. This chapter addresses these gaps through an inductive qualitative design that develops an integrated process explanation of MTE formation. The remainder of the chapter reviews relevant literature, outlines the qualitative methodology, presents five integrated findings, discusses their implications, and concludes with managerial recommendations and directions for future research.

## **2. Literature Review**

MTE refers to a tourism experience that is positively recalled and remains meaningful over time, extending beyond immediate satisfaction to memory, emotion, and personal meaning. Kim (2010) identified dimensions such as hedonism, novelty, involvement, local culture, refreshment, meaningfulness, and knowledge, while Tung and Ritchie (2011) emphasised affect, expectations, consequentiality, and recollection. MTE is understood as multidimensional, developing through the interaction of tourists' internal characteristics and destination stimuli (Hosany et al., 2022; Hosseini et al., 2023), and as constructed rather than simply delivered: the same attraction may be memorable to one visitor and ordinary to another (de Freitas Coelho et al., 2018), who propose that MTE develops through the stages of ambiance, socialisation, and emotion and reflection.

Authenticity is a widely recognised antecedent of MTE (Kim, 2010; Tung & Ritchie, 2011), increasingly understood as subjective and existential — an experience becomes authentic when tourists feel present, connected, or personally engaged (Wang, 1999). Social interaction and human connection also add warmth, belonging, and personal meaning, with recent research showing that participation and meaningful contact with local communities underpin profound

tourism experiences (Lou, Hu, Hu, & Zhang, 2026; Zhang, 2026). Novelty contributes by exposing tourists to unfamiliar environments and practices (Kim, 2010); its effect depends on interpretation, becoming meaningful when unfamiliarity is positively reappraised. Destination and service attributes remain necessary conditions, but functional quality alone rarely explains memorability, while personalisation and emotional value determine retention (Laela, 2024); digital content shapes expectations and recollection but can also undermine perceived authenticity (Kim & Fesenmaier, 2017).

Two behavioural outcomes are central to this study. Positive word-of-mouth is likely to follow memorable experiences because they provide vivid, emotionally engaging narratives (Arina et al., 2025; Huang & Chelliah, 2024). Revisit intention is generally positively associated with MTE (Komsuphkit et al., 2024; Lee-Anant, Kungwansith, & Rocharungsat, 2025), but also depends on distance, cost, life stage, and the desire for novelty, suggesting that recommendation and revisit intention are not equivalent indicators of loyalty.

The chapter draws on Experience Economy Theory, the Stimulus–Organism–Response (S–O–R) framework, and Destination Attachment Theory. Experience Economy Theory explains why competitiveness increasingly depends on emotional and memorable value; the S–O–R framework positions destination stimuli – authenticity, hospitality, novelty, and service – as influences on tourists' internal states that generate behavioural responses; and Destination Attachment Theory explains why some memorable experiences develop into emotional bonds that strengthen revisit intention. Rather than a statistical model, this framework organises the exploration of how participants describe the sequence from destination encounters to memory and behaviour.

### **3. Research Methodology**

An interpretivist philosophy and inductive qualitative approach were adopted, as memorable tourism experiences are subjective, emotional, and context-dependent; a qualitative exploratory design allowed themes to emerge from participants' narratives rather than testing predetermined hypotheses.

Purposive sampling recruited eight international tourists with direct, recent experience of Vietnam, representing eight countries and varied travel profiles – solo travellers, a couple, a family, a group of friends, a digital nomad, and a luxury traveller – across urban, cultural, coastal, and nature-based destinations including Hanoi, Sapa, Ha Long Bay, Da Nang, Hoi An, Ho Chi Minh City, and the Mekong Delta. Pseudonyms were used throughout to protect confidentiality.

Data were collected through semi-structured online interviews conducted in English via Zalo and WhatsApp, using a twenty-five-item open-ended guide covering participant background, antecedents of memorable experience, the memorable experience itself, behavioural outcomes, and overall reflections. Text-based interviewing suited the geographically dispersed sample and allowed reflective responses.

Transcripts were analysed using thematic analysis: the researcher coded meaningful segments, grouped related codes, reviewed and refined themes, and interpreted patterns in relation to the research questions and literature. Nine broad themes were synthesised into five integrated findings. Trustworthiness was supported through comparison of themes with full transcripts, reflexive notes, thick description, direct quotations, and retention of divergent cases. Participation was voluntary and informed, pseudonyms replaced real names, and data were securely stored for research purposes only.

#### **4. Findings & Discussion**

##### **4.1. Authentic cultural encounters were more memorable than iconic attractions**

Six of eight participants associated authenticity with situations that appeared to continue regardless of their presence — street food among local commuters, daily life in Hoi An, repeated café visits, and working communities in the Mekong Delta — because these did not feel designed exclusively for tourists. Authenticity was interpreted differently across participants: Carlos located it in Ho Chi Minh City's urban energy rather than traditional immersion, while Ahmed, in the luxury segment, found it in culinary and cultural substance that partly compensated for inconsistent execution. Authenticity functioned as a foundation rather than a complete experience, becoming especially memorable when tourists felt involved, welcomed, or personally affected.

##### **4.2. Local hospitality transformed authentic encounters into memorable experiences**

Six participants described sincerity, kindness, or spontaneous assistance as the element that turned an authentic encounter into an enduring memory — Emma's shared meal with a Sapa family, Raj's focus on how he was treated over service efficiency, Lisa's contrast between homestay warmth and inconsistent formal service, and Michael's appreciation of attentiveness toward his children. Warmth often softened operational imperfections, though Ahmed's account shows that luxury travellers expect greater personalisation that hospitality alone could not fully replace, while Carlos experienced friendliness without deep attachment since connection was not his main goal. Human connection was thus influential but conditional, strongest among tourists open to interaction who interpreted local responses as sincere.

##### **4.3. Novelty and uniqueness reshaped perceptions through emotional reinterpretation**

Traffic, noise, density, and unfamiliar rhythms initially felt difficult but were often reinterpreted as expressions of Vietnam's identity — Emma's shift from stress to fascination with Hanoi traffic illustrates this process, as does Lisa's description of Vietnam as requiring active negotiation rather than passive consumption. The external condition did not change; tourists changed the meaning attached to it. Responses varied with travel motivation: those seeking immersion valued unfamiliarity more than those prioritising comfort or premium service, indicating that novelty's contribution to MTE is relational and depends on whether difference is interpreted as meaningful.

#### **4.4. Ordinary everyday moments became the emotional peak of the trip**

The strongest memories were often ordinary rather than spectacular — breakfasts, shared meals, quiet walks, and staff interactions. Michael's strongest Ha Long Bay memory was tied to the family experience rather than scenery alone, and Raj's attachment to Hoi An reflected a feeling shared with his partner. These moments accumulated meaning as authenticity established a credible setting, hospitality created connection, novelty increased attention, and reflection gave the event personal significance, indicating that extraordinary memories do not require extraordinary products.

#### **4.5. Positive word-of-mouth was more consistent than revisit intention**

All eight participants had recommended or would recommend Vietnam, though enthusiasm, audience, and public-versus-private sharing varied. Revisit intention was more divided: four expressed strong intentions linked to emotional attachment or a sense of unfinished relationship with a place, while Carlos's low intention reflected completion rather than dissatisfaction, Ahmed's depended on premium-service improvements, and Lisa wanted distance before returning. Destination attachment — Sapa with connection, Da Nang with lifestyle, Ha Long Bay with family, Hoi An with intimacy — best explains this divergence, suggesting recommendation is a low-cost expression of memorability, whereas revisiting must compete with constraints and the pull of new destinations.

#### **4.6. Proposed process of MTE formation**

The findings suggest a sequential, interconnected process rather than independent antecedents. At the stimulus stage, tourists encounter everyday authenticity, service situations, and unfamiliar cultural features; authenticity provides an initial sense that the destination is real, human interaction determines personal meaning, and novelty invites interpretation. At the organism stage, these elements are transformed through cognitive comparison, emotional response, and retrospective evaluation, with the strongest memories attaching to ordinary moments that concentrate authenticity, connection, and meaning. At the response stage, memorable

experiences generate word-of-mouth directly, while revisit intention is a more conditional response requiring sufficient attachment to outweigh cost, distance, and novelty-seeking motivations.

#### **4.7. Relationship with previous research**

The findings support authenticity as a key MTE antecedent but extend prior research by locating it mainly in ordinary social life rather than formal cultural products, consistent with existential authenticity (Wang, 1999) and with de Freitas Coelho et al. (2018). The hospitality finding aligns with research linking interaction and emotional involvement to profound experiences (Lou et al., 2026), while adding that sincerity can partly compensate for limited efficiency depending on market segment. The novelty finding refines Kim's (2010) dimensions by showing that novelty becomes memorable only through emotional reinterpretation. The behavioural findings partially support prior evidence linking MTE to recommendation and revisit intention (Huang & Chelliah, 2024; Kornsuphkit et al., 2024; Lee-Anant et al., 2025; Thongtammachat et al., 2026), but show these outcomes are not equivalent: word-of-mouth was near-universal while revisit intention depended more strongly on attachment and situational conditions, offering a more differentiated account than models treating both as parallel expressions of loyalty.

Theoretically, the chapter contributes qualitative evidence on MTE formation in an underrepresented emerging destination, proposes a sequential process model linking authenticity, connection, novelty, reinterpretation, and ordinary moments, refines authenticity as often located in everyday routines, and distinguishes destination advocacy from revisit intention through the mechanism of emotional attachment.

#### **5. Managerial Implications**

Destination managers should shift from an attraction-centred to an experience-centred approach, preserving neighbourhoods, markets, cafés, and street life alongside investment in iconic attractions, and avoiding excessive staging that weakens perceived authenticity.

Tourism businesses should treat human warmth as a strategic service capability, training staff in interpersonal communication, cultural sensitivity, and personalised assistance, while maintaining standardisation for safety and consistency.

Product developers should create opportunities for participation rather than observation – small-group food experiences, neighbourhood walks, craft activities, community-based tourism, and longer-stay programmes – and marketing should represent Vietnam through realistic stories of local culture and hospitality.

Policymakers and destination organisations should not evaluate performance solely through repeat visitation; long-haul tourists may become strong advocates without returning soon, so post-trip storytelling, visitor-generated content, and referral mechanisms should be actively encouraged.

Revisit-focused strategies should emphasise regional diversity, new seasons, and deeper experiences that give previous visitors a reason to continue an unfinished relationship with Vietnam, particularly for segments showing strong destination attachment.

## **6. Conclusion**

This chapter explored the antecedents and behavioural outcomes of memorable tourism experience among international tourists in Vietnam through an interpretivist, inductive qualitative design. The findings show that authentic everyday encounters, local hospitality, and the emotional reinterpretation of novelty combine to produce memorable experiences, with ordinary moments often forming the emotional peak of the trip. Positive word-of-mouth followed almost universally, while revisit intention depended more conditionally on destination attachment and situational constraints, indicating that advocacy and repeat visitation should be treated as distinct outcomes rather than equivalent indicators of loyalty.

The study contributes a process-based explanation of MTE formation grounded in an emerging Southeast Asian destination, extending existing dimension-based models by showing how authenticity, connection, novelty, and reflection interact sequentially rather than operating as parallel antecedents. Practically, it offers destination managers, tourism businesses, and policymakers guidance for preserving authentic settings, strengthening human-centred service, and designing post-trip engagement that does not depend solely on repeat visitation.

The findings are context-specific, based on eight participants and are not intended for statistical generalisation; they reflect the experiences of a purposively sampled group of international tourists interviewed in English through text-based platforms, which may have shaped the depth and nature of disclosure. Future research could employ larger and more diverse samples, compare findings across additional Vietnamese destinations or traveller segments, and use longitudinal or mixed-methods designs to examine how memorable experiences and destination attachment evolve over time and translate into actual revisit behaviour.

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## THE IMPACT OF SUSTAINABLE PRACTICES ON BUSINESS PERFORMANCE IN VIETNAM'S FOOD SERVICE INDUSTRY

Hoang Hue Anh, Dr. Phan Thi Kim Ngan

*Hanoi University*

### Abstract

This study investigates how sustainability practices are perceived to influence business performance within Vietnam's urban chain food service sector. Grounded in Institutional Theory and the Triple Bottom Line framework, the research employs a qualitative multiple embedded case study design with ten semi-structured interviews across eight chain food service organizations. Findings reveal that coercive, mimetic, and normative pressures jointly shape sustainability engagement, yet their translation into sustained practice is mediated by outlet location, customer segment, and human capital. Performance outcomes are deferred and relational rather than immediate: employee satisfaction emerges as the most consistent positive result, while financial returns turned up in the long term. Findings extend Institutional Theory and offer original qualitative evidence from an emerging market context.

**Keywords:** *sustainability practices, institutional theory, triple bottom line, food service chain, Vietnam, business performance*

### 1. Introduction

Global attention to sustainability has grown considerably, and the food service sector is no exception. Sustainability refers to development that meets present needs without compromising future generations' ability to meet their own (WCED, 1987). The food service industry is widely recognized as a significant contributor to environmental challenges including waste generation, resource overconsumption, and greenhouse gas emissions (Madanaguli et al., 2022; Pascual & Donaire, 2025). Sustainability has emerged as a significant purchase driver among Vietnamese consumers, with approximately 84% expressing willingness to pay more for sustainable products (Rakuten Insight, 2023). Within this sector, chain food service businesses occupy a structurally distinct position: despite independent outlets accounting for 91.7 percent of sector revenue, chain establishments recorded growth approximately twice that of single-outlet businesses, with market share rising from 7.3 percent to 8.3 percent between 2024 and 2025 (iPOS.vn & Nestlé Professional, 2025).

Within this sector, chain operators face a layered institutional environment arising from multi-outlet operations, standardized procedures, and high brand visibility (Muller & Woods, 1994; Alang et al., 2026). Vietnam's regulatory environment further reinforces the institutional significance of this context. Penalties are perceived as low, enforcement remains uneven, and

sustainability becomes operational only when institutional pressure is translated into concrete organizational routines (Alang et al., 2026). A survey of six fast-food chains in Ho Chi Minh City found that regulatory interventions on plastic packaging waste had been limited in effect, even as those chains collectively generated approximately six tones of packaging waste per day (Do, 2021). This gap between regulatory intent and operational reality defines the central problem this study addresses.

The predominance of quantitative approaches in existing Vietnamese studies has produced statistical associations (Nguyen & Nam, 2025; Ngo, 2024; Khuong et al., 2023) but limited interpretive depth into how and why sustainability practices are understood and executed differently across organizations. Despite their growing commercial significance, chain food service businesses remain understudied in the sustainability literature, particularly in emerging market contexts (Madanaguli et al., 2022; Pascual & Donaire, 2025). Therefore this study focuses on the following research question: *How are sustainability practices perceived to influence business performance outcomes in Vietnam's urban chain food service sector?*

## **2. Theoretical background**

### **2.1. Sustainability in food service**

The concept of sustainability in the food service industry has increasingly been examined through the lens of the Triple Bottom Line (TBL) framework, originally proposed by Elkington (1997). The author argues that organizations must simultaneously account for three interdependent dimensions of value creation: economic viability (profit), social equity (people), and environmental responsibility (planet). Within the food service sector, environmental sustainability has received the most extensive scholarly attention, with water efficiency, waste management, recycling, and energy management consistently identified as foundational environmental priorities (Baloglu et al., 2020; Madanaguli et al., 2022). Social sustainability practices encompass employee well-being, community engagement, and fair operating procedures (Dyllick & Hockerts, 2002; Vo & Arato, 2020), while economic sustainability refers to practices ensuring long-term operational viability through resource efficiency, cost management, and financially resilient supply chain decisions (Cantele & Cassia, 2020). A recent systematic analysis of 737 peer-reviewed articles confirmed that while environmental sustainability has dominated scholarly attention, social and economic dimensions remain comparatively underexplored (Pascual & Donaire, 2025). Despite its analytical appeal, the TBL framework carries limitations. The three pillars do not share a common unit of measure, and trade-offs in real-world implementation are frequently oversimplified (Bui & Filimonau, 2021).

This explanatory gap motivates the integration of Institutional Theory as a complementary analytical lens, assessing why and how those practices are adopted in context.

## **2.2. Institutional pressures and Sustainability adoption**

Institutional Theory provides a framework for understanding why organizations adopt certain practices and how those practices become consistent features of organizational life (DiMaggio & Powell, 1983). Each distinct mechanisms: coercive, mimetic, and normative pressure reflect a different source of institutional influence and producing different patterns of organizational response. *Coercive pressure* arises from formal and informal expectations imposed by entities with authority over an organization, including governments, regulatory bodies, and powerful stakeholders (DiMaggio & Powell, 1983; Scott, 2008). In the Vietnamese food service context, Tang & Luu (2025) identify regulatory compliance as a salient operational risk, while Alang et al. (2026) note that enforcement remains uneven across districts. Compliance driven primarily by regulatory obligation tends to produce ceremonial adoption, in which organizations implement sustainability practices as formal displays of conformity rather than substantive operational commitments (Meyer & Rowan, 1977). *Mimetic pressure* occurs when organizations imitate the practices of perceived successful peers, particularly in conditions of uncertainty (DiMaggio & Powell, 1983). Within the food service sector, peer observation significantly influences individual decision-making, with competitive benchmarking functioning as a primary motivator for sustainability engagement (Raab et al., 2018). The replication of surface-level sustainability practices without corresponding operational or cultural change produces shallow isomorphism, whereby organizations achieve symbolic alignment without generating meaningful sustainability outcomes (Lu et al., 2018). As a result, mimetic pressure tends to produce convergence rather than innovation. Lastly, *normative pressure* derives from shared professional values, educational systems, industry associations, and occupational networks (DiMaggio & Powell, 1983; Scott, 2008). A recent meta-analysis confirmed that normative pressure is the institutional force most strongly associated with the adoption of environmental practices across organizations (Marculetiu & Ataseven, 2026). Existing literature has predominantly conceptualized normative pressure as a top-down process; however, accumulating evidence challenges this unidirectional framing (Wellton & Lainpelto, 2021; Giang et al., 2021). The above studies suggest that the normative environment itself may vary according to the composition of organizational human capital rather than being uniformly imposed across all firms.

## **2.3. Sustainability's impacts on business performance**

The relationship between sustainability practices and business performance is multidimensional, extending beyond short-term financial returns. Financial performance constitutes the most directly observable outcome; waste management and green operations generate measurable savings and enhance financial resilience (Tehrani et al., 2020). While empirical evidence from Vietnam links sustainable practices including energy efficiency, organic sourcing, and green supply chain management to improved economic performance (Nguyen & Nam, 2025). Nevertheless, financial returns are neither immediate nor uniform, with cost burden and regulatory uncertainty as persistent barriers that delay returns (Cantele & Cassia, 2020).

Regarding brand equity, green practices in coffee shops generate emotional attachment among consumers, strengthening green loyalty and differentiating the brand (Bekar et al., 2020; Ko & Jeon, 2024). Corporate environmental responsibility positively influences multiple dimensions of brand equity, including brand loyalty, quality perception, and brand awareness (Carbajal-Rubio et al., 2024). In addition, Mahasuweerachai & Suttikun (2022) reveal that green consumers who perceive eco-friendly restaurants as more authentic experience an emotional satisfaction and increase their willingness to purchase. Customer experience outcomes are shaped by how sustainability initiatives are communicated and embedded in the service encounter (Line et al., 2016). In the Vietnamese context, consumer perceptions are shaped by perceived fair pricing, product quality, empathetic service, and trust in food safety standards (Le et al., 2017). Employee satisfaction has also emerged as a consistently positive outcome, with sustainability values embedded in organizational culture strengthening engagement and retention (Dyllick & Hockerts, 2002; Truong et al., 2025).

### **3. Methodology**

This study adopts a qualitative exploratory research design based on an interpretivist philosophy, seeking to understand sustainability through the diverse and subjective interpretations of restaurant and café managers (Creswell & Porth, 2018). A multiple embedded case study design (Yin, 2018) was selected to explore how institutional pressures shape sustainability adoption within the specific context of Vietnam's urban chain food service sector. The methodological structure aligns with the layered framework proposed by Saunders et al. (2009). Thematic analysis drew on both theory-informed coding and inductive refinement, following the six-phase framework by Braun and Clarke (2006) as guided by Maguire and Delahunt (2017). A conceptual framework (Figure 1) was proposed to the research process by identifying the key concepts, prioritising the most meaningful relationships among them, and informing the collection and analysis of relevant data.

Participants were recruited through purposive sampling (n=8) and snowball sampling (n=2) guided by three criteria: organizations operating as chains of at least three outlets; participants holding at least middle-management seniority with five or more years of food service experience; and sampling spanning three organizational tiers to enable cross-tier comparison. Details of participant profiles are provided in Appendix A.

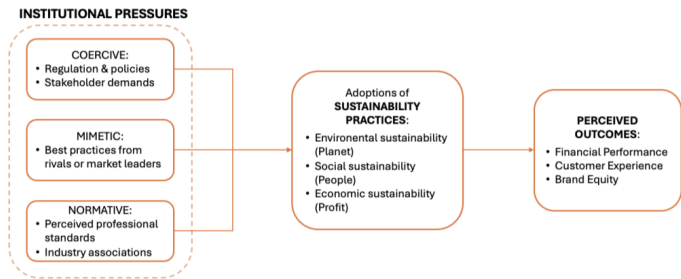


Figure 1 - Proposed conceptual framework (Source: Authors’ drawing)

Primary data were collected through ten semi-structured in-depth interviews with managers; ranging from middle-level to senior positions and founders; conducted between January and June 2026. Seven interviews were conducted online and three were face-to-face. Non-participant observations were conducted across eight of the ten participating brands, with two outlets visited per brand between November 2025 and June 2026. Interview data were analyzed using NVivo 15, following the five-phase sequence proposed by Bingham (2023): *organizing, coding, understanding, interpreting, and representing data*. Credibility was strengthened through triangulation (Lincoln & Guba, 1985) across three data sources (interviews, secondary documents, and in-store observation), which reduces the risk of single-source bias and improves interpretive depth (Creswell & Porth, 2018). All participants were fully anonymized using numerical codes (P1–P10), and voluntary informed consent was obtained prior to data collection.

4. Results

4.1. Diversity of sustainability practice adoption

A comprehensive table provides an overview of the **three** themes, their reference volumes, participant coverage, and representative quotations (Appendix B). All ten informants reported active engagement with sustainability-related practices. Analysis revealed that Planet (Environment) generated the highest reference volume (n=191 across all ten participants), followed by People (Society) (n=115) and Profit (Economics) (n=12). Four main practice clusters emerged across the dataset. *Waste management* was the most prominent practice, reported by all ten informants. The approaches described ranged from informal daily

reminders to comprehensive multi-step systems involving dedicated teams, digital monitoring tools, and formal recycling partnerships. Notably, P5's contemporary Vietnamese fine dining outlet, which composted kitchen organic waste, used that compost to grow herbs on-site, and returned those herbs to the kitchen. This restaurant received Vietnam's second Michelin Green Star in June 2026. In addition, *plastic reduction* was reported across all eight organizations, with replacements including paper, sugarcane bagasse, stainless steel, rice, and seagrass materials; motivations ranged from environmental conviction to cost efficiency to peer influence. *Employee-centric* social sustainability was consistently described across nine of ten informants, with wage policies, career development pathways, staff recognition programmes, and internal sustainability campaigns widely reported. Local and sustainable sourcing was most prominent among premium and fine-dining establishments, where sourcing criteria encompassed biodiversity, water preservation, animal welfare, and human welfare. Lastly, *economic sustainability* generated the lowest reference volume and was never framed as a standalone practice category - cost savings emerged as a secondary benefit rather than a primary motivator.

#### **4.2. Institutional pressures shaping sustainability adoption**

All three institutional mechanisms were evident across the dataset. Coercive pressure appeared in three overlapping layers. For employee-related practice and ingredient traceability are strictly formed by state regulation for all chains. Upon corporate level, mandatory daily reporting systems for waste ratios, energy consumption, and ingredient spoilage are enforced through “*financial penalties for non-compliant outlets*” (P3, Restaurant Manager, 13 years, premium seafood buffet). Similarly, as a centralized chain, P6 (Store Manager, 5 years, premium beverage chain) confirmed that any sustainable decision must be approved by the head office. The most contextually distinctive layer came from outlet location: among the eight chains, mall-located outlets faced sustainability requirements from landlords in addition to corporate and government standards, with one Japanese mall operator enforcing detailed waste-sorting protocols.

Regarding mimetic pressures, they operate at two levels: domestic and international. Domestic peer observation inspired store-level sustainability practice that later became formalized into group-wide corporate policy. This finding reverses the conventional institutional order, with mimetic pressure triggering coercive pressure. At the international level, P9 described how the chain's zero-waste restaurant concept was adapted from an established model in Bali rather than developed internally.

