

INNOVATION AND BUSINESS PERFORMANCE OF SMALL AND MEDIUM-SIZED ENTERPRISES IN THE FAST-MOVING CONSUMER GOODS SECTOR: THE ROLE OF LEADERSHIP AND ORGANIZATIONAL LEARNING

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Received: 10 April 2026; Revised: 5 May 2026; Accepted: 14 May 2026

ABSTRACT

This study investigates how innovation improves the business performance of small and medium-sized enterprises (SMEs) in the fast-moving consumer goods (FMCG) sector in Ho Chi Minh City, with particular attention to the enabling roles of leadership and organizational learning. Drawing on the resource-based view and dynamic capabilities perspective, the study develops a sequential mediation model linking leadership, organizational learning, innovation, and business performance. Survey data were collected from 270 owners and chief executive officers of SMEs in the food and beverage segment and analyzed using partial least squares structural equation modeling (PLS-SEM). The results indicate that innovation has a positive influence on business performance, especially in an environment characterized by short product life cycles, intense competition, and rapid shifts in distribution channels. Leadership strengthens innovation by setting strategic priorities and allocating resources, while organizational learning helps firms acquire, share, and institutionalize market knowledge. More importantly, the findings reveal a sequential mechanism in which leadership enhances organizational learning, which in turn promotes innovation and ultimately improves business performance. The study offers practical implications for SME managers seeking to build innovation-oriented leadership and learning systems.

Keywords: Innovation, business performance, leadership, organizational learning, small and medium-sized enterprises, fast-moving consumer goods.

1. INTRODUCTION

The FMCG sector is characterized by intense competition, short product life cycles, rapidly changing consumer preferences, and continuous pressure to renew products, packaging, communication messages, and distribution channels. These characteristics make innovation not only a strategic option but also a necessary capability for SMEs that seek to maintain market relevance and improve business performance in Ho Chi Minh City [1]-[3].

However, the effect of innovation on business performance is not automatic. SMEs often face limitations in finance, human resources, market information, and managerial systems. Under these constraints, innovation may increase costs and implementation risks if it is not supported by appropriate leadership and organizational learning [4]-[6].

This study focuses on four key variables: leadership (LE), organizational learning (OL), innovation (IN), and business performance (BP). Leadership is viewed as the managerial capability to set innovation priorities, allocate resources, and create a supportive climate for

experimentation. Organizational learning reflects the firm's ability to acquire, share, interpret, and institutionalize market knowledge. Innovation is considered a value-creating capability expressed through product, process, and marketing improvements, while business performance is assessed through financial and non-financial outcomes [6]-[8].

Prior studies have confirmed positive links among leadership, learning, innovation, and firm performance, yet two gaps remain. First, many studies examine SMEs across multiple industries, while the FMCG food and beverage segment has distinctive features, including rapid product turnover, packaging renewal, and fast channel shifts. Second, existing research often tests direct effects but pays less attention to the sequential mechanism through which leadership is converted into performance via organizational learning and innovation [5], [6], [9]-[11].

Accordingly, this study aims to examine the impact of innovation on the business performance of FMCG SMEs in Ho Chi Minh City and to clarify how leadership and organizational learning support this relationship. The novelty of the study lies in developing and testing an integrated sequential model (LE → OL → IN → BP) in the specific context of food and beverage SMEs in a large urban market. The study contributes theoretically by explaining the black box of the innovation-performance relationship and contributes practically by suggesting how SME managers can strengthen leadership and learning systems to improve innovation effectiveness.

2. THEORETICAL BACKGROUND

2.1. Theoretical background

This study is grounded in a realist ontology and a post-positivist epistemology. It assumes that leadership, organizational learning, innovation, and business performance are real organizational phenomena, but that they can only be measured imperfectly through managers' perceptions and observable firm-level indicators. Therefore, the study uses a theory-driven quantitative design to test probabilistic relationships among these constructs while recognizing measurement error, contextual variation, and the limitations of cross-sectional data.

The theoretical framework combines the resource-based view, dynamic capabilities perspective, leadership theory, and organizational learning theory. The resource-based view explains why internal capabilities may become sources of superior performance [4]. The dynamic capabilities perspective further clarifies how firms renew and reconfigure resources under changing market conditions [2]-[3]. Leadership is treated as a managerial capability that sets strategic direction, allocates resources, and creates an innovation-supportive climate [14]. Organizational learning explains how firms acquire, share, interpret, and institutionalize knowledge so that innovation becomes repeatable rather than accidental [7], [12], [13].