Lastly, normative pressure produced the deepest findings. Analysis identified three professional groups whose prior educational and occupational backgrounds shaped how sustainability was prioritized and enacted. Representing the first group (P5, P9) invested extensively in professional education throughout his career. Food-related practices with intentional strategies such as “*local and seasonal*”, “*supply chain management*” and “*regenerative sourcing*” are mostly discussed by this group. The second group comprised participants who had built their careers through operational roles, progressing from frontline positions into management. Interestingly, for these individuals, normative pressure was expressed through accumulated “*professional experience*” (P1, P2, P3), “*team culture*” (P6, P7) and “*leadership influence*” (P7, P10). The third group was analytically distinctive with two founders, P8 from Information Technology (IT) and P4 from Marketing background. Across the interviews and data analysis, their disciplinary backgrounds were consistently reflected in the ways they operated their enterprises. Together, these groups suggest that normative pressure is not only a top-down process but is also actively shaped by the professional identities individuals bring into their organizational roles.

#### **4.3. Perceived impacts on business performance**

The relationship between sustainability practices and business performance was neither direct nor immediate. Across 147 coded references distributed across five dimensions, two observations frame the findings: financial returns are not perceived as immediate, and the outcomes described with greatest confidence are relational. Financial performance was the most referenced dimension (57 references). The most consistent positive narrative centres on cost reduction through waste minimization was reported by the case of buffet restaurant (P7, Restaurant Manager, 9 years). After the food waste fines were communicated to customers, he observed a significant deduction up to 50% food cost. Identically, P1 (Assistant Manager, Premium fusion casual dining) describes a minor but significant practice of material substitution. Replacing paper order notes with steel clips eliminates a recurring monthly cost and operational failure of notes falling off trays during service. On the contrary, reverse financial impacts were concentrated in material substitution decisions and people-centred sustainability, where P8 and P10’s chain estimated labour cost allocation at 20–25 percent of revenue against an industry benchmark of approximately 10 percent.

Brand equity outcomes operated through relational rather than transactional mechanisms. Both P1 and P9 describe how their chain’s sustainability identity had been anchored in concepts such as Farm-to-Table and Earth-to-Table. This branding creates a distinct impression that customers associate specifically with the chain. In addition, P3 links sustainability practices

directly to brand visibility and customer return rates. Sustainability functions more as a loyalty deepener among existing customers, particularly younger segments as P5 articulated: *"Sustainability has never been the thing that brings customers in. But it makes customers love the brand"* (P5, Chef Patron, 18 years).

Analysis on customer experience reveals two directions of perceived impact: sustainability practices that conflict with customer habits produce measurable friction, while practices that align with or exceed customer expectations produce positive service outcomes. The balance between these two directions is not fixed. It depends on the customer segment being served, the communication approach of frontline staff, and the depth to which sustainability is integrated into the product and service design itself.

The emerging perceived outcome recognized employee satisfaction was the most uniformly positive outcome across the dataset. Participants (P1, P6, P9, P7) consistently perceiving employee-related benefits as more immediate and predictable than financial or customer experience outcomes. Staff who understand why they are doing what they do engage differently with their work than those who experience their tasks as purely procedural.

## **5. Discussion of Findings**

### **5.1. Perceived impacts of sustainability practices on business performance**

The relationship between sustainability practices and business performance in this study was neither direct nor immediate. Outcomes were perceived across four dimensions, including financial returns, brand equity, customer experience, and employee satisfaction. However, their realization depended on time horizon, relational depth, and the contextual fit between practice and customer segment (Tehrani et al., 2020; Nguyen & Nam, 2025). Financial outcomes were most consistently described in terms of cost reduction as a secondary benefit rather than as a primary motivator of environmental practice. This pattern challenges the assumption that cost efficiency drives sustainability adoption in emerging market food service contexts (Cantele & Cassia, 2020). Practices such as investment in solar energy, closed-loop waste systems, and sustainable sourcing produced measurable savings only in the long term. For small and medium businesses, sustainability offered limited or even negative financial returns in the short term, highlighting the persistent tension between sustainability ambitions and economic viability (Cantele & Cassia, 2020).

Brand equity outcomes were more consistently positive but operated through relational mechanisms. Sustainability functioned less as a customer acquisition tool than as a means of strengthening loyalty and brand differentiation among existing customers, particularly younger segments (Bekar et al., 2020; Ko & Jeon, 2024; Carbajal-Rubio et al., 2024). The present

findings extend this evidence by suggesting that brand equity accumulates cumulatively through repeated interactions rather than arising from a single sustainability signal, a relational character that existing brand equity frameworks have not prominently theorized (Mahasuweerachai & Suttikum, 2022).

Regarding customer experience, material substitutions consistently generated friction when they removed something customers expected, but enhanced experience when they created new service interactions. This conditional pattern is partially anticipated by Line et al. (2016) in identifying communication of sustainability credentials as a key determinant of customer response, and contextualized within Vietnamese consumer expectations of fair pricing, product quality, and empathetic service (Le et al., 2017). When sustainability was applied as an operational overlay without corresponding communication, friction persisted (Cantele & Cassia, 2020; Baloglu et al., 2020).

Employee satisfaction was the most uniformly positive outcome and the least qualified across accounts. The findings suggest that when employees understand their organization's sustainability purposes, these values become embedded in everyday practice, strengthening employee engagement and retention (Dyllick & Hockerts, 2002; Truong et al., 2025). P7, the restaurant manager of a Korean barbecue chain, connected this directly to customer outcomes through his philosophy: *"Make the staff happy first. When they are in the right state of mind, they work with customers better."* Participants consistently perceived employee-related benefits as more immediate and predictable than financial or customer experience outcomes. Consequently, employee-centric sustainability appears to offer the most reliable near-term pathway to performance improvement for resource-constrained chain operators. Across all four performance dimensions, a cross-cutting pattern emerged: outcomes were most consistent and durable where organizations had invested in staff knowledge, training, and professional development. This suggests that human capital functions not as a parallel sustainability pillar but as the enabling condition upon which all performance-related outcomes ultimately depend.

## **6. Conclusion**

This study examined how sustainability practices are perceived to influence business performance in Vietnam's urban chain food service sector through an institutional lens. The findings confirm that sustainability practice adoption is institutionally initiated but contextually mediated, with coercive, mimetic, and normative pressures shaping engagement across all eight organizations. Performance outcomes are deferred and relational rather than direct and immediate, with employee satisfaction constituting the most consistent positive result and financial returns materializing only in the medium to long term.

However, this study has several limitations. The sample of ten informants across eight organizations, while consistent with qualitative norms (Yin, 2018), limits the range of organizational contexts captured. The study is geographically concentrated in Vietnam's major urban centres and may not transfer directly to smaller cities or provincial markets. The analytical framework was grounded in Institutional Theory and the Triple Bottom Line; alternative frameworks such as Stakeholder Theory or the Resource-Based View may have surfaced different dimensions. Future research should test the three-layer coercive environment in other multi-outlet food service contexts, including franchise-heavy markets and countries with stronger environmental regulatory enforcement. Quantitative studies could test whether professional background systematically predicts sustainability orientation across a larger sample. A longitudinal panel study tracking sustainability investment and business performance outcomes over three to five years would provide stronger evidence on the deferred performance pathways identified here.

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## **IMPACT OF EXECUTIVE COMPENSATION ON FIRM PERFORMANCE - EMPIRICAL EVIDENCE FROM VIETNAMESE BANKS**

**Hoang Thi Hau**

*Hanoi University*

### **Abstract**

Aligning executive compensation with corporate performance is essential in contemporary corporate finance, particularly in commercial banking where high leverage and risk exposure exacerbate agency conflicts. The objective of this study is to examine the impact of executive board remuneration on the operational efficiency (measured by ROA) of Vietnamese commercial banks, while analyzing whether bank size moderates this pay-performance relationship. Using an unbalanced panel dataset of 145 bank-year observations across 30 Vietnamese commercial joint-stock and state-owned banks from 2020 to 2024, econometric estimations were conducted using Random Effects Models (REM) with White cross-section robust standard errors. The key findings reveal that executive compensation exerts a positive and statistically significant impact on bank performance ( $\beta = 0.002303$ ,  $p < 0.05$ ), supporting Agency Theory and Tournament Theory. However, bank size does not significantly moderate this relationship. Practically, commercial banks should design long-term performance-contingent compensation schemes tied to risk and asset quality, while regulators must enhance itemized disclosure transparency regarding executive pay structures.

**Keywords:** *Executive compensation, Bank performance, Agency Theory, Bank size, Vietnamese commercial banks.*

### **1. Introduction**

The question of how to effectively structure executive compensation to maximize shareholder value remains an issue of concern. Globally, this issue is anchored in the theoretical framework of Agency Theory, which posits that aligning managerial pay with firm performance is the primary mechanism to mitigate the inherent conflict of interest between principals and agents. The prevailing trend is promoted by guidelines like the OECD Principles of Corporate Governance. It encourages performance-linked pay and transparency. While previous studies in Vietnam (Nguyen Xuan Toan & Nguyen Thi Anh Nhu, 2022) have found a positive relationship between executive pay and performance, their study sample excludes financial banking sector. Evidence on the relationship between executive compensation and performance for Vietnamese banks remains scarce.

In the banking industry, the relationship between management remuneration and bank performance plays a very important role. It arises from the difference between the owner and

the operator in the bank. Executive remuneration is not only a driving force for bank management managers to be effective, but also a driving factor for behavior that can lead to risks and affect the bank's operations in the long run.

This study is theoretically motivated by Agency Theory (Jensen & Meckling, 1976), which suggests that compensation aligns managers' interests with those of shareholders. This study is the empirical study of Agency Theory by analyzing how organizational characteristics modify the core pay-performance relationship, thereby contributing to a more nuanced, context-specific understanding of executive incentives.

The necessity of this research is further underscored by a significant empirical void in existing literature. Because Vietnamese banks operate under the strict management of the State Bank of Vietnam in terms of capital and risk. Therefore, it is inappropriate to use previous studies from businesses. Banks are fundamentally different from non-financial companies because they need to maintain higher leverage and serve a wide range of stakeholders, including shareholders, depositors, regulators, and creditors. Therefore, empirical evidence on the relationship between compensation and executive performance drawn from non-financial enterprises may not be directly applicable to the banking sector. Therefore, it is reasonable to study the relationship between compensation and performance in banks both theoretically and practically.

First, previous empirical findings regarding the relationship between executive compensation and organisational performance remain inconclusive. A considerable number of studies report that performance-based executive compensation improves organisational performance by aligning managers' interests with those of shareholders. Conversely, other studies have noted weak, insignificant, or even negative relationships.

Secondly, although executive compensation has been widely studied in developed economies and some major emerging markets, empirical evidence from Vietnamese commercial banks remains very limited. Therefore, the regulatory role of bank size warrants further study.

Third, previous studies have predominantly examined the direct relationship between executive compensation and organisational performance, whereas relatively limited attention has been devoted to understanding the organisational conditions under which executive compensation becomes more or less effective. In particular, bank size is often viewed as a more conventional control variable than a moderating variable. Therefore, the regulatory role of bank size warrants further study.

Fourth, many existing studies include only a limited set of control variables, typically focusing on bank size and leverage. Researches overlook other important banking characteristics such as capital strength, credit risk, and board governance.

The objective of this chapter is to study the impact of executive board remuneration on the operational efficiency of Vietnamese commercial banks. In addition, the study also examines whether the size of the bank affects the relationship between executive remuneration and the bank's performance. Furthermore, the study also controlled for the bank's own characteristics that could affect operational efficiency.

**RQ1:** How does the remuneration regime for the management affect the performance of Vietnamese commercial banks?

**RQ2:** Does the size of the bank have a regulatory impact on the relationship between the remuneration regime for the management and the operational efficiency of Vietnamese commercial banks?

## **2. Literature Review**

### **2.1. Relevant theories**

**Agency Theory:** Pioneered by Jensen and Meckling (1976), this theory addresses the principal-agent problem arising from the separation of ownership and control. Shareholders delegate decision-making to managers, who may prioritize personal interests over shareholder wealth. Performance-linked compensation play a role as an internal management tool to align interests and reduce agency costs (Murphy, 1985; Hall & Liebman, 1998).

**Managerial Power Theory:** In contrast, Bebchuk et al. (2002) argue that executive remuneration is often influenced by the power managers exert over the Board of Directors. When oversight is weak, powerful executives can increase compensation packages that do not reflect actual productivity, leading to a weak or negative pay-performance link.

**Tournament Theory:** Introduced by Lazear and Rosen (1981), this theory views organizational hierarchy as a competitive arena. Large salary gaps between senior executives and lower-level managers serve as an incentive 'prize' that motivates all employees to strive for promotion, bolstering managerial effort across the bank.

### **2.2. Previous studies**

Foundational studies (Murphy, 1985; Jensen & Murphy, 1990a; Mehran, 1995; Hall & Liebman, 1998) established that performance-tied pay heightens pay-performance sensitivity. Asian market studies (Zandi et al., 2019; Farooque et al., 2019; Cui et al., 2021; Pareek et al., 2023) and banking research (Dong et al., 2017) confirm that executive pay improves operational profitability (ROA, ROE). Conversely, another body of work documents weak or

negative pay-performance links due to governance failures and rent extraction (Core et al., 1999; Bebchuk & Fried, 2004; Brick et al., 2006; Cooper et al., 2016). In banking, poorly designed incentives may induce excessive short-term risk-taking (John et al., 2000; Bebchuk & Spamann, 2010; DeYoung et al., 2013).

### **2.3. Hypotheses**

Hypothesis 1 (H1): Executive compensation has a positive and significant effect on bank performance.

Hypothesis 2 (H2): Bank size significantly moderates the relationship between executive compensation and bank performance, with the effect being stronger in larger institutions.

Control variables: Capital ratio (CAPITAL), Non-performing Loans (NPL), Board size (LNBOARDSIZE), Board independence (BIND), and Bank age (AGE) are incorporated to isolate core relationships.

## **3. Research methodology**

### **3.1. Research design**

This study adopts a quantitative empirical design using panel data regression analysis. Panel data analysis is selected over cross-sectional or time-series methods because it increases degrees of freedom, controls for unobservable bank-specific time-invariant heterogeneity, and mitigates potential omitted variable bias.

### **3.2. Sample and data collection**

The empirical sample comprises an unbalanced panel dataset of 30 domestic Vietnamese commercial joint-stock and state-owned banks over a 5-year period from 2020 to 2024. Joint ventures and foreign bank branches are excluded. Data were manually collected from official annual corporate governance disclosures, annual reports, audited financial statements, and AGM resolutions, yielding a final sample of 145 bank-year observations.

### **3.3. Variables and measures**

- Dependent Variable: Bank Performance, measured by Return on Assets (ROA).
- Independent Variable: Executive Compensation (LNCCOMP), measured as the natural logarithm of total executive remuneration.
- Moderating Variable: Bank size (LNSIZE), calculated as the natural logarithm of total assets.
- Interaction Term:  $INTER = CLNCCOMP \times CLNSIZE$  (using mean-centered variables).

- Control Variables: CAPITAL (equity/total assets), NPL (bad debt/total loans), LNBOARDSIZE (natural log of board members), BIND (independent board ratio), AGE (years since establishment).

### 3.4. Analytical techniques & specification

**Model 1** (Direct effect):

$$PERF_{i,t} = \alpha + \beta_1 \ln CCOMP_{i,t} + \beta_2 \ln SIZE_{i,t} + \beta_3 CAPITAL_{i,t} + \beta_4 NPL_{i,t} + \beta_5 \ln BOARDSIZE_{i,t} + \beta_6 BIND_{i,t} + \beta_7 AGE_{i,t} + \varepsilon_{i,t}$$

**Model 2** (Moderating effect):

$$PERF_{i,t} = \alpha + \beta_1 CLNCCOMP_{i,t} + \beta_2 CLNSIZE_{i,t} + \beta_3 INTER_{i,t} + \beta_4 CAPITAL_{i,t} + \beta_5 NPL_{i,t} + \beta_6 LNBOARDSIZE_{i,t} + \beta_7 BIND_{i,t} + \beta_8 AGE_{i,t} + \varepsilon_{i,t}$$

Estimation sequence: Pooled OLS, Fixed Effects (FEM), and Random Effects (REM) were evaluated. Hausman specification tests were applied to select the preferred model. Multicollinearity was tested via Variance Inflation Factors (VIF). Final models were estimated using Random Effects with White cross-section robust standard errors to control for heteroskedasticity and serial correlation.

## 4. Findings & discussion

### 4.1. Descriptive findings

Table 4.1 presents the descriptive statistics of the study variables. The average ROA is 1.09%, ranging from -4.33% to 3.17%, indicating considerable differences in profitability across banks. The negative skewness indicates that a small number of banks experienced relatively poor financial performance during the study period. Executive compensation (LNCCOMP) has a mean of 24.1999 with relatively low variation (SD = 0.7724), suggesting fairly consistent compensation levels. Bank size (LNSIZE) and age (AGE) show sufficient variation, reflecting differences in bank characteristics. Among the control variables, the average capital ratio is 8.49%, the average NPL ratio is 2.2790%, and board independence averages 16.69%. The wide range of NPL indicates that some banks experienced much higher credit risk than others. Overall, the descriptive statistics show sufficient variation across the variables, making them suitable for panel data analysis. Although several variables do not strictly follow a normal distribution, this is generally not a major concern because panel regression methods with robust standard errors remain reliable under such conditions.

**Table 4.1. Descriptive statistics of variables**

| Variable           | Mean   | Median | Maximum | Minimum | Std. Dev. | Jarque-Bera | Prob. |
|--------------------|--------|--------|---------|---------|-----------|-------------|-------|
| <b>ROA</b>         | 0.0109 | 0.0099 | 0.0317  | -0.0433 | 0.0086    | 587.172     | 0.000 |
| <b>LNCCOMP</b>     | 24.200 | 24.214 | 26.660  | 22.425  | 0.772     | 3.071       | 0.215 |
| <b>LNFSIZE</b>     | 33.255 | 33.131 | 35.554  | 30.807  | 1.142     | 3.502       | 0.174 |
| <b>CAPITAL</b>     | 0.0849 | 0.0767 | 0.1710  | 0.0426  | 0.0310    | 24.193      | 0.000 |
| <b>NPL</b>         | 2.2790 | 1.6900 | 29.760  | 0.5000  | 3.1799    | 13926.9     | 0.000 |
| <b>LNBOARDSIZE</b> | 1.9531 | 1.9459 | 2.7081  | 1.6094  | 0.2554    | 4.058       | 0.131 |
| <b>BIND</b>        | 0.1669 | 0.1667 | 0.3333  | 0.0000  | 0.0769    | 1.349       | 0.510 |
| <b>AGE</b>         | 30.469 | 30.000 | 68.000  | 13.000  | 10.701    | 156.657     | 0.000 |

*Source: Author's Eview output estimation*

### Statistical results & diagnostics

**Correlation analysis:** LNCCOMP and LNFSIZE correlate positively with ROA ( $r = 0.531$  and  $r = 0.444$ ). CAPITAL has the strongest positive correlation with ROA ( $r = 0.581$ ), while NPL correlates negatively ( $r = -0.497$ ).

Regarding multicollinearity, the highest correlation among the explanatory variables is between bank size and board size ( $r = 0.5658$ ), followed by bank size and bank age ( $r = 0.5468$ ). Since all pairwise correlation coefficients are below the commonly accepted threshold of 0.80, multicollinearity is not to be a serious concern. To further verify this, Variance Inflation Factor (VIF) tests are performed for all regression models. Centered VIF values range between 1.126 and 2.301 for Model 1, and 1.142 to 2.782 for Model 2, confirming no severe multicollinearity.

**Table 4.2: Pearson correlation coefficients**

*Source: Author's Eview output estimation*

| Variable       | ROA   | LNCCOMP | LNFSIZE | CAPITAL | NPL | LNBOARDSIZE | BIND | AGE |
|----------------|-------|---------|---------|---------|-----|-------------|------|-----|
| <b>ROA</b>     | 1.000 |         |         |         |     |             |      |     |
| <b>LNCCOMP</b> | 0.531 | 1.000   |         |         |     |             |      |     |
| <b>LNFSIZE</b> | 0.444 | 0.441   | 1.000   |         |     |             |      |     |

|                         |            |        |        |        |            |        |        |       |
|-------------------------|------------|--------|--------|--------|------------|--------|--------|-------|
| <b>CAPITAL</b>          | 0.581      | 0.363  | -0.024 | 1.000  |            |        |        |       |
| <b>NPL</b>              | -<br>0.497 | -0.079 | -0.229 | -0.124 | 1.000      |        |        |       |
| <b>LNBOARD<br/>SIZE</b> | 0.289      | 0.271  | 0.566  | 0.041  | -<br>0.234 | 1.000  |        |       |
| <b>BIND</b>             | 0.085      | 0.227  | -0.195 | 0.204  | -<br>0.020 | -0.347 | 1.000  |       |
| <b>AGE</b>              | 0.075      | 0.113  | 0.547  | -0.041 | -<br>0.106 | 0.480  | -0.105 | 1.000 |

**Diagnostics & model selection:** Hausman specification tests yielded Chi-sq = 12.984 (p = 0.0725 > 0.05) for Model 1 and Chi-sq = 13.787 (p = 0.0875 > 0.05) for Model 2, favoring the Random Effects Model (REM) for both specifications.

**Table 4.3 Regression Results of Model 1 and Model 2 (Dependent Variable: ROA)**

*Source: Author's Eview output estimation*

| <b>Variables</b>            | <b>Model 1:<br/>Coeff</b> | <b>t-Stat</b> | <b>p-value</b> | <b>Model 2:<br/>Coeff</b> | <b>t-Stat</b> | <b>p-value</b>              |
|-----------------------------|---------------------------|---------------|----------------|---------------------------|---------------|-----------------------------|
| Constant                    | -<br>0.141317             | -<br>6.712    | 0.0000***      | 0.002527                  | 0.541         | 0.5929                      |
| LNCCOMP / CLNCCOMP          | 0.002303                  | 2.973         | 0.0395**       | 0.002246                  | 2.167         | 0.0386**                    |
| LNSIZE / CLNSIZE            | 0.002634                  | 3.842         | 0.0002***      | 0.002159                  | 2.576         | 0.0154**                    |
| INTER<br>(CLNCCOMP×CLNSIZE) | -                         | -             | -              | -0.001306                 | -1.477        | 0.1505 (not<br>significant) |
| CAPITAL                     | 0.132137                  | 7.097         | 0.0000***      | 0.145381                  | 6.124         | 0.0000***                   |
| NPL                         | -<br>0.000815             | -<br>5.799    | 0.0000***      | -0.000835                 | -<br>12.747   | 0.0000***                   |
| LNBOARDSIZE                 | 0.001986                  | 0.834         | 0.4058         | 0.001263                  | 0.636         | 0.5298                      |
| BIND                        | 0.001966                  | 0.294         | 0.7695         | 0.000132                  | 0.024         | 0.9808                      |
| AGE                         | -<br>0.000154             | -<br>2.355    | 0.0113**       | -0.000134                 | -2.332        | 0.0269**                    |

|                         |        |  |  |        |  |  |
|-------------------------|--------|--|--|--------|--|--|
| R <sup>2</sup>          | 0.5598 |  |  | 0.5741 |  |  |
| Adjusted R <sup>2</sup> | 0.5373 |  |  | 0.5490 |  |  |
| F-statistics            | 24.886 |  |  | 22.914 |  |  |

#### **4.2. Interpretation & discussion of findings**

The estimation of Model 1 confirms Hypothesis H1, demonstrating that executive compensation (LNCCOMP) exerts a positive and statistically significant effect on bank performance ( $\beta = 0.002303$ ,  $p = 0.0395 < 0.05$ ). This direct positive pay-performance nexus remains statistically robust in Model 2 when incorporating interaction terms ( $\beta = 0.002246$ ,  $p = 0.0386 < 0.05$ ). This aligns with Agency Theory (Jensen & Meckling, 1976) and Tournament Theory (Lazear & Rosen, 1981). It refutes Managerial Power Theory in Vietnam, indicating pay acts primarily as an efficiency incentive rather than executive rent extraction.

Hypothesis H2 is not supported as the interaction term INTER is statistically insignificant ( $\beta = -0.001306$ ,  $p = 0.1505 > 0.05$ ). This demonstrates that executive compensation operates with consistent incentive effectiveness across both large and small banks because of under Vietnam's standardized regulatory framework dictated by the SBV and Basel standards.

CAPITAL significantly enhances ROA ( $\beta = 0.132137$ ,  $p < 0.001$ ), while NPL ( $\beta = -0.000815$ ,  $p < 0.001$ ) and AGE ( $\beta = -0.000154$ ,  $p = 0.0113$ ) significantly impair profitability. Structural board variables (LNBOARDSIZE, BIND) show insignificant direct impacts.

#### **5. Managerial implications**

**Develop long-term performance-linked schemes:** Commercial banks should construct transparent, performance-contingent compensation packages linked to long-term strategic objectives. Evaluations should incorporate non-financial metrics alongside ROA, including capital adequacy, risk management, digital transformation, and ESG compliance.

**Prioritize asset quality & capital strength:** Given the strong positive impact of capital ratio and negative impact of non-performing loans, executive management must prioritize prudent capital management and stringent credit risk controls to ensure sustainable profitability.

**Enhance disclosure transparency:** The State Bank of Vietnam (SBV) should enforce detailed, itemized disclosures of executive compensation structures in annual corporate governance disclosures to improve market discipline and shareholder oversight.

**Promote prudential governance:** Regulators should continue enforcing Basel frameworks to ensure executive incentive contracts do not encourage excessive short-term risk-taking.

**Investor decision-making:** Shareholders and investors evaluating bank stability should place greater weight on capital strength and asset quality over board structure attributes.

## 6. Conclusion

This study investigated the impact of executive compensation on bank performance across 30 Vietnamese commercial banks over 2020–2024 using Random Effects Model estimations. Findings support Hypothesis H1, confirming a positive direct link between executive compensation and bank performance (ROA). Hypothesis H2 was not supported, as bank size showed no statistically significant moderating effect. Financial fundamentals (CAPITAL and NPL) emerged as dominant determinants of bank profitability. Structural board show insignificant direct impacts on bank performance.

This study contributes to the literature by providing empirical support for Agency Theory and Tournament Theory in the Vietnamese banking sector. The findings suggest that executive compensation functions as an effective incentive mechanism to improve bank performance, while offering limited support for Managerial Power Theory under Vietnam's strict regulatory environment. In addition, the results indicate that the relationship between executive compensation and bank performance is broadly consistent across banks of different sizes, reflecting the balanced effect of a uniform regulatory framework.

Future studies should expand the empirical scope to Southeast Asian (ASEAN) economies, analyze decomposed compensation components (base salary, bonuses, equity), incorporate market-based metrics (Tobin's Q, stock returns), and utilize dynamic panel GMM estimators.

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## **EVALUATING AGILE MATURITY IN SOFTWARE DEVELOPMENT AND PROPOSING AN IMPROVEMENT MODEL: THE CASE STUDY OF PREP TECHNOLOGY JOINT STOCK COMPANY**

**Nguyen Thi Van Ha, Nguyen Huyen Trang**

*University of Transport and Communications, Hanoi University*

### **Abstract**

Vietnamese technology firms increasingly adopt Agile as a capability for business transformation, yet adoption alone rarely produces the organizational maturity that transformation requires. This study evaluates Agile maturity within the Tech and Product Departments of Prep Technology Joint Stock Company, a fast-growing Vietnamese EdTech firm that scaled to five autonomous squads during 2023 and 2024.

Using an explanatory sequential mixed-methods design, it combines a census survey analyzed through partial least squares structural equation modeling (PLS-SEM,  $n = 54$ ) with a reflexive thematic analysis of eight interviews. Internal Agile practices sit in the moderate-to-good range, feedback quality is the strongest internal driver of maturity, and internal Agile capability almost single-handedly determines it, whereas cross-squad collaboration is the weakest area and exerts no measurable effect. The qualitative phase yields three themes: feedback channels are open but the loop is rarely closed into action; leadership creates the enabling conditions, chiefly psychological safety, rather than delivery outcomes directly; and cross-squad coordination runs on personal relationships rather than formal process. Together these share one root, that the conditions enabling Agile rest in individuals rather than in structure, which leaves maturity fragile. A three-level improvement model is proposed to move these conditions into organizational structure.

**Keywords:** *Agile maturity; EdTech; PLS-SEM; cross-squad collaboration; emerging markets*

### **1. Introduction**

Over the past two decades, Agile has moved from a software delivery method to a broader organizational philosophy that many firms treat as central to business transformation (Denning, 2018; Rigby et al., 2016). In fast-moving markets, the ability to sense change, reprioritize work, and deliver value in short cycles has become a source of competitive advantage rather than a purely technical concern. This shift is especially visible in emerging markets such as Vietnam, where technology firms scale rapidly and must build transformation capability while they grow, rather than after they have stabilized.

The Education Technology (EdTech) sector illustrates this pressure with particular clarity. Global EdTech has expanded quickly over the last decade (HolonIQ, 2022), and Vietnamese

firms in the sector face compressed product cycles, seasonal demand spikes tied to examination calendars, and the need to serve several markets and products at once. Prep Technology Joint Stock Company (hereafter Prep), a leading Vietnamese EdTech firm, responded to this environment by adopting an Agile-Scrum operating model and organizing its Tech and Product Departments into autonomous squads inspired by the Spotify model (Kniberg & Ivarsson, 2012). During 2023 and 2024 the firm expanded into new products and international markets, and this expansion multiplied the number of squads.

The expansion also exposed a familiar problem. Adopting Agile practices is not the same as becoming Agile. As Prep grew, its squads began to diverge in how they enacted Agile, which produced inconsistencies in collaboration and delivery. The firm could see the symptoms, namely misaligned priorities, coordination friction across squads, and uneven delivery, but it lacked a systematic, evidence-based picture of where its Agile maturity actually stood and why the squads differed. This is the practical problem the present study addresses.

The research gap is both empirical and contextual. Most published work on Agile maturity and Agile scaling addresses either large enterprise transformations or single-team Scrum implementations (Dikert et al., 2016; Dingsøy & Moe, 2014). The intermediate case of a fast-growing firm that has adopted squad-based autonomy without yet building the coordination infrastructure to manage inter-squad dependencies is far less well understood, and it is rarely studied in an emerging-market EdTech setting. Moreover, few studies separate the internal, squad-level drivers of maturity from the organizational, inter-squad dynamics that shape it, even though the two operate at different levels and call for different interventions.

Accordingly, this study pursues two aims: to evaluate the current level of Agile maturity across Prep's squads and to develop a context-appropriate improvement model. Four research questions guide the work. First, what is the current level of Agile maturity among the squads? Second, which internal factors explain differences in maturity across squads? Third, what challenges arise in cross-squad collaboration, and how do these challenges affect maturity? A fourth, design-oriented question then asks what improvement model can strengthen maturity and coordination given the diagnosis.

The chapter proceeds as follows. Section 2 reviews the literature on Agile maturity, scaling, and cross-squad collaboration and develops the conceptual framework. Section 3 describes the mixed-methods methodology. Section 4 presents and discusses the quantitative and qualitative findings. Section 5 sets out the managerial implications in the form of a three-level improvement model, and Section 6 concludes.

## **2. Literature Review and Conceptual Framework**

### **2.1. Agile maturity: from doing Agile to being Agile**

Agile originates in the values and principles of the Agile Manifesto (Beck et al., 2001), which prioritize working software, customer collaboration, and responsiveness to change. A recurring theme in the empirical literature is the distinction between doing Agile, meaning the mechanical performance of ceremonies and artifacts, and being Agile, meaning the internalization of Agile values in team behavior (Dybå & Dingsøyr, 2008). Agile maturity captures how far a team has moved along this continuum. Rather than counting practices, maturity concerns whether practices reliably translate into adaptive, high-quality delivery.

Several Agile maturity assessment models have been proposed, ranging from prescriptive staged frameworks to behavioral and outcome-based instruments (Gren et al., 2015; Sidky et al., 2007). This study draws on a behavioral and outcome-oriented view, in which maturity is inferred from observable behaviors and from delivery outcomes rather than from a checklist of adopted practices. Gren et al. (2015) are important here because they established honest feedback to management as a behaviorally distinct dimension of Agile maturity, separate from teamwork or communication quality.

### **2.2. Enabling conditions: leadership, feedback, and psychological safety**

Team effectiveness research consistently identifies leadership and communication as enablers of Agile performance, though the pathway is contested. Servant and empowering leadership are argued to support Agile teams by creating a climate in which people feel safe to speak, self-organize, and take ownership (Greenleaf, 1977; Moe et al., 2010). Yet studies frequently report weak or inconsistent direct effects of leadership on delivery, which suggests that leadership may operate indirectly. Edmondson (1999) offers the connecting mechanism: psychological safety, the shared belief that the team is safe for interpersonal risk-taking, functions as a team-level enabler of learning and performance. Organizational learning theory adds a further layer, distinguishing single-loop adjustment within existing norms from double-loop learning that revises the norms themselves (Argyris & Schön, 1978). Feedback that is voiced but never acted upon keeps an organization in single-loop mode.

### **2.3. Scaling Agile and cross-squad collaboration**

As firms grow, coordinating multiple autonomous teams becomes the central challenge of Agile scaling (Dingsøyr & Moe, 2014). The Spotify model popularized squads, tribes, chapters, and guilds as structures for combining team autonomy with organizational alignment (Kniberg & Ivarsson, 2012). Later work cautions that scaling is best understood as a fit-to-context problem rather than a matter of selecting a framework off the shelf (Rigby et al., 2018). Inter-team dependencies, whether technical, functional, or temporal, are the primary structural source of

coordination difficulty, and they produce delivery benefits only once coordination mechanisms are routinized and institutionalized (Dikert et al., 2016). Below that activation threshold, coordination effort does not reliably convert into delivery gains.

#### **2.4. Conceptual framework and hypotheses**

The study places Agile Maturity Outcome (AM\_O), operationalized through **ease of release, speed and delivery stability, and value delivery**, at the center of two complementary structural models that share this outcome. Model 1 examines internal, squad-level behavioral drivers. It hypothesizes that Teamwork and Commitment (H1), Open Communication and Transparency (H2), Agile Planning and Adaptability (H3), Supportive Leadership (H4), and Feedback and Interaction with Management (H5) each positively influence AM\_O.

Model 2 raises the analysis to the organizational level. It consolidates the five internal factors into a single higher-order construct, Internal Agile Capability (IAC), and adds Cross-Squad Collaboration (CS). It hypothesizes that CS positively influences AM\_O (H6), that IAC positively influences AM\_O (H7), that IAC positively influences CS (H8), and that CS mediates the relationship between IAC and AM\_O (H9). Together the two models allow the study to establish what drives maturity within squads and then to examine how inter-squad dynamics shape that same maturity.

### **3. Research Methodology**

#### **3.1. Research design**

The study adopts an explanatory sequential mixed-methods design (Creswell & Plano Clark, 2018). A quantitative phase first measures and explains Agile maturity across squads, and a qualitative phase then contextualizes and interprets the statistical patterns, especially where results are unexpected or context-dependent. The sequencing lets the interviews target precisely the puzzles that the survey surfaces, which strengthens the interpretive validity of the whole study.

#### **3.2. Data collection and sample**

The quantitative phase used census sampling of the entire Tech and Product Departments at Prep, covering Product Owners, Business Analysts, Developers across frontend, backend, and mobile specializations, Testers, and UI/UX Designers. All 54 members responded, distributed across the Learning squad (n = 23), B2B (n = 8), Transformation (n = 8), Growth (n = 8), and Learning Utilities (n = 7). The uneven distribution reflects the actual size of each squad rather than a sampling choice. The qualitative phase used purposeful sampling, prioritizing participants from squads that scored notably high or low on key indicators, and included eight participants, among them the Chief Technology Officer and a Product Manager.

### 3.3. Measures and analysis

Constructs were measured with multi-item behavioral scales rated on five-point Likert formats. The quantitative phase followed a two-layer analytical strategy. The first layer used descriptive statistics to profile the current state of Agile maturity and to surface the factors most likely to explain differences between squads. For every construct, the mean and standard deviation were computed for each squad, together with the inter-squad range, that is, the gap between the highest- and lowest-scoring squad on that construct. Across all eleven constructs, these statistics build a comparative maturity profile that answers the first research question and identifies the constructs whose between-squad variation warrants closer structural analysis. The second layer used PLS-SEM in SmartPLS, selected for its suitability to exploratory contexts, small samples, and models containing higher-order constructs, and for its freedom from strict multivariate normality assumptions (Hair et al., 2022). A two-stage approach was applied to both models, and the measurement models were assessed for reliability, convergent validity, and discriminant validity before the structural paths were estimated. Structural significance was evaluated with bootstrapping using 5,000 subsamples and bias-corrected and accelerated intervals, and effect sizes were interpreted following Cohen (1988). The qualitative phase used reflexive thematic analysis (Braun & Clarke, 2006), and member checking was used to strengthen credibility. Integration followed a connect-and-explain logic in which qualitative themes account for quantitative results.

## 4. Findings and Discussion

### 4.1. Current level of Agile maturity

Table 1 reports the overall construct means. Across the five squads, internal Agile practices cluster in the moderate-to-good range, with overall means between 3.80 and 3.98, which indicates that Prep's teams have moved beyond the initial stages of Agile adoption without yet reaching consistently high maturity. Feedback and Interaction with Management records the highest internal mean ( $M = 3.98$ ).

| Construct                                   | Overall M (SD) |
|---------------------------------------------|----------------|
| <i>Internal Agile Practices</i>             |                |
| Feedback & Interaction with Management (FB) | 3.98 (0.54)    |
| Teamwork & Commitment (TW)                  | 3.94 (0.49)    |
| Open Communication & Transparency (OC)      | 3.90 (0.51)    |
| Agile Planning & Adaptability (AP)          | 3.81 (0.52)    |

| Construct                                   | Overall M (SD) |
|---------------------------------------------|----------------|
| Supportive Leadership (SL)                  | 3.80 (0.48)    |
| <b>Cross-Squad Collaboration</b>            |                |
| Cross-Squad Collaboration (CS)              | 3.10 (0.48)    |
| <b>Squad Health &amp; Delivery Outcomes</b> |                |
| Team Morale & Energy (TME)                  | 3.95 (0.65)    |
| Value Delivery (VD)                         | 3.88 (0.52)    |
| Ease of Release (ER)                        | 3.78 (0.58)    |
| Speed & Delivery Stability (SD)             | 3.65 (0.54)    |
| Learning & Growth (LG)                      | 3.42 (0.55)    |

Table 1: Overall construct means and standard deviations (n = 54)

The most pronounced gap appears in Cross-Squad Collaboration, which records the lowest score across the entire instrument (M = 3.10), roughly 0.70 to 0.88 points below the internal practice constructs. The two lowest-scoring items in the whole survey both belong to this construct: shared understanding of product goals (M = 2.91) and coordination when requirements change (M = 2.98). Within the delivery cluster, Learning and Growth is the weakest construct (M = 3.42), which suggests that retrospective-driven improvement and knowledge sharing remain underdeveloped. Each squad also shows a distinct profile. Growth is the strongest on delivery-oriented dimensions, Learning is strong on teamwork but weaker on feedback, B2B is the weakest across the widest range of constructs, and Learning Utilities combines strong individual behaviors with weak delivery and collaboration, reflecting both its recent formation and its structurally dependent position.

4.2. Internal drivers of maturity (Model 1)

| H  | Path                  | $\beta$ | p    | $f^2$ | Result        |
|----|-----------------------|---------|------|-------|---------------|
| H5 | FB $\rightarrow$ AM_O | 0.571   | .001 | 0.307 | Supported     |
| H3 | AP $\rightarrow$ AM_O | 0.266   | .082 | 0.086 | Marginal      |
| H1 | TW $\rightarrow$ AM_O | 0.254   | .025 | 0.080 | Supported     |
| H4 | SL $\rightarrow$ AM_O | 0.081   | .637 | 0.006 | Not supported |
| H2 | OC $\rightarrow$ AM_O | -0.293  | .102 | 0.068 | Not supported |

Table 2: Structural model results Model 1 (n = 54; R<sup>2</sup> AM\_O = 0.584)

Table 2 reports the structural results for Model 1. The five internal factors explain 58.4% of the variance in AM\_O ( $R^2 = 0.584$ ), a moderate-to-substantial level of predictive accuracy. Feedback and Interaction with Management is the strongest predictor by a wide margin (H5:  $\beta = 0.571$ ,  $p = .001$ ,  $f^2 = 0.307$ ). Teamwork and Commitment is a smaller but significant driver (H1:  $\beta = 0.254$ ,  $p = .025$ ), and Agile Planning and Adaptability shows the second-largest coefficient but falls just short of significance (H3:  $\beta = 0.266$ ,  $p = .082$ ), most plausibly because the sample is underpowered for small-to-medium effects.

Two null results carry interpretive weight rather than signaling absence. Supportive Leadership shows no significant direct path (H4:  $\beta = 0.081$ ,  $p = .637$ ), which is consistent with the view that leadership enables performance indirectly, by shaping feedback quality and safety, rather than driving delivery directly. Open Communication returns a negative coefficient (H2:  $\beta = -0.293$ ), which reflects collinearity suppression rather than a harmful effect: Open Communication carries the highest variance inflation factor among the predictors ( $VIF = 3.029$ ) and a high HTMT with Feedback (0.819), suggesting that respondents in small, co-located squads may not experience the two as distinct behaviors. A closer look at the Feedback construct itself is revealing. Comfort in giving honest feedback scores high ( $M = 4.24$ ), whereas the belief that feedback leads to meaningful action scores well below it ( $M = 3.78$ ). The channel is open, but the loop is not closed, which in the terms of Argyris and Schön (1978) keeps the organization in single-loop mode.

#### 4.3. Organizational dynamics and cross-squad collaboration (Model 2)

| H  | Path                                               | $\beta$ | p     | $f^2$ | Result        |
|----|----------------------------------------------------|---------|-------|-------|---------------|
| H7 | IAC $\rightarrow$ AM_O                             | 0.718   | <.001 | 0.926 | Supported     |
| H8 | IAC $\rightarrow$ CS                               | 0.471   | <.001 | 0.285 | Supported     |
| H6 | CS $\rightarrow$ AM_O                              | 0.069   | .539  | 0.009 | Not supported |
| H9 | IAC $\rightarrow$ CS $\rightarrow$ AM_O (indirect) | 0.033   | .602  | -     | Not supported |

*Table 3: Structural model results Model 2 ( $n = 54$ ;  $R^2$  AM\_O = 0.567;  $R^2$  CS = 0.222)*

Table 3 reports the structural results for Model 2, which produces the largest effect in the entire study. Internal Agile Capability is a near-singular determinant of maturity (H7:  $\beta = 0.718$ ,  $f^2 = 0.926$ ), an effect size almost three times the conventional large threshold. Consolidating five predictors into one composite costs almost no explanatory power ( $R^2 = 0.567$  versus 0.584 in Model 1), which confirms that IAC captures the internal behavioral drivers well. Internal capability also improves collaboration (H8:  $\beta = 0.471$ ,  $f^2 = 0.285$ ), yet it explains only 22.2% of the variance in Cross-Squad Collaboration. The remaining variance points to organizational-

level factors that squad capability alone cannot fix, such as the absence of formal coordination mechanisms and limited leadership alignment across squad boundaries.

Cross-Squad Collaboration itself has no significant independent effect on maturity (H6:  $\beta = 0.069$ ,  $p = .539$ ), and the mediation hypothesis therefore cannot hold (H9: indirect  $\beta = 0.033$ ,  $p = .602$ ). This does not make collaboration irrelevant. Rather, collaboration at Prep has not yet reached the level of routinization at which it produces measurable delivery benefits (Dikert et al., 2016). At an overall mean of 3.10, with its weakest items concerning goal alignment and adaptive coordination, collaboration remains informal and reactive, below the activation threshold at which coordination effort converts into delivery gains.

#### **4.4. Qualitative themes**

The interviews explain the statistical patterns through three themes. The first is that the feedback channel is open but the loop is not closed. Participants described environments in which concerns were raised and acknowledged, yet no reliable process assigned responsibility, set a deadline, and reviewed the outcome at the next retrospective. Without such a mechanism, follow-through depends entirely on individual managers, a scarce resource in a fast-growing firm.

The second theme is that leadership creates the conditions, not the outcomes. Both managers independently described leadership as producing an environment in which good output can happen rather than producing the output itself. The same process and the same level of talent worked well in one squad and poorly in another, and the difference lay in whether the team felt safe to speak honestly. This resolves the leadership paradox in the quantitative model, in which leadership shows meaningful variation across squads yet no significant direct path.

The third theme is that cross-squad coordination runs on relationships, not on process. Seven of the eight participants pointed to the absence of any standardized procedure for managing inter-squad dependencies, and all eight described the same workaround: find a personal contact, message them directly, and ask for priority informally. This mechanism explains both the uniformly low collaboration scores and their structurally unequal distribution, since a small, dependent squad such as Learning Utilities has little social capital to draw on.

#### **4.5. Integrated interpretation**

Read together, the three themes point to a single root cause. Leadership does not act as a parallel input alongside the other factors; it acts as the condition that allows those factors to work. Whether a feedback loop closes, whether a retrospective turns concerns into change, and whether a member coordinates across squads with confidence all depend on the same sense of safety that leadership either creates or fails to create. This is why feedback registers as the

strongest direct predictor while leadership shows no direct path, since leadership operates upstream through the very factors the coefficients credit instead.

Seen this way, the open feedback loop and the relationship-based coordination are not two separate problems but two expressions of the same weakness: an organization whose enabling conditions rest in individuals rather than in structures. When safety depends on who a person's manager is, and coordination depends on who a person knows, maturity holds together only while the right individuals remain in place and becomes fragile as soon as they leave. Addressing any one level in isolation would therefore yield only temporary gains. The task is to move the enabling conditions out of individuals and into organizational structure at every level.

## **5. Managerial Implications**

The diagnosis translates into a three-level improvement model. Each level targets one site of fragility, and the three are designed to be pursued concurrently rather than sequentially, because interventions at each level depend on the conditions the level below is meant to sustain. Eight recommendations operationalize the model, each with an owner and a metric, and a squad-differentiated sequencing logic accommodates the different starting points of the squads.

The first level moves psychological safety from something particular leaders happen to provide to something the organization sustains by design. Recommendation R1 defines and standardizes the leadership enabling behaviors that currently vary across squads, so that safety no longer depends on which manager a person reports to and does not disappear when leaders move. Recommendation R2 embeds a brief psychological safety check into retrospectives, which makes safety visible and trackable over time rather than assumed. Together these recommendations address the succession risk implied by the leadership paradox and give the rest of the model a stable foundation.

The second level converts voiced feedback into structural change. Recommendation R3 introduces a structured feedback-to-action protocol in retrospectives, in which each accepted concern receives an owner, a deadline, and a review at the following retrospective, directly targeting the gap between comfort in speaking and belief in action. Recommendation R4 standardizes a Definition of Ready for user stories, which reduces mid-sprint change and rework and strengthens delivery stability. These interventions are the priority for squads with weaker internal foundations, such as B2B and Transformation, before they invest in cross-squad structures.

The third level gives squads a way to coordinate that does not depend on personal ties. Recommendation R5 pilots a lightweight cross-squad coordination structure in two parts, a

Scrum of Scrums rhythm (R5a) and role-based functional guilds (R5b) that spread knowledge across squad boundaries. Recommendation R6 establishes a cross-squad dependency board that makes dependencies visible early rather than discovering them late, and Recommendation R7 introduces inter-Product-Owner response-time agreements that protect small, dependent squads such as Learning Utilities from asymmetric queuing. The dependency board, the Scrum of Scrums, and the response-time agreements form an integrated package, and each is less effective in isolation than the three deployed together. Squads that are already internally stable, such as Growth and Learning, can engage with this level immediately, whereas Learning Utilities needs Level 3 support regardless of where it stands on internal maturity, because its disadvantage is structural rather than behavioral.

Beyond Prep, the model offers transferable guidance for managers, organizations, and policymakers concerned with business transformation in emerging markets. It suggests that the decisive move for a scaling firm is not to import a comprehensive framework, but to identify where enabling conditions rest on individuals and to institutionalize them at the smallest scale that will support the level above. For EdTech firms in particular, where seasonal demand concentrates delivery pressure, building this structural resilience before the next expansion is a matter of sustaining growth rather than merely improving process.

## **6. Conclusion**

This study evaluated Agile maturity in a Vietnamese EdTech firm and proposed a structural improvement model. Internal Agile practices sit in the moderate-to-good range, feedback quality is the strongest internal driver, and internal Agile capability almost single-handedly determines delivery outcomes, whereas cross-squad collaboration remains informal and exerts no measurable effect. Across both the statistical and the interview evidence, the enabling conditions for Agile rest in individuals rather than in structures, which keeps maturity fragile. Theoretically, the study specifies leadership as an upstream enabler that operates through psychological safety and feedback rather than as a direct driver of delivery; practically, the three-level model offers an evidence-grounded, squad-differentiated intervention framework for the under-served case of a firm scaling squad-based autonomy.

These claims are bounded by a single-organization, cross-sectional design and a census sample ( $n = 54$ ) that sits at the lower bound for PLS-SEM, which limits generalizability and most plausibly explains the marginal planning path and the non-significant mediation. Future research should therefore pursue longitudinal designs that test the leadership-safety-feedback pathway over time, larger multi-organization samples that can resolve the underpowered paths, and comparative studies across EdTech firms at similar stages of expansion in Southeast Asia.