2.1.1. Innovation in SMEs in the FMCG sector

Innovation refers to a new or significantly improved product, process, marketing method, or organizational practice introduced to the market or implemented within the firm [1], [14]. In FMCG SMEs, particularly in food and beverages, innovation is usually market-oriented and speed-sensitive. It may appear through product reformulation, packaging renewal, channel adjustment, digital promotion, or process improvement. Because FMCG products have short life cycles and rapid consumer feedback, these innovations can influence sales turnover, customer response, channel coverage, and operational efficiency more quickly than innovations in industries with longer product development cycles [2], [3], [15].

2.1.2. Business performance of SMEs

Business performance is conceptualized as a multidimensional outcome including both financial indicators, such as sales growth, profitability, and return on investment, and non-

financial indicators, such as market share, customer satisfaction, responsiveness, and operational quality [8], [16]. For privately held SMEs, objective financial data are often unavailable or inconsistent; therefore, perceptual performance measures reported by owners or senior managers are widely accepted when the scales are theoretically grounded and carefully designed [16], [17].

2.1.3. Leadership

Leadership is defined as the managerial capability to provide direction, mobilize resources, and build a climate that supports experimentation and learning. In SMEs, leadership is particularly important because strategic decisions, resource allocation, and tolerance for risk are often concentrated in owners or chief executive officers. Leadership can directly stimulate innovation by encouraging new ideas, supporting cross-functional coordination, and accepting controlled experimentation. Recent evidence from Vietnamese SMEs also confirms that transformational leadership, organizational learning, and organizational innovation are closely connected with organizational performance [18].

2.1.4. Organizational learning

Organizational learning refers to the process through which firms acquire, distribute, interpret, and retain knowledge for action [7]. It is also linked to absorptive capacity, because firms must recognize, assimilate, and apply external knowledge to improve innovation outcomes [12]. This view is also consistent with knowledge creation, double-loop learning, and learning organization perspectives, which emphasize converting individual and group knowledge into shared organizational routines [19]–[21]. In FMCG SMEs, organizational learning helps convert customer feedback, distributor information, market data, and lessons from failed trials into routines and decisions. A recent bibliometric review shows that the link between organizational learning and innovation remains a growing research stream, with increasing attention to innovation performance and ambidexterity [22].

2.2. Relevant empirical studies

Previous studies generally indicate a positive relationship between innovation and firm performance, although the strength of this relationship depends on industry conditions, resources, and the type of innovation [5], [6]. In SMEs, innovation may improve performance by creating differentiated products, improving processes, increasing market responsiveness, and strengthening customer value. However, innovation may also increase cost and risk when firms lack leadership support, learning routines, or implementation capability [5].

Empirical research also supports the roles of leadership and organizational learning in explaining innovation outcomes. Leadership affects innovation by shaping vision, allocating resources, and encouraging risk-taking [9]. Organizational learning supports innovation by transforming individual and market knowledge into shared routines and organizational memory [6], [7], [13]. Recent studies further show that innovation capability can mediate the relationship between market-related capabilities and SME performance in food and beverage contexts [15] and that organizational learning and innovation can mediate the leadership-performance relationship in Vietnamese SMEs [18].

Despite these contributions, three gaps remain. First, many studies examine SMEs across multiple industries, whereas the FMCG food and beverage segment has distinctive features, including short product life cycles, high promotion intensity, and rapid channel shifts. Second, prior studies often test direct links between innovation and performance, while paying less attention to the mechanism through which leadership and organizational learning transform innovation into performance. Third, there is still limited evidence from Ho Chi Minh City, a large urban market where competition, distribution density, and digital channel adoption may make innovation outcomes appear more rapidly. This study addresses these gaps by testing the

sequential mechanism Leadership → Organizational Learning → Innovation → Business Performance in FMCG SMEs.

2.3. Research model and hypotheses

2.3.1. Proposed research model

Based on the above theoretical and empirical arguments, this study proposes an integrated model in which leadership strengthens organizational learning and innovation, organizational learning enhances innovation, and innovation improves business performance. The model emphasizes a sequential capability-building logic: leadership creates strategic direction and learning conditions; organizational learning transforms knowledge into routines and actionable insights; innovation converts those insights into market and operational changes; and these changes improve business performance. This mechanism is consistent with the resource-based view, dynamic capabilities perspective, and organizational learning theory [2]-[4], [7], [12], [13].