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**LEADERSHIP BEHAVIOR AND EMPLOYEES' TURNOVER INTENTION: THE  
MEDIATING ROLE OF PERCEIVED ORGANIZATIONAL JUSTICE IN VIETNAM'S  
PROFESSIONAL SERVICE FIRMS**

**Luu Thi Hong Nhung**

*Hanoi University*

**Abstract**

Employee turnover has become a critical challenge for Professional Service Firms (PSFs), where organizational competitiveness depends heavily on retaining highly skilled knowledge workers. In the context of rapid business transformation and increasing competition for professional talent in Vietnam, understanding how leadership influences employees' turnover intention has become an important managerial and research concern. Drawing upon Full Range Leadership Theory and Organizational Justice Theory, this study examines the direct effects of transformational and transactional leadership on employee turnover intention and investigates the mediating role of the four dimensions of perceived organizational justice.

A quantitative research design was employed using survey data collected from 285 employees working in auditing, taxation, consulting, advisory, and legal service firms in Vietnam. Structural Equation Modeling (SEM) was applied to evaluate both the direct and indirect relationships among the research constructs. The findings reveal that transactional leadership significantly reduces employee turnover intention, whereas transformational leadership does not exert a significant direct effect. More importantly, the study demonstrates that distributive justice is the only organizational justice dimension that significantly mediates the relationships between leadership behavior and turnover intention, while procedural, interpersonal, and informational justice do not exhibit significant mediating effects. These findings suggest that employees' perceptions of fair organizational outcomes constitute the primary mechanism through which leadership contributes to employee retention in Vietnamese Professional Service Firms.

This study contributes to the leadership and organizational behavior literature by providing empirical evidence that the dimensions of organizational justice play distinct roles in explaining employee turnover intention. The findings further offer practical implications for organizational leaders by emphasizing the importance of combining effective leadership practices with equitable reward systems to strengthen employee retention and support sustainable business transformation in knowledge-intensive organizations.

**Keywords:** Leadership behavior; Transformational leadership; Transactional leadership; Organizational justice; Distributive justice; Turnover intention; Professional Service Firms; Vietnam.

## **1. Introduction**

Professional Service Firms (PSFs) rely heavily on human capital to deliver specialized knowledge in auditing, taxation, consulting, legal, and advisory services. As organizations undergo digital transformation and increasing market competition, retaining highly skilled professionals has become a strategic priority. High employee turnover disrupts client relationships, erodes organizational knowledge, increases recruitment costs, and weakens organizational competitiveness, making employee retention essential for sustainable business transformation.

Leadership has been widely recognized as a key determinant of employee attitudes and behavioral outcomes. According to Full Range Leadership Theory (Bass, 1985), transformational and transactional leadership influence employees through different motivational mechanisms. Transformational leadership encourages vision, innovation, and individual development, whereas transactional leadership emphasizes performance expectations and contingent rewards. Although both leadership styles have been associated with employee retention, previous studies have reported inconsistent findings, particularly across different organizational and cultural contexts.

Organizational Justice Theory provides an important explanation for these inconsistencies by suggesting that employees evaluate the fairness of organizational outcomes, procedures, interpersonal treatment, and communication. Because leaders influence these aspects through performance evaluation, reward allocation, and daily interactions, employees' perceptions of organizational justice may explain how leadership behavior affects turnover intention.

Despite extensive research, several gaps remain. First, most studies have been conducted in developed economies, limiting the applicability of existing findings to emerging markets such as Vietnam. Second, prior research has primarily examined the direct relationship between leadership behavior and turnover intention while paying less attention to the mediating mechanisms underlying this relationship. Third, limited empirical evidence exists regarding the distinct mediating roles of distributive, procedural, interpersonal, and informational justice in Professional Service Firms.

To address these gaps, this study investigates the effects of transformational and transactional leadership on employee turnover intention and examines the mediating role of organizational justice among employees working in Vietnamese Professional Service Firms. By integrating Full Range Leadership Theory with Organizational Justice Theory, this study provides a more comprehensive explanation of employee retention in knowledge-intensive organizations.

The study contributes to the literature by extending leadership and organizational justice research within the context of Vietnamese Professional Service Firms and by providing empirical evidence regarding the differentiated mediating roles of organizational justice dimensions. Practically, the findings offer guidance for organizational leaders and human resource managers in designing leadership and fairness-based strategies to strengthen employee retention and support sustainable business transformation.

## **2. Literature Review and Hypotheses Development**

### **2.1. Leadership Behavior and Employee Turnover Intention**

Leadership behavior has been widely recognized as a key determinant of employee attitudes and organizational outcomes. Drawing upon Full Range Leadership Theory (Bass, 1985; Bass & Avolio, 1994), transformational and transactional leadership represent two complementary approaches through which leaders influence employee motivation and workplace behavior. Transformational leadership inspires employees by articulating a shared vision, encouraging innovation, and providing individualized support, whereas transactional leadership focuses on clarifying performance expectations, monitoring performance, and rewarding employees based on predefined objectives. Although these leadership styles rely on different motivational mechanisms, both have been associated with improved organizational effectiveness.

Employee turnover intention, defined as an employee's conscious intention to leave the current organization, is particularly important in Professional Service Firms (PSFs), where organizational performance depends heavily on retaining highly skilled professionals. Previous studies generally suggest that transformational leadership reduces turnover intention by strengthening employees' organizational commitment, job satisfaction, and psychological attachment. Likewise, transactional leadership may reduce turnover intention by promoting role clarity, consistent performance management, and equitable reward allocation. However, empirical findings remain inconsistent across organizational settings, particularly in emerging economies, suggesting that leadership may influence employee retention through additional psychological mechanisms beyond its direct effects.

Accordingly, the following hypotheses are proposed:

**H1:** Transformational leadership is negatively related to turnover intention.

**H2:** Transactional leadership is negatively related to turnover intention.

### **2.2. The Mediating Role of Organizational Justice**

Organizational Justice Theory (Greenberg, 1987; Colquitt, 2001) provides an important explanation for how leadership behavior influences employee attitudes. The theory suggests that employees continuously evaluate the fairness of organizational outcomes, decision-making

procedures, interpersonal treatment, and organizational communication. Because leaders are primarily responsible for allocating rewards, evaluating performance, and communicating organizational decisions, leadership behaviors play a central role in shaping employees' perceptions of organizational justice.

Transformational leaders foster fairness by promoting transparency, ethical behavior, participation, and individualized consideration, whereas transactional leaders contribute through consistent performance standards, objective evaluation, and contingent reward systems. Consequently, employees who perceive higher levels of leadership effectiveness are expected to report stronger perceptions of organizational justice. Previous studies have also demonstrated that employees who perceive their organizations as fair are more likely to trust management, maintain stronger organizational commitment, and exhibit lower turnover intention. These findings suggest that organizational justice functions as an important psychological mechanism linking leadership behavior to employee retention.

Despite growing evidence supporting these relationships, limited research has examined the mediating role of organizational justice within Vietnamese Professional Service Firms, particularly by considering its multidimensional nature. Addressing this gap, the present study proposes that organizational justice mediates the relationships between transformational leadership, transactional leadership, and employee turnover intention.

Accordingly, the following hypotheses are proposed:

**H3:** Distributive justice mediates the relationship between transformational leadership and turnover intention.

**H4:** Procedural justice mediates the relationship between transformational leadership and turnover intention.

**H5:** Interpersonal justice mediates the relationship between transformational leadership and turnover intention.

**H6:** Informational justice mediates the relationship between transformational leadership and turnover intention.

**H7:** Distributive justice mediates the relationship between transactional leadership and turnover intention.

**H8:** Procedural justice mediates the relationship between transactional leadership and turnover intention.

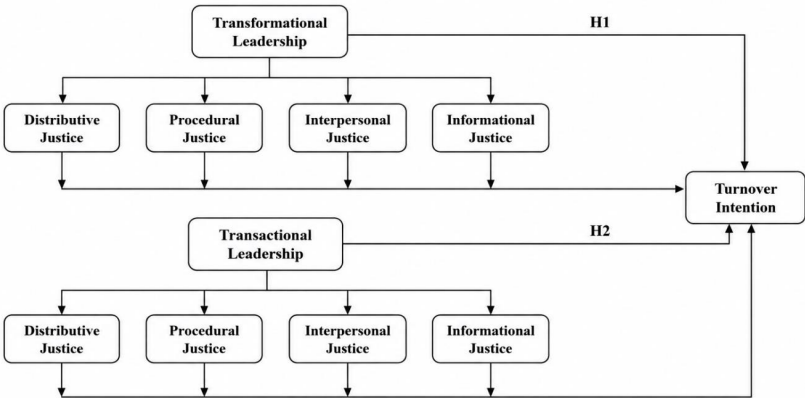
**H9:** Interpersonal justice mediates the relationship between transactional leadership and turnover intention.

**H10:** Informational justice mediates the relationship between transactional leadership and turnover intention.

2.3. Research Model

Based on Full Range Leadership Theory and Organizational Justice Theory, this study proposes a conceptual framework in which transformational leadership and transactional leadership are treated as independent variables, organizational justice serves as the mediating variable, and employee turnover intention represents the dependent variable. The proposed model assumes that leadership behavior influences turnover intention both directly and indirectly through employees' perceptions of organizational justice. The conceptual framework is presented in **Figure 1**.

**Figure 1**  
*Research Conceptual Framework*



*Note.* The framework illustrates the proposed direct relationships between transformational leadership, transactional leadership, and turnover intention, together with the proposed mediating roles of distributive justice, procedural justice, interpersonal justice, and informational justice.  
Adapted from Greenberg (1987), Bass and Avolio (1994), Colquitt (2001), and Judge and Piccolo (2004).

3. Research Methodology

3.1. Research Design

This study adopted a quantitative, cross-sectional research design to examine the relationships among leadership behavior, organizational justice, and employee turnover intention in Vietnamese Professional Service Firms (PSFs). Data were collected through a structured questionnaire and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4. PLS-SEM was selected because it is suitable for testing complex models involving multiple latent constructs and mediation effects while accommodating moderate sample sizes (Hair et al., 2022).

### **3.2. Sample and Data Collection**

The target population comprised employees working in auditing, taxation, consulting, advisory, accounting, and legal service firms in Vietnam. Respondents were required to have direct reporting relationships with supervisors to ensure that they could evaluate leadership behavior and organizational practices.

A purposive sampling approach, complemented by convenience and snowball sampling, was employed to recruit participants. Data were collected through an online questionnaire distributed via professional networks and electronic communication platforms. Participation was voluntary and anonymous. After screening for incomplete and inconsistent responses, 285 valid questionnaires were retained for subsequent analysis.

### **3.3. Measures**

All constructs were measured using established scales adapted from prior studies. Transformational and transactional leadership were measured using the Multifactor Leadership Questionnaire (MLQ-5X) developed by Bass and Avolio (1995). Organizational justice was measured using Colquitt's (2001) four-dimensional scale, comprising distributive, procedural, interpersonal, and informational justice. Employee turnover intention was measured using items adapted from Mobley (1977) and Tett and Meyer (1993). All items were assessed using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

### **3.4. Data Analysis**

Data analysis followed the two-stage PLS-SEM procedure recommended by Hair et al. (2022). First, the measurement model was evaluated by assessing internal consistency reliability (Cronbach's Alpha and Composite Reliability), convergent validity (Average Variance Extracted), and discriminant validity (Fornell-Larcker criterion and HTMT). Second, the structural model was assessed by examining path coefficients, coefficients of determination ( $R^2$ ), effect sizes ( $f^2$ ), and predictive relevance ( $Q^2$ ). The significance of direct and indirect relationships was evaluated using a bootstrapping procedure with 5,000 resamples.

## **4. Results and Discussion**

### **4.1. Measurement Model Evaluation**

Before testing the proposed hypotheses, the measurement model was evaluated to ensure the reliability and validity of the research constructs. The final dataset comprised 285 valid responses collected from employees working in Professional Service Firms (PSFs) in Vietnam. The measurement model was assessed using Confirmatory Factor Analysis (CFA), while the structural relationships were subsequently examined through Structural Equation Modeling (SEM) using AMOS.

The CFA results confirmed that all measurement items adequately represented their respective latent constructs. The standardized factor loadings exceeded the recommended threshold, indicating satisfactory indicator reliability. Furthermore, all constructs demonstrated acceptable internal consistency, with Cronbach's Alpha and Composite Reliability (CR) values exceeding the recommended level of 0.70. Convergent validity was also established as the Average Variance Extracted (AVE) values for all constructs were above the recommended threshold of 0.50. These findings indicate that the measurement scales were both reliable and capable of capturing the intended theoretical concepts.

Discriminant validity was subsequently assessed to ensure that transformational leadership, transactional leadership, organizational justice dimensions, and turnover intention represented empirically distinct constructs. The results supported the multidimensional structure of organizational justice, confirming that distributive, procedural, interpersonal, and informational justice measured different aspects of employees' fairness perceptions. In addition, correlation analysis revealed that all constructs were associated in the expected directions without indicating multicollinearity concerns, providing preliminary support for the proposed conceptual framework.

Finally, the overall measurement model demonstrated an acceptable goodness-of-fit. The model fit indices satisfied the commonly recommended criteria ( $\chi^2/df = 1.58$ , CFI = 0.96, TLI = 0.95, IFI = 0.96), indicating that the proposed measurement model adequately represented the observed data. Therefore, the measurement model was considered appropriate for subsequent structural model analysis and hypothesis testing.

## **4.2. Structural Model Results and Discussion**

### **4.2.1. Direct Effects of Leadership Behavior on Turnover Intention**

The structural model was evaluated using Structural Equation Modeling (SEM) to examine the direct relationships between leadership behavior and employee turnover intention. The results revealed distinct effects of transformational and transactional leadership, suggesting that the two leadership styles influence employee retention through different mechanisms.

Contrary to the proposed hypothesis, transformational leadership did not exert a statistically significant direct effect on turnover intention ( $\beta = -0.09$ , C.R. =  $-1.05$ ,  $p = .29$ ). Although the estimated coefficient indicated a negative relationship, the effect was insufficient to support Hypothesis 1. This finding suggests that inspirational leadership behaviours, such as articulating a compelling vision, encouraging innovation, and providing individualized consideration, may not directly influence employees' decisions to remain with Professional Service Firms in Vietnam.

A plausible explanation lies in the unique characteristics of Professional Service Firms, where employee performance is evaluated through objective indicators such as billable hours, project quality, client satisfaction, and promotion criteria. In such environments, employees may appreciate transformational leadership for enhancing motivation and professional development; however, retention decisions are more likely to depend on whether organisational practices provide clear career opportunities and equitable rewards. Consequently, transformational leadership may contribute to employee retention indirectly by shaping employees' perceptions of organisational fairness rather than exerting an immediate behavioural effect.

In contrast, transactional leadership demonstrated a significant negative relationship with turnover intention ( $\beta = -0.19$ , C.R. =  $-2.24$ ,  $p < .05$ ), providing support for Hypothesis 2. Employees who perceived greater levels of transactional leadership reported significantly lower intentions to leave their organisations. This finding indicates that leadership behaviours characterised by clear performance expectations, contingent rewards, and consistent monitoring contribute directly to employee retention within Vietnamese Professional Service Firms.

This result differs from much of the existing leadership literature, which frequently emphasises transformational leadership as the dominant predictor of employee retention. However, the present findings suggest that within knowledge-intensive organisations operating under demanding performance management systems, employees place considerable value on managerial consistency and transparent performance evaluation. By clearly communicating expectations and linking rewards to measurable performance, transactional leaders reduce uncertainty regarding career progression and strengthen employees' confidence in organisational management. Therefore, transactional leadership appears to represent a more effective retention mechanism within the context of Vietnamese Professional Service Firms.

#### **4.2.2. Mediating Effects of Organizational Justice**

The mediation analysis further demonstrated that the influence of leadership behaviour on turnover intention cannot be fully understood without considering employees' perceptions of organisational justice. Bootstrap analysis was conducted to examine the indirect effects of transformational and transactional leadership through the four dimensions of organisational justice, namely distributive, procedural, interpersonal, and informational justice.

The findings revealed that distributive justice was the only organisational justice dimension that significantly mediated the relationships between leadership behaviour and turnover intention. Specifically, distributive justice significantly mediated the effects of both transformational leadership and transactional leadership, whereas procedural justice, interpersonal justice, and

informational justice did not demonstrate statistically significant indirect effects. These findings indicate that employees' perceptions regarding the fairness of organisational outcomes constitute the primary psychological mechanism linking leadership behaviour with employee retention.

The prominence of distributive justice represents an important contribution of the present study. Although organisational justice is generally conceptualised as a multidimensional construct, the findings suggest that its dimensions do not contribute equally to employee turnover intention. Within Professional Service Firms, employees appear to evaluate leadership primarily through the fairness of tangible organisational outcomes, including compensation, promotion opportunities, performance recognition, and workload allocation. Consequently, equitable outcome distribution exerts a stronger influence on employees' retention decisions than procedural fairness or interpersonal interactions.

The insignificant mediating effects of procedural, interpersonal, and informational justice should not be interpreted as evidence that these dimensions are unimportant. Rather, the findings imply that these aspects of justice may exert greater influence on other organisational outcomes, such as organisational commitment, employee engagement, or trust in management, rather than directly affecting turnover intention. Accordingly, the present study provides a more nuanced understanding of Organisational Justice Theory by demonstrating that different justice dimensions fulfil distinct roles depending on the organisational outcome under investigation.

#### **4.2.3. Overall Discussion**

Overall, the findings demonstrate that leadership behaviour influences employee turnover intention through both direct and indirect mechanisms. Transactional leadership directly reduces employees' intention to leave, whereas transformational leadership contributes to employee retention primarily through employees' perceptions of distributive justice. These results highlight that effective leadership within Professional Service Firms requires not only the ability to inspire employees but also the capability to establish transparent performance expectations and ensure equitable organisational outcomes.

The findings further extend the application of Full Range Leadership Theory and Organisational Justice Theory within the context of Vietnamese Professional Service Firms. Rather than viewing transformational and transactional leadership as competing approaches, the results suggest that they perform complementary functions in supporting employee retention. While transactional leadership provides immediate managerial clarity and performance accountability, transformational leadership reinforces employees' perceptions of fairness, thereby strengthening longer-term organisational commitment.

From the perspective of business transformation, the findings suggest that leadership should be regarded as a strategic capability for sustaining organisational competitiveness. As Professional Service Firms increasingly adopt digital technologies and transform their service delivery models, retaining experienced professionals becomes essential for preserving organisational knowledge and client relationships. Under such conditions, leaders should complement organisational change initiatives with fair reward systems and transparent performance management practices to reinforce distributive justice and minimise voluntary turnover. This integrated approach is likely to strengthen organisational resilience and support sustainable transformation in knowledge-intensive organisations.

## **5. Conclusion and Implications**

This study investigated the relationships between transformational leadership, transactional leadership, organizational justice, and employee turnover intention in Vietnamese Professional Service Firms (PSFs). Using survey data from 285 employees and Structural Equation Modeling (SEM), the findings reveal that transactional leadership significantly reduces turnover intention, whereas transformational leadership does not exert a direct effect. Among the four dimensions of organizational justice, only distributive justice significantly mediates the relationships between both leadership styles and turnover intention.

These findings suggest that employee retention in Professional Service Firms depends not only on leadership behaviours but also on employees' perceptions of fair organizational outcomes. Effective leadership should therefore combine clear performance expectations with equitable reward allocation to strengthen employees' trust and reduce voluntary turnover. The study contributes to a better understanding of employee retention in knowledge-intensive organizations operating in emerging economies.

This study extends Full Range Leadership Theory and Organizational Justice Theory by demonstrating that transformational and transactional leadership influence employee turnover intention through different mechanisms. While transactional leadership directly reduces turnover intention, transformational leadership primarily contributes through distributive justice. Moreover, the findings indicate that distributive justice, rather than procedural, interpersonal, or informational justice, is the key mechanism linking leadership behaviour to employee retention in Vietnamese Professional Service Firms.

From a managerial perspective, the findings suggest that organizations should complement leadership development with fair human resource practices. In particular, transparent compensation, equitable workload allocation, objective performance evaluation, and consistent promotion policies are essential for strengthening employees' perceptions of fairness and

reducing voluntary turnover. These recommendations are especially important as Professional Service Firms undergo digital transformation and increasing competition for highly skilled professionals.

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**FACTORS INFLUENCING EMPLOYEE ADAPTABILITY IN A FAST-CHANGING  
OPERATIONAL ENVIRONMENT: A CASE STUDY OF SHOPEE VIETNAM'S  
BUSINESS DEVELOPMENT TEAM**

**Thieu Ngoc Hang**

*Hanoi University*

**Abstract**

Southeast Asia's digital economy keeps growing, but competition among e-commerce platforms has intensified, pushing companies such as Shopee Vietnam to adopt AI-enabled tools and adjust operations frequently. This creates pressure on employees to adapt continuously while still meeting commercial targets. This study examines how employees in Shopee Vietnam's Business Development (BD) division respond to continuous operational change and what factors shape their readiness to adapt. Using a qualitative single-case design, the study conducted 15 semi-structured interviews with 10 staff members and 5 leaders, analyzed through thematic analysis guided by Oreg et al.'s (2011) model of employee responses to change and Holt et al.'s (2007) change readiness framework. Findings show that employees followed a similar adaptation pattern but differed in adaptation speed, that confidence grew mainly after early visible results rather than time alone, and that leaders faced an additional burden of adapting themselves while supporting their teams. Based on these findings, the study proposes three practical interventions for Shopee Vietnam: a Leader Readiness Briefing Kit, an Early-Win Milestone Template, and a Change-Load Tracker and Knowledge Hub.

**Keywords:** *employee adaptability; change readiness; organizational change; e-commerce; Vietnam*

**1. Introduction**

Southeast Asia's digital economy keeps growing, but the operating environment has become harder. Google, Temasek, and Bain & Company (2025) estimate the region's digital economy will reach about USD 305 billion in gross merchandise value in 2025, growing around 15% a year, with e-commerce as the largest sector. At the same time, new tariffs introduced by the United States in 2025 lowered GDP growth forecasts for Southeast Asia in 2026 (Google, Temasek, & Bain & Company, 2025), pushing digital platforms to focus more on efficiency and AI adoption instead of pure expansion.

Vietnam shows the same pattern. E-commerce revenue grew 21% in 2025 (Vietnam E-commerce Association [VECOM], 2026), and the four largest platforms reached a combined GMV of VND 458.16 trillion, up 26% (YouNet ECI, 2026). Shopee remained the market leader with 57.5% GMV share, but TikTok Shop grew 93% and reached 39.6% share, even

overtaking Shopee in the Fashion and Accessories category (The Investor, 2026; YouNet ECI, 2026). To respond, Sea Limited, Shopee's parent company, expanded its partnership with OpenAI in 2026 to speed up AI adoption across the platform (Sea Limited, 2026). Meanwhile, workforce readiness may not be keeping pace: LinkedIn's Workplace Learning Report (2025) found that more than 45% of professionals experienced change fatigue, and many organizations were not preparing employees enough for change.

Within Shopee Vietnam, the Business Development (BD) division manages seller relationships and drives commercial performance. BD employees deal directly with frequent changes in KPIs, tools, and processes, which makes the division a relevant setting for studying employee adaptability.

Managers in the BD division have informally described a working environment where employees are expected to learn new AI tools and data systems while still meeting demanding KPI targets. Leadership attention often focuses on short-term KPI delivery, leaving less room for coaching or long-term capability building. Existing training is mostly technical, and it is unclear whether it truly supports employees in adapting to continuous change. The central problem is therefore not whether change exists, but how BD employees respond to continuous operational change and what factors shape their readiness and ability to adapt.

Although the pressure from AI adoption and competition is well documented at the industry level, there is limited evidence on how individual employees inside a specific BD division experience and cope with this pressure. Frameworks such as PESTEL, Porter's Five Forces, and the Resource-Based View explain why change pressure exists, but they do not explain how employees actually respond to and become ready for change. This study addresses that gap by combining organizational-level analysis with employee-level interview evidence.

The study has three objectives, each linked to a research question (RQ): (1) to examine employees' cognitive, affective, and behavioral responses to operational change (RQ1), based on Oreg et al.'s (2011) framework; (2) to identify the individual, team, and organizational factors that influence employee change readiness (RQ2), based on Holt et al.'s (2007) framework; and (3) to compare adaptability between team leaders and staff members (RQ3), applying the same framework to both groups.