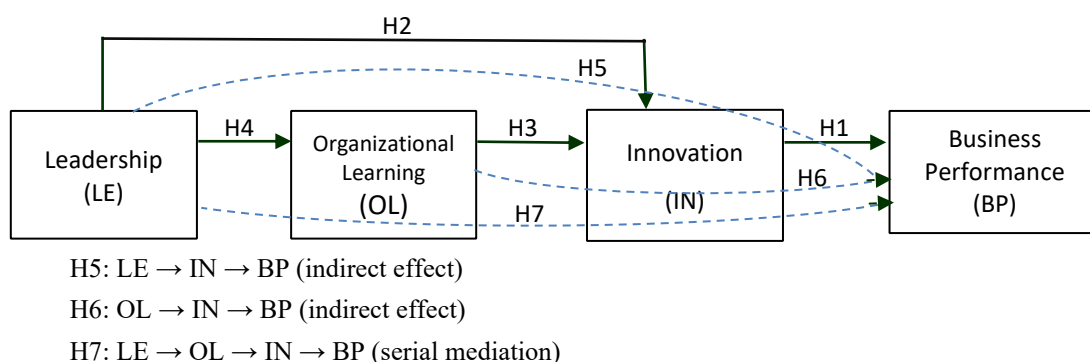


Figure 1. Proposed research model

Source: Proposed by the authors

2.3.2. Research hypotheses

Innovation is expected to improve business performance because it enables SMEs to respond quickly to changes in customer preferences, renew products and packaging, improve processes, and adjust marketing and distribution channels. In the FMCG food and beverage segment, these changes can generate faster market feedback and more visible performance outcomes.

H1: Innovation has a positive effect on the business performance of small and medium-sized enterprises in the fast-moving consumer goods sector in Ho Chi Minh City.

Leadership is expected to promote innovation because SME leaders directly influence strategic priorities, resource allocation, employee motivation, and the level of tolerance for experimentation. When leaders support new ideas and provide clear direction, firms are more likely to implement product, process, and marketing innovation.

H2: Leadership has a positive effect on innovation in small and medium-sized enterprises in the fast-moving consumer goods sector in Ho Chi Minh City.

Organizational learning is expected to enhance innovation because it allows firms to absorb market knowledge, share information across functions, interpret customer and channel feedback, and retain lessons from previous trials. These learning routines reduce uncertainty and improve the quality of innovation decisions.

H3: Organizational learning has a positive effect on innovation in small and medium-sized enterprises in the fast-moving consumer goods sector in Ho Chi Minh City.

Leadership is also expected to strengthen organizational learning. In SMEs, leaders shape whether information is shared, whether mistakes are discussed constructively, and whether lessons are codified into routines. Therefore, leadership provides the conditions under which learning becomes an organizational capability.

H4: Leadership has a positive effect on organizational learning in small and medium-sized enterprises in the fast-moving consumer goods sector in Ho Chi Minh City.

The mediation hypotheses follow the logic that leadership and learning do not automatically generate performance unless they are translated into innovation. Leadership can improve performance through innovation when strategic direction and resource support lead to marketable products, better processes, or more effective marketing actions.

H5 (Mediation 1): Innovation mediates the relationship between leadership and the business performance of small and medium-sized enterprises in the fast-moving consumer goods sector in Ho Chi Minh City.

Similarly, organizational learning may improve performance through innovation because knowledge acquisition and sharing must be converted into concrete changes in products, processes, marketing, or operations before performance gains can be realized.

H6 (Mediation 2): Innovation mediates the relationship between organizational learning and the business performance of small and medium-sized enterprises in the fast-moving consumer goods sector in Ho Chi Minh City.

Finally, leadership may influence business performance through a sequential mechanism. Leaders first build learning conditions; learning then strengthens innovation capability; and innovation subsequently improves performance. This serial mediation clarifies the black box through which leadership is converted into performance outcomes in FMCG SMEs.

H7 (Serial Mediation): Organizational learning and innovation sequentially mediate the relationship between leadership and the business performance of small and medium-sized enterprises in the fast-moving consumer goods sector in Ho Chi Minh City (Leadership -> Organizational Learning -> Innovation -> Business Performance).

3. METHODOLOGY

3.1. Research design

This study adopts a quantitative approach to test the proposed model and hypotheses regarding the impact of innovation on business performance, while also clarifying the roles of leadership and organizational learning in the context of small and medium-sized enterprises (SMEs) in the fast-moving consumer goods (FMCG) sector in Ho Chi Minh City. The study employs a cross-sectional research design, collecting data at a single point in time to capture the current state of managerial perceptions and practices within firms. To enhance contextual relevance and ensure the clarity of measurement scales, the study may incorporate a preliminary qualitative phase to refine wording and measurement content prior to the formal survey, thereby partially mitigating common method bias [17], [20].

3.2. Sample and data collection

The target population comprises small and medium-sized enterprises operating in the food and beverage segment of the fast-moving consumer goods sector in Ho Chi Minh City. Respondents were business owners, chief executive officers, or senior managers who were directly involved in strategic, marketing, operational, or innovation-related decisions. This respondent profile was selected because the study variables, including leadership,

organizational learning, innovation, and business performance, require firm-level managerial assessment.