## **2. Literature Review**

### **2.1. Industry and Organizational Context Frameworks**

PESTEL scans the external environment across six dimensions and helps explain macro-level shifts such as tariffs and technology cycles that affect e-commerce platforms (Aguilar, 1967). Porter's Five Forces examines competitive intensity through five dimensions, with rivalry and

buyer power being most relevant in Vietnam's concentrated e-commerce market (Porter, 1979). The Resource-Based View (RBV) argues that sustained competitive advantage depends on a firm's internal resources, including human capital (Barney, 1991). Together, these three frameworks explain why change pressure exists at the industry, competitive, and organizational level, but they do not explain how individual employees experience and respond to that pressure.

## **2.2. Employee-Level Frameworks**

Oreg et al. (2011) propose that employees respond to change through three connected dimensions: cognitive (what they think), affective (how they feel), and behavioral (what they do). These dimensions interact rather than follow one fixed order. The model explains how employees react once change has started, but it says less about what conditions need to exist beforehand for employees to feel ready.

Holt et al. (2007) address this gap with a change readiness model built around four constructs: appropriateness (whether the change is seen as the right move), management support (whether leadership is seen as backing the change), self-efficacy (confidence in one's own ability to adapt), and personal valence (whether the change is seen as personally beneficial).

## **2.3. Conceptual Framework**

PESTEL and Porter's Five Forces explain why change pressure exists at the industry and competitive level. RBV shows this pressure translating into an internal capability gap. From this gap, Oreg et al. (2011) explain how employees respond to change, and Holt et al. (2007) explain the readiness factors that shape whether employees are prepared for it. Both employee-level frameworks converge on the same outcome: employee adaptability within the BD division.

# **3. Research Methodology**

## **3.1. Research Design**

This study uses a qualitative, interpretive, single-case design, which is appropriate because the research question concerns how employees experience and respond to change rather than testing a statistical relationship (Creswell & Poth, 2018). A single case was chosen to understand the BD division in depth rather than compare it with other organizations (Yin, 2018).

The researcher works within Shopee Vietnam's BD division, which gives direct access to employees and internal context that would be difficult for an outside researcher to obtain (Brannick & Coghlan, 2007). To manage insider bias, interview questions were standardized, verbal consent and confidentiality were explained using the same script for all participants, and all participants were anonymized (I1-I10 for staff, L1-L5 for leaders).

### **3.2. Data Collection**

Primary data came from 15 semi-structured interviews with BD employees, selected through purposive sampling to cover both staff and leader perspectives across the four functional pillars. Each interview lasted 30–45 minutes, conducted in person or via Zoom, with verbal consent and recording for transcription. Interview questions were adapted directly from Oreg et al.'s (2011) and Holt et al.'s (2007) constructs: cognitive items captured initial evaluation and re-evaluation over time; affective items captured feelings and their drivers; behavioral items captured adaptive actions and information-seeking; self-efficacy and appropriateness items were drawn from Holt et al. (2007), while management support was captured indirectly through a question about manager and team influence.

Secondary data supported the contextual frameworks (PESTEL, Porter's Five Forces, RBV), drawn from VECOM (2026), YouNet ECI (2026), LinkedIn (2025), Sea Limited (2026), The Investor (2026), and Vietnam Investment Review (2026). These sources do not connect to the interview instrument; the two data streams were kept separate.

### **3.3. Data Analysis**

PESTEL, Porter's Five Forces, and RBV were analyzed through secondary data synthesis, organizing published figures into each framework's categories. Interview data were analyzed using thematic analysis following Braun and Clarke's (2006) six-step process. Coding used a hybrid approach: deductive codes came from Oreg et al. (2011) and Holt et al. (2007), while patterns that did not fit these frameworks, such as leaders acting as both receivers and providers of management support at the same time, were allowed to emerge as their own code. This pattern is referred to as the "leader dual-burden." Coding was done manually in Excel given the manageable sample size.

## **4. Findings and Discussion**

### **4.1. Industry and Organizational Context**

Political-economic and technological factors were found to be the strongest PESTEL drivers of change in the BD division. Lower economic growth forecasts following the 2025 US tariffs (Google, Temasek, & Bain & Company, 2025) pushed Shopee to prioritize efficiency, while Sea Limited's expanded partnership with OpenAI (Sea Limited, 2026) added new AI tools to employees' daily work at the same time that many were already experiencing change fatigue (LinkedIn, 2025). Social, environmental, and legal PESTEL dimensions showed limited relevance to BD's daily work.

Under Porter's Five Forces, competitive rivalry and buyer power were the strongest forces. TikTok Shop's rapid growth to 39.6% market share, compared with Shopee's 57.5%, and its

overtaking of Shopee in Fashion and Accessories (The Investor, 2026; YouNet ECI, 2026), increased pressure on the BD division to defend and grow the seller base. Buyer power, represented by marketplace sellers, also increased: more than 7,000 sellers exited in the first half of 2025 (VietData, 2025), active sellers fell 5.6% by year-end, and average selling prices rose 33% while purchase volume fell 8% (YouNet ECI, 2026).

Applying RBV to human capital suggests that employee capability and readiness function as an important internal resource during rapid technological change (Barney, 1991). Managers observed that employees were expected to learn new AI tools while still meeting KPI targets, a pattern consistent with LinkedIn's (2025) finding on inadequate workforce preparation. Together, these three frameworks show why change pressure exists; the interview findings below explain how employees actually experienced and responded to it.

#### **4.2. Employee Responses to Change (Oreg et al., 2011)**

Across the 15 interviews, a common adaptation pattern emerged: initial confusion, followed by information-seeking, reassessment, adjustment, and stabilization. Routine changes typically took one to two weeks to adapt to, while major changes, such as KPI revisions, took one to two months. This pattern applied to both staff and leaders, though leaders generally adjusted faster. Cognitively, three response types appeared: confusion, linked mainly to insufficient information; neutrality, linked to prior experience with change; and overwhelm, reported by employees facing several changes at once. Affectively, several participants described feeling stress and excitement simultaneously rather than moving through a simple negative-to-positive progression, while others reported little emotional fluctuation. Behaviorally, all participants took active steps to adapt; none described avoidance or resistance. The most common behavior was self-directed learning, followed by seeking support from managers or peers, experimenting with new approaches, reprioritizing seller portfolios, and building templates or standardized workflows.

A recurring pattern helps explain how employees became comfortable with change: rather than time or manager reassurance alone, participants described gaining confidence after seeing early, visible evidence that the new way of working produced results. This is consistent with Oreg et al.'s (2011) view that cognitive, affective, and behavioral responses interact rather than follow a fixed sequence. One participant's account did not fit this pattern: after years of continuous change, she described a declining willingness to adapt once new changes arrived before previous ones had become familiar. As this was reported by only one participant, it is treated as an individual observation rather than a general finding.

#### **4.3. Change Readiness (Holt et al., 2007)**

All 15 participants reported high self-efficacy, but for different reasons. Longer-tenured employees based their confidence on past experience with change, consistent with Bandura's (1977) view of mastery experience as a strong source of self-efficacy, while newer employees expressed confidence as a positive expectation rather than evidence from experience. This uniform result should be read with some caution given the researcher's insider position.

Management support appeared in three forms: direction clarity, emotional support, and knowledge sharing. Employees who mentioned strong direction clarity adjusted faster, while a lack of emotional support alongside purely technical instruction was described as making adaptation harder than the change itself. Regarding appropriateness, participants often distinguished between accepting that a change was necessary for the company and believing it personally benefited them; several accepted the organizational logic while remaining unconvinced of personal value. A related pattern was that most participants said managers explained what would change more often than why it was necessary, which made it harder for BD employees to explain and justify changes to sellers.

#### **4.4. Leader versus Staff Differences**

Leaders generally resolved initial uncertainty faster than staff: one to three days for routine changes and one to two weeks for major changes, compared with staff needing up to four weeks for major changes, particularly those with less than two years of tenure. However, leaders also carried an additional burden: several described being expected to guide their teams before they had fully adjusted to a change themselves, a pattern this study labels the leader dual-burden. Staff members were also more likely than leaders to question whether changes personally benefited them, while leaders more often expressed alignment with organizational goals over individual outcomes.

#### **4.5. Synthesis**

Employee adaptability in the BD division is shaped by more than individual willingness. Confidence builds mainly after employees see early, visible results, not simply from the passage of time. Change readiness depends on prior experience, the quality of management support, and whether employees understand not just what is changing but why. Leaders face a distinct challenge, as they must adapt themselves while also supporting their teams through the same change, often before feeling fully prepared. These findings shape the recommendations proposed below.

### **5. Managerial Implications**

Based on the findings above, three practical interventions are proposed for Shopee Vietnam's BD division.

Leaders often had to explain changes before fully understanding them, a one-page checklist based on the Prosci ADKAR model — Awareness, Desire, Knowledge, Ability, Reinforcement (Hiatt, 2006) — is proposed for leaders to complete before communicating a change to their team. This requires no new systems, only providing leaders with information a few days earlier than the wider team. A McKinsey Global Survey found that half of respondents reported successful change when implementation timelines were communicated clearly in advance, compared with 16% when they were not (McKinsey & Company, 2018), supporting the value of dedicated preparation time for leaders. The main risks are information leakage and added workload for the Project Management Office (PMO), which can be managed by limiting early communication to what teams need and integrating the checklist into existing channels

Employees gained confidence mainly after achieving early positive results, this template breaks the first four to six weeks of a major change into small, measurable milestones, following Kotter's (1996/2012) concept of short-term wins. The same McKinsey survey found a 51% success rate for organizations that monitored KPIs during change implementation, against only 13% for those that did not (McKinsey & Company, 2018). The PMO would develop the template, with managers applying it within their teams. The main risk is setting milestones that are too difficult, which can increase pressure instead of confidence; targets should therefore be adjusted by job function and experience level. Employees relied heavily on informal knowledge sharing and the division has no way to track how much change different teams are absorbing at once, this recommendation combines a monthly tracker of change volume per functional pillar with a searchable knowledge hub that formalizes existing informal sharing. It draws on Prosci's concept of change saturation, which describes what happens when the volume of change exceeds what a team can absorb (Prosci, 2025). Prosci's benchmarking research found that projects with excellent change management met or exceeded objectives 88% of the time, compared with 13% for projects with poor change management (Prosci, 2026), and a recent Prosci study found that 73% of respondents reported their organizations were near, at, or past the point of saturation (Prosci, 2025). Both components use existing tools and would be owned by the PMO to avoid adding workload to individual BD employees.

## **6. Conclusion**

This study examined how employees in Shopee Vietnam's Business Development division respond to continuous operational change and what shapes their readiness to adapt. Three findings stand out. First, employees became more confident once they saw early, visible evidence that a new way of working produced results, rather than simply because time had passed. Second, change readiness depended on more than clear instructions: employees also

needed emotional support, opportunities to learn from colleagues, and an explanation of why a change was necessary, not just what was changing. Third, leaders faced a distinct pressure, having to adjust to a change themselves while also guiding their teams through it, often before feeling fully ready.

The study contributes a grounded, single-case account of how Oreg et al.'s (2011) and Holt et al.'s (2007) frameworks apply jointly within one organizational setting, and it offers three low-cost, practical tools that Shopee Vietnam's BD division can pilot without new systems or additional headcount: a Leader Readiness Briefing Kit, an Early-Win Milestone Template, and a Change-Load Tracker and Knowledge Hub.

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## ENHANCING BRAND EQUITY FOR ROYAL LONG AN GOLF & COUNTRY CLUB

Nguyen Phuong Thanh, Dr. Hoang Thi Thu Phuong, Dr. Vu Viet Dung

*Hanoi University*

### Abstract

Royal Long An Golf & Country Club (RLAGCC) is a relatively new entrant to Vietnam's premium golf market. Despite its modern facilities and 27-hole championship course, the club faces challenges in strengthening brand awareness, differentiation, and customer loyalty.

This study employed a sequential mixed-method approach, combining interviews with five golfers and a survey of 156 golfers. Customer-based brand equity was assessed across five dimensions: Brand Awareness, Brand Associations, Perceived Quality, Experiential Value, and Brand Loyalty.

Findings show that RLAGCC has generally positive brand equity, with Experiential Value receiving the highest score ( $M = 3.905$ ). Perceived Quality was the strongest predictor of Brand Loyalty ( $\beta = 0.350$ ), followed by Experiential Value ( $\beta = 0.308$ ). However, Brand Associations scored lowest ( $M = 3.618$ ), indicating limited differentiation from competitors. Brand Awareness also relies heavily on word-of-mouth rather than formal marketing.

Two strategic priorities are recommended: (1) strengthen differentiation through a customer value-driven positioning centred on distinctive experiences, and (2) enhance customer retention through relationship management, membership engagement, and customer advocacy. These initiatives can strengthen brand equity, loyalty, competitive positioning, and sustainable growth.

**Keywords:** *Customer-based brand equity; Premium golf course; Brand loyalty; Perceived quality; Experiential value.*

### 1. Introduction

Brand equity reflects the value a brand creates through customers' perceptions and behavioural responses. Customer-based brand equity (CBBE) focuses on this value from the customer perspective, particularly through brand awareness, brand associations, perceived quality, and customer relationships (Aaker, 1991; Keller, 1993). CBBE is particularly relevant to service and experiential industries, where customer evaluations depend on service quality and overall experiences (Boo et al., 2009; Kim & Ritchie, 2014). In golf, customers evaluate not only course and facility quality but also hospitality, relaxation, social interaction, and memorable experiences, which can influence satisfaction, revisit intention, recommendations, and loyalty (Lee & Lee, 2023; Ramli et al., 2025).

Vietnam's golf industry has expanded rapidly, intensifying competition in the premium segment. Royal Long An Golf & Country Club (RLAGCC), established in 2023 and designed by Sir Nick Faldo, is a relatively new entrant with a 27-hole championship course and strong development potential (RLAGCC, 2023). However, as a new brand, RLAGCC faces challenges in establishing brand awareness, distinctive positioning, and long-term customer loyalty. Although the club offers modern facilities and quality services, it remains unclear which aspects of the customer experience create the greatest value and differentiate RLAGCC from competitors.

Previous research has extensively examined CBBE in tourism and hospitality, but evidence in Vietnam's premium golf industry remains limited. Golf studies have also tended to focus on individual factors such as service quality, satisfaction, and revisit intention rather than CBBE as a multidimensional construct. In addition, predominantly quantitative approaches provide limited insight into the reasons underlying customers' perceptions and experiences. These gaps highlight the need for a more comprehensive examination of CBBE in the context of a newly established premium golf club.

Therefore, this study examines golfers' perceptions of RLAGCC across five CBBE dimensions: Brand Awareness, Brand Associations, Perceived Quality, Experiential Value, and Brand Loyalty. Specifically, the study aims to (1) assess the current level of CBBE, (2) examine the effects of Brand Awareness, Brand Associations, Perceived Quality, and Experiential Value on Brand Loyalty, (3) explore golfers' perceptions and experiences, and (4) develop strategic recommendations to strengthen RLAGCC's brand equity and competitive position. A sequential mixed-method approach, combining qualitative interviews and a quantitative survey, is adopted to provide both contextual and empirical evidence.

This study contributes to the literature by extending CBBE research to the relatively underexplored context of Vietnam's premium golf industry. From a managerial perspective, the findings provide RLAGCC with evidence-based insights for strengthening brand differentiation, customer experience, and loyalty, thereby supporting its long-term competitive position.

## **2. Literature Review**

### **2.1. Theoretical framework: Customer-Based Brand Equity**

Customer-based brand equity (CBBE) refers to brand value from the customer's perspective, reflected in their perceptions, experiences, and behavioural responses (Keller, 1993). Aaker (1991) and Keller (1993, 2003) provide influential frameworks, highlighting dimensions such as brand awareness, brand associations, perceived quality, and loyalty.

CBBE is particularly relevant to service industries, where customer experiences strongly shape brand evaluations. Previous research in tourism, hospitality, and leisure has linked CBBE to customer satisfaction, repeat visits, recommendations, and loyalty (Boo et al., 2009; Kladou & Kehagias, 2014). This perspective is also applicable to golf clubs, where customers evaluate facilities alongside service quality and overall experiences.

Drawing on Keller’s (1993, 2003) framework, this study examines five dimensions: Brand Awareness, Brand Associations, Perceived Quality, Experiential Value, and Brand Loyalty, providing the theoretical basis for assessing golfers’ perceptions of RLAGCC.

**2.2. Conceptual Framework and Hypothesis Development**

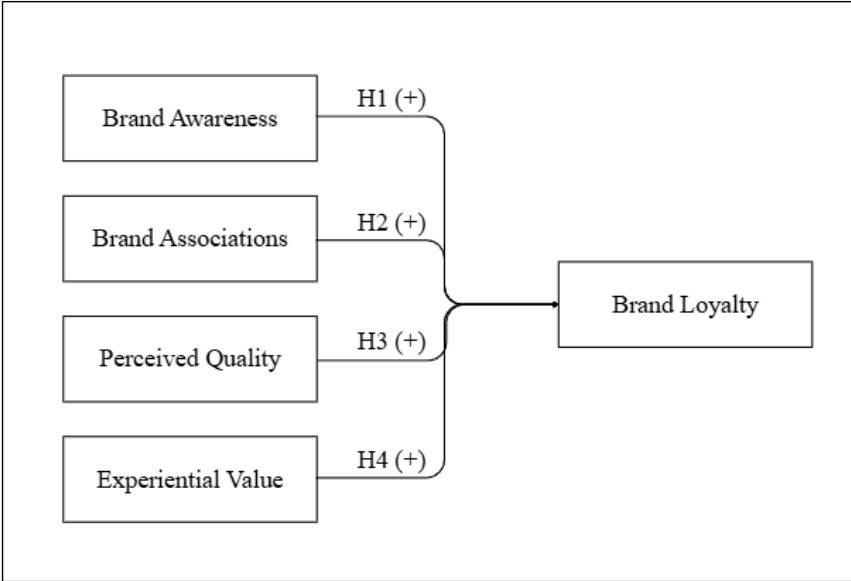


**Figure 2.1 Conceptual Framework**

**H1: Brand Awareness positively influences Brand Loyalty.**

Brand awareness increases the likelihood that customers recognise and consider a brand when making purchase decisions, which can support repeat visits and recommendations (Boo et al., 2009; Kim & Kim, 2005). Although awareness alone does not guarantee loyalty, it represents an important foundation for developing brand knowledge and subsequent customer responses (Keller, 2003). For a relatively new golf club such as RLAGCC, stronger brand awareness may increase its consideration among golfers and support repeat visits and word-of-mouth recommendations.

**H2: Brand Associations positively influence Brand Loyalty.**

Positive and distinctive brand associations can strengthen customer preference, emotional attachment, and behavioural intentions (Boo et al., 2009; Kladou & Kehagias, 2014). In the premium golf context, associations with quality, prestige, professionalism, and memorable experiences may differentiate RLAGCC from competitors and encourage golfers to revisit and recommend the club. Therefore:

**H3: Perceived Quality positively influences Brand Loyalty.**

Perceived quality is an important determinant of customer satisfaction and loyalty in service industries (Parasuraman et al., 1988). In tourism and hospitality, higher perceived quality is associated with revisit and recommendation intentions (Boo et al., 2009; Hennessey et al., 2010). For RLAGCC, perceived quality encompasses course conditions, facilities, service professionalism, and consistency of the overall customer experience. Higher perceived quality is therefore expected to strengthen golfers' loyalty.

**H4: Experiential Value positively influences Brand Loyalty.**

Experiential value reflects the benefits customers derive from enjoyable, memorable, and meaningful service experiences. Previous research suggests that positive experiences can strengthen brand preference, behavioural intentions, and customer loyalty (Kim & Ritchie, 2014; Mathwick et al., 2001). In tourism and leisure contexts, memorable experiences can encourage customers to revisit and recommend a service provider (Kim & Ritchie, 2014). Golf combines sport, relaxation, natural surroundings, social interaction, and hospitality, making experiential value particularly relevant to golf club branding. Therefore, golfers who perceive greater experiential value at RLAGCC are expected to demonstrate stronger brand loyalty.

### **3. Methodology**

This study adopted a sequential mixed-method design, combining semi-structured interviews followed by a quantitative survey to examine golfers' perceptions of customer-based brand equity (CBBE) at Royal Long An Golf & Country Club (RLAGCC). The target population comprised golfers with direct experience of RLAGCC. In the qualitative phase, five golfers were purposively selected to explore their perceptions and experiences and to inform the quantitative measurement. In the quantitative phase, 156 golfers were recruited using convenience sampling. The questionnaire measured five CBBE dimensions: Brand Awareness, Brand Associations, Perceived Quality, Experiential Value, and Brand Loyalty using multi-item five-point Likert scales adapted from previous branding, tourism, and hospitality research. Qualitative data were analysed using thematic analysis, while quantitative data were analysed using IBM SPSS Statistics, including descriptive statistics, Cronbach's alpha, Exploratory Factor

Analysis (EFA), and multiple linear regression. Regression analysis examined the effects of Brand Awareness, Brand Associations, Perceived Quality, and Experiential Value on Brand Loyalty, with  $p < .05$  used as the significance threshold. The qualitative and quantitative findings were integrated during interpretation to provide a comprehensive understanding of RLAGCC's brand equity and support evidence-based recommendations.

#### **4. Findings**

##### **4.1. Business Context**

Royal Long An Golf & Country Club (RLAGCC), established in 2023, positions itself as a premium golf and lifestyle destination, offering a 27-hole championship course, hospitality services, dining, accommodation, tournaments, and corporate events. Its branding activities primarily emphasise international-standard facilities, course quality, professional services, and event hosting (RLAGCC, 2025). The number of golf rounds increased from 28,674 in 2024 to 40,186 in 2025, indicating strong business growth. However, growth in customer volume does not necessarily indicate strong customer-based brand equity.

RLAGCC primarily targets domestic high-income golfers, expatriates, business customers, and international visitors. Competition in Vietnam's premium golf market is increasingly intense, with established clubs offering comparable facilities, hospitality, and customer experiences. Therefore, physical facilities alone may provide limited differentiation, making brand perceptions and customer experience increasingly important competitive factors.

A preliminary SWOT assessment indicates that RLAGCC's key strengths include its premium facilities, international-standard course, hospitality services, and tournament activities. However, its weaknesses include relatively limited brand differentiation and a strong emphasis on functional rather than distinctive brand communication. Continued growth in golf tourism and premium leisure demand provides opportunities, while increasing competition and customer expectations represent major threats.

##### **4.2. Qualitative Findings**

Semi-structured interviews with five golfers revealed patterns across the five CBBE dimensions: Brand Awareness, Brand Associations, Perceived Quality, Experiential Value, and Brand Loyalty.

Golfers mainly became aware of RLAGCC through friends, business partners, and golf communities, rather than formal marketing channels. While awareness was relatively positive, participants reported limited top-of-mind recognition and difficulty identifying what made RLAGCC distinctive.

For Brand Associations, RLAGCC was commonly associated with modern facilities, professionalism, and good service. However, participants struggled to identify a unique brand personality or symbolic characteristic that clearly differentiated the club from established competitors.

Perceived Quality emerged as a major strength. Participants consistently highlighted the well-maintained course, professional staff, service reliability, and smooth overall operations. Quality was evaluated as a combination of tangible facilities and consistent service delivery.

Experiential Value was also strongly emphasised. Golfers valued RLAGCC not only for playing golf but also for relaxation, social interaction, business networking, and the overall atmosphere. These findings suggest that the club's value extends beyond functional golf services to emotional and social experiences.

Regarding Brand Loyalty, most participants expressed willingness to revisit and recommend RLAGCC. However, golfers also recognised that trying different courses is a normal part of golf participation. Thus, loyalty appeared to depend more on consistently positive experiences than on exclusive attachment to a single club.

Overall, the qualitative findings suggest that RLAGCC has established positive perceptions of quality and experience, but its brand distinctiveness and salience remain less developed.

#### **4.3. Quantitative Findings**

Of 159 responses collected, 156 valid responses were retained for analysis. The sample comprised 58.3% male and 41.7% female golfers, with 59.0% aged 40–59 years. Most respondents played golf one to two times per month (37.2%) or less than once per month (27.6%).

All five constructs demonstrated strong internal reliability, with Cronbach's alpha ranging from **0.874 to 0.891**. EFA also supported the proposed five-factor structure (KMO = **0.883**, Bartlett's test,  $p < .001$ ), with the five factors explaining **69.484%** of total variance.

**Table 4.1. Descriptive Statistics of Brand Equity Dimensions**

| Dimension          | Mean  | Standard Deviation |
|--------------------|-------|--------------------|
| Experiential Value | 3.905 | 0.862              |
| Brand Awareness    | 3.821 | 0.911              |
| Brand Loyalty      | 3.813 | 0.908              |
| Perceived Quality  | 3.724 | 0.925              |
| Brand Associations | 3.618 | 0.960              |

Experiential Value received the highest mean score ( $M = 3.905$ ), confirming that golfers generally viewed RLAGCC as providing an enjoyable and valuable overall experience. Brand Associations recorded the lowest score ( $M = 3.618$ ), particularly regarding the distinctiveness of the club's brand image.

Multiple regression showed that the four CBBE dimensions significantly predicted Brand Loyalty, explaining 52.3% of its variance ( $R^2 = .523$ , adjusted  $R^2 = .511$ ;  $F = 41.424$ ,  $p < .001$ ).

**Table 4.2. Regression Coefficients**

| Predictor          | $\beta$ | t     | Sig.   | VIF   |
|--------------------|---------|-------|--------|-------|
| Brand Awareness    | .258    | 4.365 | < .001 | 1.108 |
| Brand Associations | .131    | 2.147 | .033   | 1.172 |
| Perceived Quality  | .350    | 5.400 | < .001 | 1.327 |
| Experiential Value | .308    | 5.064 | < .001 | 1.169 |

*Dependent variable: Brand Loyalty.*

Perceived Quality was the strongest predictor of Brand Loyalty, followed by Experiential Value, Brand Awareness, and Brand Associations. All VIF values were below 1.33, indicating no substantial multicollinearity.

#### **4.4. Integrated Findings and Discussion**

The qualitative and quantitative findings provide a consistent picture of RLAGCC's customer-based brand equity. Perceived Quality and Experiential Value represent the club's strongest sources of customer loyalty, supported by golfers' positive evaluations of service consistency, professionalism, relaxation, social interaction, and the overall golfing experience.

In contrast, Brand Associations represent the main area for improvement. Although golfers viewed RLAGCC positively, they struggled to identify distinctive characteristics that clearly separated the club from competing premium golf destinations. Brand Awareness was also positively related to loyalty but had a weaker effect than quality and experiential value.

Overall, the findings suggest that RLAGCC has established a strong functional and experiential foundation, but needs to translate these strengths into a more distinctive and memorable brand identity. In the context of Vietnam's increasingly competitive premium golf market, strengthening distinctive brand associations while maintaining service quality and experiential value is likely to be critical for developing long-term Brand Loyalty.

#### **5. Recommendations**

Based on the integrated findings, two strategic priorities are recommended to strengthen RLAGCC's customer-based brand equity and long-term competitiveness.

RLAGCC should strengthen market differentiation through an experience-led value proposition. Although golfers positively evaluate the club’s service quality and facilities, Brand Associations received the lowest score, indicating that RLAGCC has yet to establish a clearly distinctive brand identity. The club should therefore move beyond communicating functional attributes and position itself around a distinctive combination of premium hospitality, personalised service, relaxation, social interaction, and relationship-building. This value proposition should be consistently delivered and communicated across the customer journey, from booking and arrival to on-course service, dining, and post-visit engagement. Such consistency can strengthen brand associations, perceived value, and differentiation.

RLAGCC should strengthen long-term customer retention through relationship-based engagement. Since Perceived Quality and Experiential Value were the strongest predictors of Brand Loyalty, maintaining consistent service quality and memorable experiences should remain central to retention. The club should complement these efforts with stronger membership engagement, customer relationship management, personalised communication, feedback collection, and referral programmes. Building stronger customer relationships can encourage repeat visits, membership renewal, and positive word-of-mouth, particularly because golfers frequently rely on recommendations from friends, business partners, and golf communities.

**Table 5.1. Strategic Implementation Roadmap**

| Strategic priority                    | Key actions                                                                                                                    | Expected outcomes                                                           |
|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| <b>Experience-led differentiation</b> | Develop a distinctive experience-based value proposition; align communication and customer touchpoints around this proposition | Clearer positioning; stronger Brand Associations; higher perceived value    |
| <b>Relationship-based retention</b>   | Strengthen membership engagement, CRM, personalised communication, feedback, and referrals                                     | Higher Brand Loyalty; repeat visits; stronger advocacy and long-term growth |

**6. Conclusion**

This study examined RLAGCC's customer-based brand equity using a sequential mixed-method approach combining qualitative interviews and a quantitative survey. Overall, the findings indicate that RLAGCC has established a positive foundation of CBBE. Experiential Value received the highest evaluation, while Brand Associations scored the lowest. Regression results further showed that all four antecedents significantly predicted Brand Loyalty, with Perceived Quality ( $\beta = .350$ ) having the strongest effect, followed by Experiential Value ( $\beta = .308$ ), Brand Awareness ( $\beta = .258$ ), and Brand Associations ( $\beta = .131$ ). The model explained 52.3% of the variance in Brand Loyalty.

The qualitative findings reinforce these results. Golfers appreciated RLAGCC's course, facilities, service quality, and overall experience, but many found it difficult to identify characteristics that clearly distinguished the club from competing premium golf destinations. Thus, while operational quality provides a strong foundation, RLAGCC needs to translate its customer experience into a more distinctive and memorable brand proposition.

This study contributes to CBBE research by applying a multidimensional framework to the relatively underexplored context of Vietnam's premium golf industry. From a managerial perspective, the findings suggest that RLAGCC should prioritise experience-led differentiation and relationship-based customer retention to strengthen Brand Associations, Brand Loyalty, and long-term competitive positioning.

Several limitations should be acknowledged. The study used convenience sampling and focused on golfers who had experienced RLAGCC, limiting generalisability. The cross-sectional design also does not capture changes in brand equity over time. Future research could compare multiple golf clubs, use probability sampling, or adopt longitudinal designs to examine how CBBE develops over time.

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## **THE EFFECT OF CORPORATE GOVERNANCE ON RISK-TAKING BEHAVIOR IN VIETNAMESE COMMERCIAL BANKS**

**Nguyen Thuy Truong Giang**

*Hanoi University*

### **Abstract**

This paper examines how corporate governance characteristics are related to bank risk-taking behavior in Vietnamese commercial banks. Using panel data from 20 banks over 2015–2024, the study applies a one-year lag and estimates fixed-effects models on 180 bank-year observations. Three outcomes are used: CAR, NPL, and LDR. Five governance variables are considered: board size, board independence, CEO duality proxy, female board representation, and audit quality. The results show that governance matters differently across outcomes. Audit quality is the clearest factor, with Big Four affiliation associated with higher CAR and lower NPL. Board independence and the CEO duality proxy are mainly linked to NPL and LDR, while board size is significant only in the LDR model. Female board representation is not significant. Overall, bank risk should be read through more than one indicator.

**Keywords:** *corporate governance; bank risk-taking; Vietnamese commercial banks; capital adequacy; credit risk; loan-to-deposit ratio*

### **1. Introduction**

Corporate governance plays an important role in the banking sector because banks are highly leveraged institutions and their activities affect not only shareholders but also depositors, creditors, regulators, and the wider financial system. Unlike non-financial firms, banks operate as institutions of public trust. Their lending, funding, and capital decisions can influence financial stability and public confidence. For this reason, the way a bank is governed may have important implications for its risk-taking behavior.

The relationship between corporate governance and bank risk-taking is not straightforward. Agency theory suggests that corporate governance may reduce managerial opportunism by strengthening monitoring and improving the alignment between managers and capital providers (Jensen & Meckling, 1976; Fama & Jensen, 1983). However, in banks, stronger governance does not always mean lower risk. Shareholders may prefer riskier strategies because they can benefit from successful risk-taking, while part of the losses may fall on creditors, deposit insurers, or the financial system. Laeven and Levine (2009) show that bank risk increases when shareholders have stronger relative power in the governance structure. Pathan (2009) also finds

that strong boards may be associated with higher bank risk-taking, while greater CEO power may be associated with lower risk-taking.

This issue is particularly relevant in emerging banking markets such as Vietnam. Vietnamese commercial banks have operated under stronger prudential supervision, gradual alignment with international banking standards, and growing digital transformation. The State Bank of Vietnam has introduced regulatory reforms to strengthen capital adequacy and supervisory oversight. Even so, formal regulation only provides the general framework. Actual risk control still depends partly on each bank's internal governance, including board structure, executive influence, audit oversight, and the quality of information used for monitoring.

Previous Vietnamese studies have examined corporate governance and bank stability, but the evidence remains mixed. Nguyen (2024) reports that board size, independent directors, and female directors are related to higher stability efficiency. Therefore, more evidence is needed on how specific governance characteristics are related to different dimensions of bank risk in Vietnam.

This paper focuses on three bank outcomes: CAR, NPL, and LDR. These indicators are selected because they provide clearer empirical evidence in this study and capture three important aspects of bank risk and resilience. CAR reflects capital adequacy and the ability of banks to absorb unexpected losses. NPL captures credit risk and asset quality. LDR reflects lending intensity and potential liquidity pressure. Although Z-SCORE is also a common measure of bank stability, it is not used as the main outcome in this paper because the empirical evidence from the Z-SCORE model is weak and should not be treated as the main basis for discussion.

This paper contributes to the literature in three ways. First, it examines five corporate governance characteristics together: board size, board independence, a context-specific CEO duality proxy, female board representation, and audit quality. Second, it focuses on three risk-related bank outcomes rather than relying on a single measure of risk. Third, it uses one-year lagged governance variables, so that governance characteristics observed in year  $t-1$  are matched with bank outcomes in year  $t$ . This approach helps arrange the timing between governance and risk outcomes more clearly, although it does not fully solve endogeneity problems or prove causality.

Thus, the aims of this paper are: (1) to examine whether corporate governance characteristics are associated with the capital adequacy, credit risk, and lending intensity of Vietnamese commercial banks; (2) to compare whether these relationships differ across CAR, NPL, and

LDR; and (3) to assess which governance characteristics provide clearer evidence in the Vietnamese banking context.

## **2. Literature Review and Hypotheses**

### **2.1. Theoretical Framework**

Agency theory focuses on conflicts between managers and capital providers (Jensen & Meckling, 1976; Fama & Jensen, 1983). Stakeholder theory adds that bank decisions affect depositors, creditors, regulators, and the wider economy (Macey & O'Hara, 2003). In banks, these perspectives suggest that governance characteristics may not affect all risk indicators in the same way. A governance feature that supports prudent oversight should be positively related to CAR, but negatively related to NPL and LDR (Laeven & Levine, 2009; Pathan, 2009).

Board size may matter because larger boards can bring more experience and broader discussion, but they can also slow decisions and weaken individual accountability (Adams & Mehran, 2012; Pathan, 2009). Recent Vietnamese evidence also points in the same direction for stability (Nguyen, 2024). In this paper, board size is expected to reduce subsequent bank risk-taking.

Board independence is usually linked to stronger monitoring. Independent directors may challenge management more effectively and review lending and capital decisions more carefully (Fama & Jensen, 1983). In this paper, board independence is expected to reduce subsequent bank risk-taking.

CEO duality normally refers to the CEO also serving as Chairperson of the board. That setup is not directly applicable to Vietnamese commercial banks because the law restricts the Chairperson from concurrently serving as an executive of the same credit institution. Therefore, this paper uses a context-specific proxy: the CEO also serving as Vice Chairperson of the Board of Directors (National Assembly of Vietnam, 2010, 2024). If this overlap is too strong, it may weaken board scrutiny and increase risk-taking.

Female board representation may broaden viewpoints in board discussions (Adams & Ferreira, 2009). But the effect should not be read as a simple gender-risk story. The key issue is whether female directors can take part meaningfully in board decisions. In this paper, female board representation is expected to reduce subsequent bank risk-taking.

Audit quality is included as an external governance characteristic. Big Four auditors are usually associated with stronger professional resources and reputational incentives, so their involvement may improve the credibility of financial reporting and external monitoring (DeAngelo, 1981; Bley et al., 2019). In that sense, audit quality is expected to reduce subsequent bank risk-taking.

## **2.2. Hypotheses**

Based on the above discussion, the study sets the following hypotheses:

H1: Board size has a negative impact on subsequent bank risk-taking behavior.

H2: Board independence has a negative impact on subsequent bank risk-taking behavior.

H3: The CEO duality proxy has a positive impact on subsequent bank risk-taking behavior.

H4: Female board representation has a negative impact on subsequent bank risk-taking behavior. H5: Audit quality has a negative impact on subsequent bank risk-taking behavior.

## **3. Data and Methods**

### **3.1. Data and sample**

This study uses panel data from 20 Vietnamese commercial banks over the period 2015–2024. The original dataset contains 200 bank-year observations. Since corporate governance variables are measured with a one-year lag, governance characteristics in year  $t-1$  are matched with bank outcomes in year  $t$ . After applying this lag structure, the effective regression period is 2016–2024, with 180 bank-year observations. The one-year lag also helps reduce simultaneity and reverse-causality concerns, although it does not fully eliminate endogeneity.

Financial data are collected mainly from audited annual financial statements and accompanying notes. Corporate governance data are obtained from annual reports, corporate governance reports, appointment disclosures, audited financial statements, and other official bank documents. These sources provide information on board structure, CEO position, female board representation, external auditors, and bank financial indicators.

### **3.2. Variable measurement**

The paper uses three dependent variables to capture different dimensions of bank risk and resilience. CAR measures capital adequacy and is calculated as total regulatory capital divided by risk-weighted assets. A higher CAR indicates a stronger capital buffer, although it is not a direct measure of managerial risk-taking. NPL measures credit risk and is calculated as non-performing loans divided by total loans. A higher NPL indicates poorer asset quality and greater credit risk. LDR measures lending intensity and potential liquidity pressure. It is calculated as total loans divided by total customer deposits. A higher LDR may indicate greater lending relative to deposit funding, but it does not capture liquid asset holdings, maturity mismatch, or access to alternative funding sources.

The independent variables are board size, board independence, CEO duality proxy, female board representation, and audit quality. Board size is measured by the total number of directors. Board independence is measured as the proportion of independent directors to total directors. The CEO duality proxy equals one if the CEO also serves as Vice Chairperson of the

Board and zero otherwise. Female board representation equals one if the bank has at least one female director and zero otherwise. Audit quality equals one if the bank is audited by a Big Four audit firm and zero otherwise.

The model also controls for bank size, leverage, and ROE. Bank size is measured as the natural logarithm of total assets. Leverage is measured as total assets divided by total equity. ROE is measured as profit before tax divided by average total equity.

### 3.3. Empirical model and estimation

The general regression model is specified as follows:

$$RISK_{it} = \beta_0 + \beta_1 BS_{it} + \beta_2 INDEP_{it} + \beta_3 DUAL_{it} + \beta_4 GENDER_{it} + \beta_5 AUDIT_{it} + \beta_6 SIZE_{it} + \beta_7 LEVERAGE_{it} + \beta_8 ROE_{it} + \mu_i + \lambda_t + \varepsilon_{it}$$

where  $RISK_{it}$  represents each bank outcome, namely CAR, NPL, or LDR. The terms  $\mu_i$  and  $\lambda_t$  represent bank-specific and time-specific effects, where applicable.

The empirical analysis includes descriptive statistics, correlation analysis, Variance Inflation Factor tests, and panel regression estimation. Pooled OLS, Fixed Effects Models, and Random Effects Models are considered. Model selection is based on F-tests for fixed effects, Breusch-Pagan Lagrange Multiplier tests for random effects, and Hausman tests. Heteroskedasticity and serial correlation are then examined through post-estimation diagnostic tests. Where heteroskedasticity is detected, robust standard errors based on the vcovSCC HC3 estimator are applied.

## 4. Results

### 4.1. Descriptive statistics and preliminary tests

The descriptive statistics show that the sampled banks differ in capital adequacy, credit risk, lending intensity, and governance structure. The mean CAR is 0.13, indicating that the banks generally maintain regulatory capital buffers. The mean NPL ratio is 0.02, while the mean LDR is 0.76. These values suggest that credit risk and lending intensity vary across banks and years, but the average level remains within a moderate range.

Regarding corporate governance characteristics, the average board size is 7.06 members. The mean value of board independence is 0.18, indicating that independent directors account for around 18% of board members on average. The CEO duality proxy has a mean of 0.24, meaning that the CEO also serves as Vice Chairperson in about 24% of bank-year observations. Female board representation has a mean of 0.75, showing that 75% of observations have at least one female director. Audit quality has a mean of 0.85, indicating that most observations are audited by Big Four audit firms.

The correlation matrix does not indicate serious pairwise correlation problems among the explanatory variables. The VIF results also show that multicollinearity is not a major concern. All VIF values are below five, both when original governance variables and lagged governance variables are used. This supports the inclusion of the selected explanatory variables in the regression models.

#### 4.2. Model selection and diagnostic tests

The model selection tests indicate that Fixed Effects Models are appropriate for the three dependent variables. The CAR model uses two-way fixed effects, while the NPL and LDR models use individual fixed effects. This means that the CAR model controls for both bank-specific and year-specific unobserved effects, while the NPL and LDR models control for persistent differences across banks.

Post-estimation diagnostic tests show evidence of heteroskedasticity in the CAR, NPL, and LDR models. Therefore, robust standard errors are used in the three models. No strong evidence of serial correlation is found. The reported statistical significance is therefore based on the selected Fixed Effects Models with robust standard errors.

#### 4.3. Regression results

Table 1 summarizes the main regression results. The results are reported for CAR, NPL, and LDR. These three outcomes are interpreted separately because they represent different dimensions of bank risk and resilience.

**Table 1. Summary of Regression Results**

| Variables          | CAR                 | NPL                  | LDR                  |
|--------------------|---------------------|----------------------|----------------------|
| <b>BS(t-1)</b>     | -0.00005<br>(0.001) | -0.0004<br>(0.001)   | 0.009**<br>(0.004)   |
| <b>INDEP(t-1)</b>  | 0.017<br>(0.016)    | -0.017***<br>(0.007) | 0.159**<br>(0.065)   |
| <b>DUAL(t-1)</b>   | -0.007<br>(0.006)   | 0.007***<br>(0.003)  | -0.024***<br>(0.006) |
| <b>GENDER(t-1)</b> | 0.00004<br>(0.004)  | 0.0001<br>(0.001)    | -0.026<br>(0.021)    |
| <b>AUDIT(t-1)</b>  | 0.018***<br>(0.005) | -0.007***<br>(0.003) | 0.082***<br>(0.022)  |
| <b>SIZE</b>        | 0.039***<br>(0.008) | 0.005***<br>(0.001)  | 0.022<br>(0.019)     |

|                              |                       |                      |                      |
|------------------------------|-----------------------|----------------------|----------------------|
| <b>LEVERAGE</b>              | -0.004***<br>(0.0004) | -0.0001<br>(0.0002)  | -0.011***<br>(0.002) |
| <b>ROE</b>                   | -0.050**<br>(0.023)   | -0.064***<br>(0.013) | 0.119*<br>(0.063)    |
| <b>Model</b>                 | Two-wayFEM            | IndividualFEM        | IndividualFEM        |
| <b>Robuststandard errors</b> | Yes                   | Yes                  | Yes                  |
| <b>Observations</b>          | 180                   | 180                  | 180                  |
| <b>R2</b>                    | 0.373                 | 0.239                | 0.246                |
| <b>AdjustedR2</b>            | 0.220                 | 0.103                | 0.113                |

*Note: Robust standard errors are reported in parentheses. \*, \*\*, and \*\*\* indicates significance at the 10%, 5%, and 1% levels, respectively.*

The CAR model shows the clearest evidence for audit quality. Audit quality has a positive coefficient of 0.0180 and is statistically significant at the 1% level. Since audit quality is a dummy variable, this means that banks audited by Big Four firms have a CAR around 1.8 percentage points higher than banks audited by non-Big Four firms, holding other variables constant. This finding is consistent with the expected risk-reducing direction. Board size, board independence, the CEO duality proxy, and female board representation are not statistically significant in the CAR model. Among the control variables, bank size is positively associated with CAR, while leverage and ROE are negatively associated with CAR.

The NPL model provides important evidence on credit risk. Board independence has a negative coefficient and is statistically significant at the 5% level. Since board independence is measured as a proportion, a 0.10 increase in board independence is associated with a decrease of about 0.0017 in NPL, or around 0.17 percentage points. This result is consistent with the expected direction and suggests that independent directors may support better monitoring of lending decisions and loan quality.

The CEO duality proxy has a positive and significant coefficient in the NPL model. Banks where the CEO also serves as Vice Chairperson have an NPL ratio around 0.75 percentage points higher than banks without this arrangement. This result is consistent with the expected risk-increasing direction. It suggests that stronger formal executive influence within the board may be associated with weaker credit-risk monitoring. Audit quality is negatively and significantly associated with NPL, which is also consistent with the expected direction. Big Four-audited banks tend to report lower credit risk. Board size and female board representation are not statistically significant in this model.

The LDR model shows a different pattern. Board size has a positive and significant relationship with LDR. This means that larger boards are associated with higher lending relative to customer deposits. However, this result is not consistent with the expected risk-reducing direction, because board size was expected to have a negative relationship with LDR. Board independence is also positively associated with LDR. This result is not consistent with the expected negative relationship, although board independence is negatively associated with NPL. Therefore, independent directors may be linked to lower credit risk, but not necessarily to lower lending intensity.

The CEO duality proxy is negatively and significantly associated with LDR. This is opposite to the expected direction, because the CEO duality proxy was expected to increase risk-taking and therefore to have a positive relationship with LDR. Audit quality is positively and significantly associated with LDR, which is also not consistent with the expected risk-reducing direction. However, this result should not be interpreted as evidence that Big Four auditors increase liquidity risk. LDR does not capture liquid asset holdings, maturity mismatch, interbank funding, or other sources of liquidity. A higher LDR may also reflect a more active lending strategy rather than weak liquidity management.

Female board representation is not statistically significant in any of the three models. Therefore, the results do not provide evidence that the presence of at least one female director is associated with subsequent changes in capital adequacy, credit risk, or lending intensity. This result may be related to the binary measurement used in this study. The dummy variable captures only the presence of female representation, not the number of female directors, their professional background, committee roles, authority, or actual influence in board decisions.

#### 4.4. Hypothesis testing

The hypothesis-testing results are summarized in Table 2. Since the hypotheses are directional, each result is assessed based on both statistical significance and consistency with the expected direction.

**Table 2. Summary of Hypothesis Testing**

| Hypothesis             | Expected effect on risk-taking | Main empirical result                                | Conclusion                              |
|------------------------|--------------------------------|------------------------------------------------------|-----------------------------------------|
| H1: Board size         | Negative                       | Significant only in LDR, with a positive coefficient | Not supported in the expected direction |
| H2: Board independence | Negative                       | Negative in NPL, but positive in LDR                 | Partially supported with mixed evidence |

|                                 |          |                                                       |                                         |
|---------------------------------|----------|-------------------------------------------------------|-----------------------------------------|
| H3: CEO duality proxy           | Positive | Positive in NPL, but negative in LDR                  | Partially supported with mixed evidence |
| H4: Female board representation | Negative | Not significant in all models                         | Not supported                           |
| H5: Audit quality               | Negative | Positive in CAR, negative in NPL, but positive in LDR | Partially supported with mixed evidence |

Overall, H1 is not supported in the expected direction. H2, H3, and H5 are partially supported with mixed evidence. H4 is not supported. Audit quality is the most important governance characteristic in the results, especially in relation to CAR and NPL.

## 5. Discussion

Using panel data from 20 Vietnamese commercial banks, this paper examines whether selected corporate governance characteristics are associated with capital adequacy, credit risk, and lending intensity. The results show that corporate governance does not have one uniform relationship with bank risk-taking behavior. A governance characteristic may be significant in one model but insignificant or different in another. This supports the view that bank risk is multidimensional. CAR, NPL, and LDR do not measure the same aspect of bank risk. CAR reflects capital adequacy, NPL measures credit risk, and LDR indicates lending intensity and potential liquidity pressure.

For board size, the empirical evidence is weak. Board size is not statistically significant in the CAR and NPL models, but it has a positive and significant relationship with LDR. This means that banks with larger boards tend to have higher lending relative to customer deposits. This result is not consistent with the expected risk-reducing direction. One possible explanation is that board size alone does not determine the quality of board oversight. Larger boards may provide more knowledge, experience, and discussion capacity. At the same time, they may also create coordination problems and slower decision-making. Therefore, board effectiveness may depend more on director expertise, participation, independence, and committee roles than on the number of directors.

Board independence gives mixed evidence. Its negative relationship with NPL is consistent with agency theory. Independent directors may strengthen credit oversight by reviewing lending decisions, credit approval, and loan quality. In the banking context, this role is important because credit risk can have direct effects on asset quality and financial stability. However, board independence is also positively associated with LDR. This shows that independent directors do not necessarily reduce lending intensity. They may support lending expansion

while still improving credit-risk control. This result confirms that NPL and LDR should not be treated as identical measures of bank risk.

The CEO duality proxy is also related to risk in different ways. Its positive relationship with NPL suggests that CEO-Vice Chairperson overlap may weaken board scrutiny in credit-related decisions. This finding is important in Vietnam because conventional CEO-Chairperson duality is not legally applicable to commercial banks, but executive influence may still exist through other formal board positions. At the same time, the negative relationship with LDR suggests that CEO-Vice Chairperson overlap is not associated with more lending relative to deposits. Therefore, CEO influence may affect credit risk and lending intensity differently.

Female board representation is not statistically significant in any model. This result should be interpreted carefully. It does not necessarily mean that female directors have no role in bank governance. The variable used in this paper only shows whether at least one female director is present. It does not measure the extent or quality of female participation. A single female director may have limited influence if she does not hold committee roles, lacks access to key information, or has limited authority in board decisions. Future research should use more detailed measures, such as the proportion of female directors, female directors in risk or audit committees, and female directors with banking expertise.

Audit quality provides the clearest evidence. Big Four auditor affiliation is associated with higher CAR and lower NPL. These results support the view that higher-quality external audit may improve financial reporting credibility and support risk oversight. Reliable audit information can help boards, regulators, investors, and creditors assess capital adequacy and asset quality more effectively. However, audit quality is also positively associated with LDR. This result is not consistent with the expected risk-reducing direction, but it does not necessarily imply higher liquidity risk. Big Four-audited banks may be larger, more active, or more complex, and may therefore maintain higher lending intensity.

These findings have practical implications. For bank boards, the results suggest that formal governance structure is not enough. Board size and board independence should be supported by director expertise, active participation, and effective committee work. For regulators, the CEO duality proxy result suggests that executive influence inside the board should still be considered, even when CEO-Chairperson duality is legally restricted. For banks and auditors, the audit quality result highlights the importance of credible external audit for capital adequacy and credit-risk monitoring.

This study has several limitations. First, it focuses on five corporate governance characteristics and does not cover all aspects of bank governance, such as ownership concentration, risk

committee characteristics, audit committee independence, board meeting frequency, or CEO compensation. Second, some variables are measured using simplified proxies. Female board representation is measured as a dummy variable, and audit quality is measured by Big Four affiliation. These measures do not fully capture the actual influence of female directors or the engagement-level quality of external audit. Third, although the study uses one-year lagged governance variables and Fixed Effects Models, it cannot fully solve endogeneity problems. The findings should therefore be interpreted as associations rather than direct causal effects.

## **6. Conclusion**

This paper examines the relationship between corporate governance characteristics and bank risk-taking behavior in Vietnamese commercial banks. Using panel data from 20 banks over 2015–2024 and one-year lagged governance variables, the study estimates separate Fixed Effects Models for CAR, NPL, and LDR.

The findings show that governance-risk relationships differ across risk indicators. Audit quality provides the clearest evidence, as Big Four auditor affiliation is associated with higher CAR and lower NPL. Board independence and the CEO duality proxy are mainly related to credit risk and lending intensity. Board size is significant only in the LDR model, but the positive coefficient is not consistent with the expected risk-reducing direction. Female board representation is not statistically significant in any model.

Overall, the results provide partial evidence that corporate governance matters for bank risk-taking in Vietnam. However, the relationship is not uniform. A governance characteristic may be relevant to credit risk but not to capital adequacy or lending intensity. Therefore, bank risk should be examined through several indicators rather than one single measure. Future research may extend this study by using broader governance variables, more detailed measures of board expertise and female participation, ownership characteristics, and dynamic panel methods to better address endogeneity.

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## **FLEXIBLE WORK ARRANGEMENTS AND WORK OUTCOMES ACROSS GENERATIONS: THE MEDIATING ROLE OF PERCEIVED ORGANIZATIONAL SUPPORT**

**Huong Tran**

*Hanoi University*

### **Abstract**

Flexible work arrangements (FWAs) have become an important organizational practice for improving employee well-being and organizational effectiveness. However, limited research has examined the psychological mechanisms through which time-based flexible work arrangements (FWA-T) influence employee outcomes, particularly in emerging economies such as Vietnam. Drawing on Social Exchange Theory and Organizational Support Theory, this study examines the effects of FWA-T on affective organizational commitment, job satisfaction, and turnover intention through the mediating role of perceived organizational support (POS). A survey of 289 employees in Vietnam was analyzed using Structural Equation Modeling (SEM). The results show that FWA-T positively influences POS and job satisfaction while reducing turnover intention. Although FWA-T has no significant direct effect on affective organizational commitment, POS fully mediates this relationship and partially mediates the relationships with job satisfaction and turnover intention. The moderating effect of generation was not supported. This study provides empirical evidence from Vietnam and highlights the importance of organizational support in enhancing the effectiveness of flexible work arrangements.

**Keywords:** *Flexible work arrangements; Perceived organizational support; Job satisfaction; Affective organizational commitment; Turnover intention; Vietnam.*

### **1. Introduction**

Flexible work arrangements (FWAs) have become increasingly common as organizations respond to changing workforce expectations and evolving work practices (Allen et al., 2013; de Menezes & Kelliher, 2017). Among these, time-based flexible work arrangements (FWA-T) provide employees with greater control over when work is performed while maintaining organizational requirements (Kossek & Michel, 2011). Previous studies have shown that workplace flexibility enhances job satisfaction and reduces turnover intention (McNall et al., 2010; Harrop et al., 2025). However, employees may respond not only to the availability of flexibility but also to whether it signals organizational care and support (Rhoades & Eisenberger, 2002; Eisenberger et al., 2016).

Despite extensive research on FWAs, several gaps remain. Most studies examine FWAs as a broad concept rather than focusing specifically on time-based flexibility (Chung & Van der Lippe, 2020). The psychological mechanism through which FWA-T influences employee outcomes remains underexplored. Empirical evidence from emerging economies, particularly Vietnam, remains limited.

Drawing on Social Exchange Theory (Blau, 1964; Cropanzano & Mitchell, 2005) and Organizational Support Theory (Eisenberger et al., 1986; Rhoades & Eisenberger, 2002), this study examines the relationships between FWA-T, perceived organizational support (POS), affective organizational commitment (AOC), job satisfaction (JS), and turnover intention (TI). It also investigates whether generation moderates the relationship between FWA-T and POS.

Accordingly, this study addresses three research questions:

1. How does FWA-T influence AOC, JS, and TI?
2. Does POS mediate these relationships?
3. Does generation moderate the relationship between FWA-T and POS?

This study contributes empirical evidence from the Vietnamese workplace and provides practical implications for organizations implementing flexible work arrangements.

## **2. Literature Review**

### **2.1. Time-based Flexible Work Arrangements and Employee Outcomes**

Flexible Work Arrangements (FWAs) provide employees with discretion over when, where, or how work is performed while balancing organizational and individual needs (Kossek & Michel, 2011; Allen et al., 2013). Among these arrangements, Time-based Flexible Work Arrangements (FWA-T) specifically provide greater control over work schedules through practices such as flextime and compressed workweeks (Kossek & Michel, 2011; Shockley & Allen, 2012). Unlike location-based flexibility, FWA-T changes when rather than where work is performed, making it applicable across a broad range of occupations, including those requiring physical workplace presence (Messenger, 2019).

Greater schedule control can help employees manage work and personal responsibilities while increasing autonomy. Previous research has associated workplace flexibility with higher job satisfaction and organizational commitment and lower turnover intention (McNall et al., 2010; Masuda et al., 2012; Harrop et al., 2025). However, these effects may differ across forms of flexibility, supporting the need to examine FWA-T as a distinct organizational practice rather than treating FWAs as a homogeneous construct (Chung & Van der Lippe, 2020).

Affective Organizational Commitment (AOC) reflects employees' emotional attachment to, identification with, and involvement in their organization (Allen & Meyer, 1990; Meyer & Allen,

1997). Greater schedule flexibility may strengthen this attachment by improving employees' work experiences and enabling them to manage competing work and personal responsibilities more effectively (McNall et al., 2010). Accordingly:

**H1:** Time-based Flexible Work Arrangements (FWA-T) are positively related to Affective Organizational Commitment (AOC).

Job Satisfaction (JS) reflects employees' overall positive evaluation of their jobs and work experiences (Brayfield & Rothe, 1951; Locke, 1976). FWA-T can enhance job satisfaction by increasing schedule control and helping employees better coordinate work and personal responsibilities. Previous studies have consistently reported positive relationships between workplace flexibility and job satisfaction (McNall et al., 2010; Masuda et al., 2012; Wheatley, 2017; Harrop et al., 2025). Therefore:

**H2:** Time-based Flexible Work Arrangements (FWA-T) are positively related to Job Satisfaction (JS).

Turnover Intention (TI) refers to an employee's conscious willingness to leave the organization (Cammann et al., 1983). Greater schedule flexibility can make continued employment more compatible with employees' professional and personal responsibilities, thereby reducing their intention to leave. Previous research generally supports a negative association between flexible work arrangements and turnover intention (McNall et al., 2010; Bontrager et al., 2021; Haines et al., 2024; Harrop et al., 2025). Accordingly:

**H3:** Time-based Flexible Work Arrangements (FWA-T) are negatively related to Turnover Intention (TI).

## **2.2. Perceived Organizational Support and Its Mediating Role**

Although FWA-T provides practical benefits through greater schedule control, employees may also interpret workplace flexibility as information about how the organization values and treats them. Social Exchange Theory (SET) provides the principal theoretical foundation for explaining this process (Blau, 1964; Cropanzano & Mitchell, 2005). SET conceptualizes employment relationships as reciprocal exchanges in which favorable organizational treatment encourages employees to respond with more positive attitudes and behaviors.

Within this exchange process, FWA-T represents a discretionary organizational resource. By providing employees with greater control over their work schedules, FWA-T can signal organizational trust, respect, and concern for employees' personal needs (Allen et al., 2013). Employees may therefore respond not only to the practical benefits of flexibility but also to the meaning they attach to the practice as an indication of organizational care.

Perceived Organizational Support (POS) provides an important psychological mechanism through which this interpretation occurs. According to Organizational Support Theory (OST), POS refers to employees' general belief that their organization values their contributions and cares about their well-being (Eisenberger et al., 1986; Rhoades & Eisenberger, 2002). Employees develop POS partly by evaluating discretionary organizational practices that demonstrate concern for their welfare. When FWA-T is perceived as a genuine organizational effort to accommodate employees' needs, it is therefore likely to strengthen POS.

SET further suggests that employees reciprocate perceived organizational support through favorable workplace attitudes and behavioral intentions. Higher POS has been associated with stronger affective organizational commitment and job satisfaction and lower turnover intention (Rhoades & Eisenberger, 2002; Kurtessis et al., 2017). Previous research has also identified POS as an important mechanism linking supportive organizational practices with employee outcomes (Allen et al., 2003). Thus, FWA-T may influence employee outcomes not only through the direct benefits of greater schedule control but also indirectly through employees' perceptions of organizational support.

Accordingly:

**H4:** Perceived Organizational Support (POS) mediates the relationships between FWA-T and Affective Organizational Commitment (AOC), Job Satisfaction (JS), and Turnover Intention (TI).

### 2.3. Moderating Role of Generation

Although FWA-T is generally expected to strengthen POS, employees may differ in how they interpret workplace flexibility. Generational Cohort Theory suggests that individuals exposed to different social, technological, and economic conditions during their formative years may develop distinct work values and expectations (Twenge & Campbell, 2008). These differences may influence how employees evaluate organizational practices such as workplace flexibility.

Generation Z has received particular attention because its members entered the workforce during a period characterized by rapid technological development, digital connectivity, and growing expectations for flexibility and work-life integration. Previous research suggests that younger employees may place greater value on flexibility, autonomy, and individualized workplace support (Taibah & Ho, 2023). From this perspective, schedule flexibility may be particularly meaningful to Generation Z and may therefore be interpreted as a stronger signal that the organization recognizes and supports employees' needs.

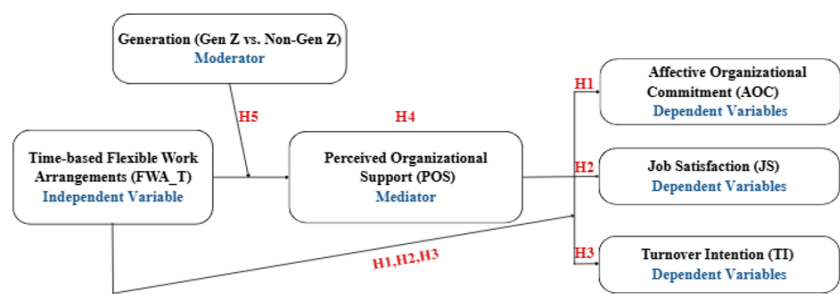
However, empirical evidence regarding generational differences remains mixed. Lyons and Kuron (2014) found that differences in workplace attitudes across generations are often smaller

and less consistent than commonly assumed. Similarly, Rudolph et al. (2021) argued that apparent generational differences may partly reflect age, career stage, or contextual factors rather than generational membership itself. Moreover, as workplace flexibility becomes increasingly common, employees across generations may view schedule control as a valuable organizational resource.

Despite these competing perspectives, Generation Z's stronger expected preference for flexibility provides a theoretical basis for examining generation as a boundary condition. If Generation Z employees attach greater value to schedule flexibility, they may interpret FWA-T as a stronger signal of organizational care and support than non-Generation Z employees. Accordingly:

**H5:** The positive relationship between Time-based Flexible Work Arrangements (FWA-T) and Perceived Organizational Support (POS) is stronger among Generation Z employees than among non-Generation Z employees.

Figure 1. Research framework



3. Research Methodology

3.1. Research Design

This study employed a quantitative, cross-sectional survey design to examine the relationships among Time-based Flexible Work Arrangements (FWA-T), Perceived Organizational Support (POS), Affective Organizational Commitment (AOC), Job Satisfaction (JS), and Turnover Intention (TI). The proposed research model was developed based on Social Exchange Theory and Organizational Support Theory.

Data were collected through an online questionnaire distributed via Google Forms to employees working in Vietnam who had experience with time-based flexible work arrangements. A convenience sampling approach was adopted, resulting in 289 valid responses. The sample included both Generation Z and non-Generation Z employees to examine

potential generational differences. Prior to participation, respondents were informed of the study's purpose and assured of anonymity and confidentiality.

### **3.2. Measures**

Five constructs were measured using previously validated scales on a seven-point Likert scale (1 = strongly disagree, 7 = strongly agree). Time-based Flexible Work Arrangements (FWA-T) were measured using Clark's (2001) four-item scale (e.g., *"I am able to arrive and depart from work when I want"*). Perceived Organizational Support (POS) was measured using the seven-item scale developed by Eisenberger et al. (1986) (e.g., *"The organization really cares about my well-being"*). Affective Organizational Commitment (AOC) was assessed using the six-item scale developed by Meyer and Allen (1997) (e.g., *"I would be very happy to spend the rest of my career at this organization"*). Job Satisfaction (JS) was measured using the five-item scale developed by Brayfield and Rothe (1951) (e.g., *"I feel fairly well satisfied with my present job"*), while Turnover Intention (TI) was measured using the two-item scale developed by Cammann et al. (1983) (e.g., *"I often think about quitting my job"*). Age, gender, education level, work experience, and average working hours per day were included as control variables.

### **3.3. Data Analysis**

The measurement model was evaluated through reliability analysis, Exploratory Factor Analysis (EFA), and Confirmatory Factor Analysis (CFA). Structural Equation Modeling (SEM) was subsequently employed to test the proposed hypotheses. The mediating effect of POS was examined using bias-corrected bootstrap analysis, while the moderating effect of generation was assessed using multi-group SEM. Statistical analyses were conducted using IBM SPSS Statistics and AMOS.

## **4. Findings and Discussion**

### **4.1. Measurement Model**

The reliability and validity of the measurement model were evaluated before testing the proposed hypotheses. All constructs demonstrated satisfactory internal consistency, with Cronbach's alpha values ranging from .78 to .90. Exploratory Factor Analysis (EFA) extracted five factors, explaining 66.50% of the total variance. Confirmatory Factor Analysis (CFA) further supported the adequacy of the measurement model, with all standardized factor loadings exceeding .70, Composite Reliability (CR) values above .80, and Average Variance Extracted (AVE) values above .50.

### **4.2. Structural Model Results**

Structural Equation Modeling (SEM) was conducted to test the proposed hypotheses. The results showed that FWA-T had a significant positive effect on POS ( $\beta = .60, p < .001$ ). FWA-T also positively influenced Job Satisfaction ( $\beta = .26, p = .007$ ) and negatively influenced Turnover Intention ( $\beta = -.30, p = .007$ ). However, its direct effect on Affective Organizational Commitment was not statistically significant ( $\beta = .15, p = .097$ ). Therefore, H2 and H3 were supported, whereas H1 was not supported.

POS was positively associated with Affective Organizational Commitment ( $\beta = .36, p < .001$ ) and Job Satisfaction ( $\beta = .29, p = .001$ ), while negatively associated with Turnover Intention ( $\beta = -.27, p = .012$ ), indicating that employees perceiving stronger organizational support reported more favorable work attitudes and lower turnover intention.

**Table 1.**

*Structural Path Estimates*

| Path                    | Standardized $\beta$ | S.E. | C.R.  | p      | Result        |
|-------------------------|----------------------|------|-------|--------|---------------|
| FWA-T $\rightarrow$ POS | .60                  | .08  | 7.22  | < .001 | Not supported |
| FWA-T $\rightarrow$ AOC | .15                  | .09  | 1.66  | .097   | Supported     |
| FWA-T $\rightarrow$ JS  | .26                  | .09  | 2.72  | .007   | Supported     |
| FWA-T $\rightarrow$ TI  | -.30                 | .11  | -2.72 | .007   | Supported     |
| POS $\rightarrow$ AOC   | .36                  | .09  | 3.93  | < .001 | Supported     |
| POS $\rightarrow$ JS    | .29                  | .09  | 3.18  | .001   | Supported     |
| POS $\rightarrow$ TI    | -.27                 | .11  | -2.52 | .012   | Supported     |

*Note. Standardized  $\beta$  values are reported to facilitate interpretation of effect sizes. S.E. and C.R. correspond to the unstandardized parameter estimates.*

Bootstrap analysis confirmed that POS fully mediated the relationship between FWA-T and Affective Organizational Commitment and partially mediated the relationships between FWA-T and Job Satisfaction and Turnover Intention, supporting H4. In contrast, multi-group SEM indicated no significant difference between Generation Z and non-Generation Z employees ( $\Delta\chi^2 = 2.691, p = .101$ ), providing no support for H5.

**Table 2.**

*Bootstrap Indirect Effects*

| Indirect Relationship | Indirect Effect | 95% CI | p | Conclusion |
|-----------------------|-----------------|--------|---|------------|
|-----------------------|-----------------|--------|---|------------|

|                   |      |              |      |                   |
|-------------------|------|--------------|------|-------------------|
| FWA-T → POS → AOC | .24  | [.11, .31]   | .004 | Full mediation    |
| FWA-T → POS → JS  | .19  | [.07, .28]   | .004 | Partial mediation |
| FWA-T → POS → TI  | -.16 | [-.30, -.09] | .004 | Partial mediation |

*Note. CI = confidence interval. Confidence intervals were estimated using a bias-corrected bootstrap procedure with 500 resamples.*

**Table 3.**

*Multi-Group SEM Comparison*

| Model                    | $\chi^2$ | df  | $\Delta\chi^2$ | $\Delta df$ | p-value |
|--------------------------|----------|-----|----------------|-------------|---------|
| Unconstrained Model      | 559.801  | 490 | -              | -           | -       |
| Structural Weights Model | 562.492  | 491 | 2.691          | 1           | 0.101   |

*Note. Chi-square difference test comparing constrained and unconstrained models.*

#### 4.3. Discussion

The findings indicate that Time-based Flexible Work Arrangements (FWA-T) are associated with employee outcomes through both direct and indirect pathways. FWA-T was positively related to Job Satisfaction (JS) and negatively related to Turnover Intention (TI), consistent with previous research showing that schedule flexibility can improve work experiences by increasing autonomy and helping employees manage work and personal responsibilities more effectively (McNall et al., 2010; Masuda et al., 2012; Harrop et al., 2025). These practical benefits may therefore improve employees' evaluations of their jobs and reduce their intention to leave.

In contrast, the direct relationship between FWA-T and Affective Organizational Commitment (AOC) was not statistically significant. This differs from earlier studies reporting positive associations between workplace flexibility and organizational commitment (McNall et al., 2010; Harrop et al., 2025). A possible explanation is that affective commitment reflects a deeper emotional attachment that may not develop from schedule flexibility alone. Instead, employees may need to interpret flexibility as evidence that the organization genuinely values and supports them.

The mediation results support this interpretation. Perceived Organizational Support (POS) fully mediated the relationship between FWA-T and AOC and partially mediated the

relationships with JS and TI. Thus, AOC appears to depend more strongly on the supportive meaning employees attach to flexibility, whereas JS and TI respond to both the practical benefits of schedule flexibility and perceived organizational support. These findings are consistent with Organizational Support Theory, which explains how discretionary practices such as FWA-T may strengthen POS, and Social Exchange Theory, which explains why perceived support is associated with more favorable employee attitudes and lower turnover intention (Blau, 1964; Eisenberger et al., 1986; Rhoades & Eisenberger, 2002; Cropanzano & Mitchell, 2005).

The moderating effect of generation was not supported. The FWA-T-POS relationship did not differ significantly between Generation Z and non-Generation Z employees, suggesting that schedule flexibility may be broadly valued across generations. This is consistent with research indicating that generational differences in workplace attitudes are often smaller than commonly assumed and may reflect age, career stage, or contextual factors rather than generational membership itself (Lyons & Kuron, 2014; Rudolph et al., 2021). However, this result should be interpreted cautiously and does not imply that generational differences are universally absent.

## **5. Managerial Implications**

The findings offer several practical implications for organizations implementing time-based flexible work arrangements. Organizations should recognize that workplace flexibility is more than an operational practice; it should be implemented as a supportive organizational policy. Clear communication, transparent eligibility criteria, and consistent implementation can strengthen employees' perceptions that flexible work reflects genuine organizational care. Managers play a critical role in shaping employees' perceptions of organizational support. Supervisors should communicate the purpose of flexible work arrangements, apply policies fairly, and provide timely feedback to ensure employees perceive flexibility as an organizational investment rather than an individual privilege. Organizations should integrate flexible work arrangements into broader talent management strategies. While schedule flexibility directly improves job satisfaction and reduces turnover intention, its effectiveness in strengthening employees' emotional attachment depends on whether employees perceive organizational support. Therefore, flexible work policies should be complemented by supportive leadership, effective communication, and employee well-being initiatives. Because no significant generational differences were identified, organizations should design flexible work policies that address the needs of employees across different age groups rather than focusing exclusively on

Generation Z. Inclusive and consistently implemented flexibility policies are more likely to improve employee satisfaction, commitment, and retention.

## **6. Conclusion**

This study examined the relationships between time-based flexible work arrangements, perceived organizational support, affective organizational commitment, job satisfaction, and turnover intention among employees in Vietnam. The findings indicate that time-based flexible work arrangements directly improve job satisfaction and reduce turnover intention while influencing affective organizational commitment indirectly through perceived organizational support. However, the proposed moderating effect of generation was not supported.

The study contributes to the literature by providing empirical evidence from an emerging economy and demonstrating the important mediating role of perceived organizational support in explaining employees' responses to workplace flexibility. The findings also provide practical guidance for organizations seeking to implement flexible work arrangements more effectively.

Several limitations should be acknowledged. The study employed a cross-sectional design and convenience sampling, limiting causal inference and the generalizability of the findings. Future research could adopt longitudinal designs, include more representative samples, and examine additional contextual or individual factors that may influence employees' responses to workplace flexibility.

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## MOTIVATIONS TO CRUISE IN HA LONG BAY, VIETNAM

Nguyen Huy Hoang, Dr Le Manh Duc

*Hanoi University*

### Abstract

This study examines the leisure-motivation structure of international tourists participating in overnight cruises in Ha Long Bay, Vietnam, and develops an exploratory motivation-based segmentation of the market. A cross-sectional survey generated 281 responses; a complete-case analytical sample of 262 respondents was used for the principal analyses. Principal component analysis of 14 leisure-motivation items confirmed that the data were suitable for analysis ( $KMO = .766$ ; Bartlett's test  $p < .001$ ) and showed a context-specific four-component pattern explaining 66.6% of variance. After measurement assessment, 12 items were standardized and used in hierarchical and K-means cluster analysis. A three-cluster solution was retained: a high comprehensive motivation group (43.9%), a relaxation and companion-enjoyment group (30.2%), and a lower overall motivation group (26.0%). The clusters differed significantly in their evaluations of all nine cruise-product and destination attributes. The findings show that overnight-cruise tourists in Ha Long Bay are heterogeneous and that operators can improve product design and communications by matching experience bundles to distinct motivational profiles.

**Keywords:** *cruise tourism; tourist motivation; market segmentation; Ha Long Bay; overnight cruise; Vietnam.*

### 1. Introduction

Cruise tourism combines transport, accommodation, food and beverage, leisure activities, social interaction, and destination visits within one integrated experience. This hybrid character means that tourists can be attracted by several motives at the same time, including discovery, relaxation, companionship, escape, learning, status, and activity participation. The global cruise industry has recovered strongly since the COVID-19 disruption. Cruise Lines International Association (CLIA, 2025) reported 34.64 million ocean-going cruise passengers in 2024, a figure above the 2019 level, while forecasting further growth in coming years. Nevertheless, cruising remains a small share of international travel, which points to scope for differentiated product development and market growth.

Ha Long Bay provides a particularly relevant context for examining cruise motivation. The overnight cruise product is not simply a means of travelling across the bay. It combines the landscape, the vessel, accommodation, meals, guided excursions, recreational activities, and the

traveller's companions into a single tourism experience. Operators therefore need to understand not only what visitors value, but also why different visitors choose the experience. A relaxation-oriented traveller, for example, may respond to calm spaces, cabin comfort, scenic viewing, and wellness. A visitor motivated by discovery and mastery may value excursions, interpretation, kayaking, and other activities. A socially oriented traveller may place greater importance on shared experiences with family, friends, or other passengers.

Tourism motivation is commonly understood as multidimensional and context dependent. The Leisure Motivation Scale developed by Beard and Ragheb (1983) distinguishes intellectual, social, competence-mastery, and stimulus-avoidance motivations. This framework has informed tourism research, yet its dimensions cannot be assumed to transfer unchanged to every destination, tourism product, or cultural setting. In cruise tourism, motivations may also combine internal reasons for travel with the external pull of destination and service attributes. Research in Asian and emerging cruise markets consequently calls for context-sensitive measurement and segmentation (Hsu & Li, 2017; Jiao et al., 2021).

Research on international overnight-cruise tourists in Ha Long Bay remains limited. In particular, there is insufficient evidence on whether leisure-motivation items form stable and interpretable patterns in this setting and whether tourists can be segmented according to empirically assessed motivation profiles. Directly applying a theoretical scale to form segments risks producing groups based on unstable or poorly fitting measures. The present study therefore adopts a measurement-led approach: it first explores the leisure-motivation structure, then evaluates internal consistency, and finally uses selected items for cluster analysis.

The study has four objectives: (1) to examine the dimensional structure and reliability of leisure-motivation items among international overnight-cruise tourists in Ha Long Bay; (2) to identify meaningful motivation-based clusters; (3) to compare the clusters by their evaluations of cruise-product and destination attributes and selected visitor characteristics; and (4) to derive practical implications for operators and destination marketers.

## **2. Literature Review**

Tourist motivation has long been explained through push and pull perspectives. Push factors are internal forces such as escape, relaxation, social interaction, prestige, novelty, and self-development; pull factors are attributes of a destination or product that are perceived to satisfy those needs (Crompton, 1979; Uysal & Jurowski, 1994). In an overnight-cruise setting, the distinction is useful because motives such as calmness or companionship are not the same as attributes such as cabin comfort, dining, scenery, or onboard facilities. A visitor may be

motivated to escape routine and may subsequently evaluate the vessel's quiet spaces and the bay's scenery as important features that support that purpose.

The Leisure Motivation Scale offers a practical starting point for investigating such motives. Beard and Ragheb (1983) conceptualized leisure motivation as intellectual, social, competence-mastery, and stimulus-avoidance dimensions. Intellectual motives include learning, discovery, and imagination; social motives include friendship and belonging; competence-mastery motives reflect challenge and use of abilities; and stimulus avoidance concerns rest, escape, calmness, and relief from routine. Ryan and Glendon (1998) demonstrated the relevance of the scale in tourism, while later cruise studies adapted motivation measures for cruise-specific contexts (Hung & Petrick, 2011; Jones, 2011).

However, evidence also cautions against treating motivation dimensions as fixed. Hsu and Li (2017) developed a cruise motivation scale for emerging Asian markets, recognizing that cruise travellers in the region may differ from established Western markets. Jiao et al. (2021) found several motivations among Chinese cruise tourists, including family leisure and relaxation, natural and cultural exploration, bonding, social respect, shopping, and the cruise experience itself. These studies suggest that cruise tourists are heterogeneous and may combine personal, social, experiential, and destination-related reasons in different ways.

Motivation-based segmentation is therefore valuable for management, but its quality depends on the variables used to construct segments. Dolnicar (2008) notes that segmentation should generate groups that are both statistically distinguishable and managerially useful. Ryan and Glendon (1998) also warned that tourism typologies can be weakened by inconsistent measures or clusters that are difficult to reproduce. A measurement-led procedure is appropriate in this study because it avoids assuming that the original theoretical domains describe the specific experience of an overnight cruise in Ha Long Bay.

The research framework distinguishes internal leisure motivations from external cruise-product and destination attributes. Motivation items are used to identify respondent groups. Attributes—including scenic beauty, climate, cultural sites, accommodation quality, dining, facilities, escape opportunities, nightlife, and socializing opportunities—are then used to profile and interpret the groups. This sequence permits an exploratory examination of whether tourists with different motivational patterns also assign different importance to components of the cruise experience

### **2.1. Cruise Tourism in Emerging Asian Destinations**

The recovery of the cruise industry also needs to be considered at the regional level. Although global passenger volumes rebounded strongly in 2024, the Asia and Oceania source market was still recovering toward its pre-pandemic level (CLIA, 2025). Asian cruise destinations face a

distinctive mix of cultural diversity, port-development conditions, destination resources, and visitor expectations; evidence from North American and European markets should therefore not be transferred without contextual testing (Lau & Yip, 2020). Ha Long Bay is illustrative of this issue because its overnight-cruise product is shaped simultaneously by a world-renowned natural landscape, a compact itinerary, vessel-based hospitality, excursions, and the social composition of the travelling party.

The cruise experience is also increasingly diverse. Contemporary passengers include first-time cruisers, older travellers, multigenerational families, couples, groups of friends, and tourists seeking an integrated short-break experience. In the present sample, 73.3% were first-time cruisers and 66.4% selected a two-day/one-night itinerary. These characteristics reinforce the need to understand the combination of motives that visitors bring to Ha Long Bay, rather than relying on a single image of a cruise tourist as either a passive holidaymaker or an entertainment-seeking passenger.

Recent cruise research highlights the importance of motivations in shaping how travellers choose and evaluate cruise products. Hung and Petrick (2011) showed that cruise motivations encompass multiple experiential elements, while Wondirad et al. (2023) reviewed the varied factors that motivate participation in cruise holidays. The implication for Ha Long Bay is that the landscape and vessel should be viewed as complementary parts of one experience: the destination is not merely the backdrop to accommodation, and the vessel is not merely a transport platform.

### **3. Research Methodology**

The study employed a quantitative, cross-sectional, and exploratory design. The target population comprised international tourists who had taken an overnight cruise in Ha Long Bay on either a two-day/one-night or three-day/two-night itinerary. Day-trip visitors and passengers on international ocean-going cruise ships were excluded because their experience differs materially from the overnight-cruise product under investigation. As no complete sampling frame was available, non-probability sampling was used. Participation was voluntary and respondents were approached during fieldwork with assistance from relevant tourism personnel.

Data were collected in the first half of 2026 through a structured questionnaire, administered primarily through Microsoft Forms and supplemented by paper forms. The two formats used the same wording, order, and response scales. The original dataset included 281 responses. The questionnaire measured 14 leisure-motivation items on a seven-point agreement scale and

nine cruise-product and destination attributes on a seven-point importance scale. It also collected demographic information and selected cruise-experience characteristics.

The analysis followed four stages. First, the dataset was screened for coding consistency, missing values, duplicate records, and invalid responses. A complete-case sample was defined for the principal multivariate analyses. Second, principal component analysis (PCA) with Varimax rotation and Kaiser normalization was used to examine the empirical structure of the leisure-motivation items; Cronbach's alpha assessed the internal consistency of relevant multi-item dimensions. Third, selected motivation items were standardized and examined using hierarchical clustering (Ward's method and squared Euclidean distance) followed by K-means clustering. Candidate two-, three-, and four-cluster solutions were compared. Fourth, clusters were profiled using product and destination attributes, demographics, and travel characteristics. Welch's ANOVA with Games-Howell post-hoc tests was used for the nine continuous attribute variables; chi-square tests and Cramer's V were used for categorical profile variables.

The final analytical sample contained 262 respondents. Nineteen responses were excluded from the common multivariate sample because at least one value was missing among the 14 motivation items or nine attribute items. No missing values were imputed. The common complete-case approach ensured that PCA, cluster analysis, and attribute comparisons were based on the same respondents. The sample was diverse: 53.4% were female, 40.8% male, and 5.7% preferred not to say. The largest age group was 60–69 years (38.2%), while 46.2% of respondents were from Asia, 30.2% from Europe, and 23.7% from the Americas/Oceania. Most respondents were first-time cruisers (73.3%).

Note. Percentages for cruise experience are based on valid responses; one respondent had missing information for this variable.

### **3.1. Data Quality and Analytical Safeguards**

The dataset was checked before analysis for coding consistency, duplicate records, missing values, and response validity. The paper questionnaire, online form, Microsoft Forms export, and SPSS dataset were compared to confirm consistent item wording, coding, and response direction. All leisure-motivation statements were positively worded, so higher values consistently represented stronger agreement; no item was reverse-scored merely to improve reliability. Likewise, higher attribute scores represented greater perceived importance.

A complete-case strategy was selected deliberately for the multivariate analysis. Using one common sample avoids a situation in which PCA, cluster analysis, and attribute comparisons refer to different respondent pools. The approach limits the sample to 262 respondents but provides a coherent analytical base for interpreting the sequence from motivation measurement

to segmentation and external profiling. The results should nevertheless be understood as exploratory rather than statistically representative of all international visitors to Ha Long Bay.

#### **4. Findings and Discussion**

##### **4.1. Sample Profile and Measurement Results**

*Table 1. Key characteristics of the analytical sample (N = 262)*

| Characteristic     | Category           | n   | %    |
|--------------------|--------------------|-----|------|
| Gender             | Male               | 107 | 40.8 |
|                    | Female             | 140 | 53.4 |
|                    | Prefer not to say  | 15  | 5.7  |
| Age                | 18–39 years        | 107 | 40.8 |
|                    | 40–59 years        | 35  | 13.4 |
|                    | 60 years and above | 120 | 45.8 |
| Nationality region | Asia               | 121 | 46.2 |
|                    | Europe             | 79  | 30.2 |
|                    | Americas/Oceania   | 62  | 23.7 |
| Cruise experience  | First-time cruiser | 192 | 73.3 |
|                    | Repeat cruiser     | 69  | 26.3 |

Respondents generally reported high agreement with the motivation statements. The strongest motive was having a good time with friends or family ( $M = 6.37$ ,  $SD = .93$ ). Discovering new places and things ( $M = 5.88$ ,  $SD = .70$ ), mentally relaxing ( $M = 5.86$ ,  $SD = 1.46$ ), increasing knowledge of the bay ( $M = 5.85$ ,  $SD = .93$ ), avoiding hustle and bustle ( $M = 5.79$ ,  $SD = .86$ ), and being in a calm atmosphere ( $M = 5.81$ ,  $SD = .81$ ) were also highly rated. Physical relaxation was the lowest-rated item ( $M = 4.39$ ,  $SD = 1.99$ ), suggesting substantial variation in whether visitors interpreted the cruise as a setting for passive rest or for scenic and active experiences.

PCA indicated that the data were appropriate for factor analysis ( $KMO = .766$ ; Bartlett's test of sphericity:  $\chi^2(91) = 1482.46$ ,  $p < .001$ ). The four-component solution accounted for approximately 66.6% of total variance. The results retained recognizable elements of the original Leisure Motivation Scale but did not reproduce its four theoretical domains exactly.

One dimension combined escape, calmness, and enjoyment with friends or family (LM6, LM7, LM8). A second captured social affiliation and belonging (LM9–LM12). A third combined intellectual and competence-mastery motives (LM1, LM3, LM13, LM14). Mental relaxation was retained as an individual item, while the knowledge-of-the-bay item had cross-loadings and physical relaxation showed an unstable pattern relative to mental relaxation.

Reliability results supported the use of the three multi-item empirical dimensions. Cronbach's alpha was .728 for escape/calmness/enjoyment, .809 for social affiliation and belonging, and .730 for intellectual mastery. These results provide acceptable to satisfactory evidence of internal consistency. They also demonstrate why measurement assessment should precede segmentation: the context of overnight cruising appears to connect exploration with mastery and companionship with calmness more closely than the original scale implies.

*Table 2. Reliability of empirical leisure-motivation dimensions*

| <b>Empirical dimension</b>       | <b>Items</b>          | <b>Cronbach's <math>\alpha</math></b> |
|----------------------------------|-----------------------|---------------------------------------|
| Escape, calmness and enjoyment   | LM6, LM7, LM8         | .728                                  |
| Social affiliation and belonging | LM9, LM10, LM11, LM12 | .809                                  |
| Intellectual mastery             | LM1, LM3, LM13, LM14  | .730                                  |

#### **4.2. Selection of the Cluster Solution**

The comparison of candidate solutions was important because a cluster count should not be chosen solely by statistical convenience. The two-cluster solution combined a broad group with a selective relaxation-and-companion profile, obscuring a practically meaningful distinction. The four-cluster solution produced smaller groups but did not provide an additional profile with sufficient conceptual clarity or managerial value. The three-cluster solution offered the best balance of size, differentiation, and interpretability. It should still be regarded as a sample-specific solution that requires replication with new data.

*Table 3. Comparison of candidate cluster solutions*

| <b>Solution</b> | <b>Cluster sizes</b> | <b>Assessment</b>                                                             | <b>Decision</b> |
|-----------------|----------------------|-------------------------------------------------------------------------------|-----------------|
| k = 2           | 82 / 180             | The selective relaxation-and-companion profile was not separately identified. | Not retained    |

| Solution | Cluster sizes      | Assessment                                                            | Decision     |
|----------|--------------------|-----------------------------------------------------------------------|--------------|
| k = 3    | 115 / 79 / 68      | Adequately sized, distinct, and substantively interpretable profiles. | Retained     |
| k = 4    | 129 / 41 / 53 / 39 | Added complexity without a sufficiently useful additional profile.    | Not retained |

#### 4.3. Profiles of the Three Motivation Segments

Twelve motivation items were retained as cluster inputs: LM1, LM3, LM4, LM6, LM7, LM8, LM9, LM10, LM11, LM12, LM13, and LM14. Items were standardized as z-scores before clustering. Hierarchical clustering informed the subsequent K-means analysis of two-, three-, and four-cluster solutions. The three-cluster solution was retained because it achieved adequate group sizes, clear profile differences, and practical interpretability. The retained clusters comprised 115 respondents (43.9%), 79 respondents (30.2%), and 68 respondents (26.0%), respectively.

Cluster 1, the high comprehensive motivation group, displayed high scores across all 12 motivation items. Its scores ranged from 5.40 for feeling a sense of belonging to 6.68 for having a good time with friends or family. This group perceived the overnight cruise as a broad, integrated experience involving discovery, relaxation, companionship, social affiliation, and activity engagement. Its profile corresponds to the multifunctional nature of the Ha Long Bay cruise product, in which scenic appreciation, accommodation, excursions, food, leisure facilities, and shared time occur together.

Cluster 2, the relaxation and companion-enjoyment group, had a more selective profile. It scored especially highly for mental relaxation ( $M = 6.53$ ), avoiding bustle or obtaining peace and quiet ( $M = 6.05$ ), being in a calm atmosphere ( $M = 6.01$ ), and having a good time with friends or family ( $M = 6.77$ ). In contrast, it showed lower means on building friendships, developing close friendships, being with others, and gaining a sense of belonging. This pattern indicates a preference for restoration and quality time with existing companions rather than for wider social affiliation with other passengers.

Cluster 3, the lower overall motivation group, reported lower scores on most measured motives than the other two clusters, though it was not unmotivated. Its highest score was still for having a good time with friends or family ( $M = 5.40$ ). The label describes lower average endorsement

and a narrower profile of the measured motivations; it does not claim that these visitors lacked reasons for taking a cruise. Unmeasured motives may also have been relevant to this group.

Table 4. Final motivation-based cluster profiles

| Cluster                               | n (%)      | Profile summary                             | Indicative features                                                      |
|---------------------------------------|------------|---------------------------------------------|--------------------------------------------------------------------------|
| 1. High comprehensive motivation      | 115 (43.9) | High endorsement across all 12 inputs.      | Discovery, calmness, companionship, social affiliation, and activity.    |
| 2. Relaxation and companion-enjoyment | 79 (30.2)  | Selective, relaxation-centered profile.     | Mental relaxation, peace and quiet, calm setting, existing companions.   |
| 3. Lower overall motivation           | 68 (26.0)  | Lower endorsement on most measured motives. | More selective orientation; enjoyment with companions remains important. |

Table 5. Selected original-scale motivation means by final cluster

| Motivation item                      | Cluster 1 | Cluster 2 | Cluster 3 |
|--------------------------------------|-----------|-----------|-----------|
| Discover new places and things       | 6.18      | 6.08      | 5.15      |
| Mentally relax                       | 5.79      | 6.53      | 5.21      |
| Be in a calm atmosphere              | 6.05      | 6.01      | 5.16      |
| Have a good time with friends/family | 6.68      | 6.77      | 5.40      |
| Build friendships                    | 6.57      | 5.08      | 4.74      |
| Challenge abilities                  | 5.97      | 5.22      | 4.65      |

4.4. Product and Destination Attribute Differences

The product and destination attributes were not used to form the clusters and therefore provide an external profile of each group. Overall, dining and bar services ( $M = 6.27$ ,  $SD =$

1.02), onboard facilities and amenities ( $M = 6.25$ ,  $SD = 1.03$ ), and cabin quality and comfort ( $M = 6.20$ ,  $SD = 1.05$ ) were the most highly rated attributes. Scenic beauty also received a high rating ( $M = 6.02$ ,  $SD = 1.31$ ). Nightlife and entertainment had the lowest mean ( $M = 5.15$ ,  $SD = 1.63$ ), indicating greater variation in its relevance to visitors.

Welch's ANOVA showed statistically significant differences across the three clusters for all nine attributes (all  $p < .001$ ). For scenic beauty, climate, historical and cultural sites, cabin comfort, dining and bar services, facilities, getting away, and socializing opportunities, both Clusters 1 and 2 rated the attributes significantly higher than Cluster 3. Cluster 1 and Cluster 2 did not differ significantly on these eight attributes. Nightlife and entertainment followed another pattern: Cluster 1 rated it significantly higher than Cluster 2 and Cluster 3, whereas the latter two groups did not differ significantly.

These findings strengthen the managerial relevance of the segmentation. The high comprehensive motivation group values a broad mix of destination, hospitality, activity, and entertainment features. The relaxation and companion-enjoyment group values core service quality and the bay experience but does not place equal emphasis on nightlife. The lower overall motivation group assigns relatively lower importance to every assessed attribute, suggesting that simple, clearly communicated core benefits may be more appropriate than complex bundles. The cross-sectional design does not establish that motivations cause attribute preferences; it demonstrates associations within the sampled population.

*Table 6. Cruise-product and destination-attribute means by cluster*

| Attribute                 | C1   | C2   | C3   | Welch's F | Games-Howell differences |
|---------------------------|------|------|------|-----------|--------------------------|
| Scenic beauty             | 6.50 | 6.59 | 4.54 | 75.09***  | 1, 2 > 3                 |
| Climate                   | 6.37 | 6.44 | 4.71 | 59.22***  | 1, 2 > 3                 |
| Historical/cultural sites | 6.44 | 6.48 | 4.53 | 63.16***  | 1, 2 > 3                 |
| Cabin comfort             | 6.48 | 6.67 | 5.19 | 46.00***  | 1, 2 > 3                 |
| Dining and bar services   | 6.57 | 6.61 | 5.38 | 32.43***  | 1, 2 > 3                 |
| Onboard facilities        | 6.48 | 6.66 | 5.38 | 33.95***  | 1, 2 > 3                 |
| Getting away              | 6.16 | 6.15 | 4.65 | 44.55***  | 1, 2 > 3                 |

| Attribute                 | C1   | C2   | C3   | Welch's F | Games-Howell differences |
|---------------------------|------|------|------|-----------|--------------------------|
| Nightlife/entertainment   | 6.11 | 4.23 | 4.59 | 55.75***  | 1 > 2, 3                 |
| Socialising opportunities | 6.48 | 6.53 | 4.59 | 66.42***  | 1, 2 > 3                 |

#### 4.5. Demographic and Travel Characteristics

Cluster membership was associated with several demographic and travel-experience characteristics. Cluster 2 had the oldest profile: 64.6% were aged 60 years or above, 86.1% were married, and 73.4% were not currently working. Cluster 1 had the youngest profile, with 56.5% aged 18–39 years. Cluster 3 had the highest proportion of respondents aged 40–59 years (23.5%), below tertiary education (36.8%), and respondents from Asia (57.4%). Chi-square tests showed significant associations for age, marital status, employment, education, and nationality region, while gender was not significantly associated with cluster membership.

Travel characteristics also differed. Cluster 2 contained a high proportion of two-day/one-night itineraries (83.5%), while Cluster 3 had the highest proportion of three-day/two-night itineraries (48.5%). Cruise-experience level was associated with cluster membership: repeat cruisers accounted for 41.2% of Cluster 3, compared with approximately 21% in each of the other two clusters. Recency of the most recent cruise was not significantly associated with cluster membership. These relationships are descriptive and exploratory; they should not be interpreted as independent causal effects of age, itinerary, or prior cruise experience.

Note. Means are on seven-point importance scales. \*\*\*  $p < .001$ . Pairwise differences are based on Games-Howell post-hoc tests.

#### 4.6. Interpretation of the Motivation and Attribute Patterns

The item-level means clarify the distinction between the first two groups. Both Clusters 1 and 2 strongly endorsed discovery, calmness, and enjoyment with current companions. Their key difference concerns social affiliation and the breadth of motivation. Cluster 1 reported substantially higher means for building friendships and challenging abilities, whereas Cluster 2 was more selectively oriented to restoration and quality time with existing companions. Cluster 3 was lower on each of the selected indicators, although enjoyment with family or friends remained its most strongly endorsed item.

The attribute results reveal a parallel but not identical pattern. Clusters 1 and 2 valued core elements of the overnight-cruise offer at similarly high levels, including scenery, climate, cultural sites, cabin comfort, dining, facilities, escape, and opportunities to socialize. The differentiated attribute was nightlife and entertainment: Cluster 1 rated this aspect much more highly than the two other groups. This finding suggests that an integrated experience is not defined only by high ratings of tangible services; for some visitors it also includes evening activity and broader social stimulation.

## **5. Managerial and Marketing Implications**

The results indicate that international overnight-cruise tourists should not be approached as a single, homogeneous market. For the high comprehensive motivation group, operators should emphasize the cruise as a complete Ha Long Bay experience. Packages and communications can integrate scenic viewing, cultural excursions, comfortable cabins, dining, onboard facilities, recreational activities, and opportunities for families or friends to share the trip. Because nightlife and entertainment matter more to this group than to the other groups, optional evening programming may be an appropriate differentiator.

For the relaxation and companion-enjoyment group, quietness, comfort, scenery, convenience, and time with existing companions should be central. Suitable product features include calm viewing areas, comfortable cabins, flexible activity participation, couple and family packages, well-paced itineraries, and shared dining experiences. Promotional messages should emphasize restoration, privacy or togetherness, and the natural beauty of the bay rather than placing nightlife at the center of the experience.

For the lower overall motivation group, a clear and simple value proposition is likely to be more effective. Operators can foreground a convenient overnight itinerary, reliable accommodation, scenery, safety, transparent pricing, and the essential highlights of Ha Long Bay. This group may not respond to communication that is overloaded with optional features. Across all groups, product design should recognize that destination features and onboard hospitality operate together. Improving cabins, dining, facilities, and service reliability complements rather than replaces investment in landscape interpretation and excursions.

At a destination-management level, the findings support differentiated communication rather than a single universal message. Ha Long Bay's scenic and cultural assets can be presented alongside a credible service promise, while operators can tailor the balance of adventure, relaxation, social experience, and entertainment. Such an approach may help align expectations with the actual overnight-cruise experience and support a more sustainable, visitor-centered tourism offer.

## 6. Conclusion

This study provides exploratory evidence that international tourists on overnight cruises in Ha Long Bay have heterogeneous leisure-motivation profiles. PCA of 14 leisure-motivation items revealed a context-specific pattern in which intellectual, competence, social, calmness, and enjoyment motives did not map perfectly onto the original theoretical domains. Three multi-item empirical dimensions demonstrated acceptable to satisfactory reliability, and a three-cluster solution was retained after measurement assessment and comparative clustering.

The high comprehensive motivation, relaxation and companion-enjoyment, and lower overall motivation groups differed significantly in their ratings of cruise-product and destination attributes. The results provide a practical basis for tailoring experience design and market communication. They also illustrate the value of checking measurement structure before using motivation items in tourism segmentation.

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