Because a complete and updated sampling frame of FMCG SMEs in Ho Chi Minh City was not available, the study employed non-probability purposive sampling combined with snowball sampling through business associations, professional networks, and direct firm contacts. Firms were included when they met three criteria: (i) operating in the food and beverage FMCG segment; (ii) satisfying the SME category under prevailing regulations; and (iii) having sufficient operating history to report innovation activities and business outcomes. After screening incomplete and invalid responses, 270 valid questionnaires were retained for analysis.

The sample size was determined with reference to the requirements of PLS-SEM and the complexity of the proposed mediation model. Following Hair et al. [23], the study ensured that the final sample was substantially larger than the minimum requirement implied by the number of predictors in the structural model and was adequate for bootstrap estimation of direct and indirect effects. The final sample of 270 valid observations is therefore considered appropriate for testing the proposed model and assessing the reliability and validity of the measurement scales.

3.3. Scales and variable measurement

The questionnaire was developed from established measurement scales in prior studies and then adapted to the context of SMEs in the FMCG food and beverage sector in Ho Chi Minh City. The adaptation process focused on retaining the theoretical meaning of each construct while adjusting the wording to fit managerial practice in SMEs. All main items were measured using a five-point Likert scale ranging from 1 = strongly disagree to 5 = strongly agree.

Innovation was measured based on the Oslo Manual and related innovation-performance studies, reflecting product, process, and marketing innovation [1], [5], [6], [14]. Leadership was adapted from studies on leadership, resource mobilization, and innovation support, emphasizing strategic direction, encouragement of new ideas, resource allocation, and tolerance for controlled experimentation [4], [9]. Organizational learning was measured through knowledge acquisition, information sharing, interpretation, and organizational memory, drawing on organizational learning and absorptive capacity literature [6], [7], [12], [13]. Business performance was measured as a multidimensional construct covering both financial and non-financial outcomes, following the strategic performance and balanced scorecard literature [8], [16].

To improve content validity, the measurement items were reviewed for clarity, contextual relevance, and consistency with the research model before the formal survey. Control variables were also included to reduce bias caused by firm heterogeneity, including firm size, firm age, product group, and perceived market competition intensity. The operationalization of the constructs is summarized in Table 1.

Table 1. Sources and operationalization of measurement scales

Construct / variable	Code	Measurement focus	Main sources
Innovation	IN	Product, process, and marketing innovation implemented by the firm.	[1], [5], [6], [14]
Leadership	LE	Strategic direction, innovation support, resource allocation, empowerment, and tolerance for experimentation.	[4], [9]

Organizational learning	OL	Knowledge acquisition, information sharing, interpretation, retention, and use of lessons learned.	[6], [7], [12], [13]
Business performance	BP	Financial and non-financial outcomes, including sales growth, profitability, market response, customer satisfaction, and operational effectiveness.	[8], [16]
Control variables	-	Firm size, firm age, product group, and perceived market competition intensity.	[5], [6], [23]

Source: Compiled by the authors based on prior studies, 2025

3.4. Analytical techniques

The data were cleaned and screened prior to analysis, including the removal of questionnaires with missing essential information and the identification of abnormal response patterns. The study applied PLS-SEM to test the model and hypotheses, as this technique is appropriate for simultaneously explaining multiple relationships, assessing models with sequential mediation, and addressing the empirical context of SMEs, where survey data often do not satisfy normal distribution assumptions [23].

Measurement model evaluation was conducted based on two groups of criteria. Reliability was assessed using Cronbach's alpha and composite reliability. Construct validity was evaluated through convergent validity, using the average variance extracted (AVE), and discriminant validity, using the heterotrait-monotrait ratio (HTMT). Once the measurement model satisfied the required thresholds, the structural model was tested based on path coefficients, levels of statistical significance, and explanatory power (R^2) [23]-[25].

For mediation hypotheses, indirect effects were tested using the bootstrap method to confirm the statistical significance of mediating paths and determine the type of mediation (partial or full) by comparing direct and indirect effects. Within the finalized model, moderation effects were not examined in order to preserve model consistency and maintain focus on the sequential mechanism through which effects are transmitted [23].

4. RESULTS

4.1. Descriptive statistics of the sample

The study obtained 270 valid survey responses from business owners and chief executive officers of small and medium-sized enterprises in the fast-moving consumer goods sector in Ho Chi Minh City. Respondents had an average job tenure of seven years, indicating that most participants had sufficiently extensive experience to provide relatively reliable assessments of innovation activities, organizational learning mechanisms, and business outcomes within their firms.

With regard to firm characteristics, firm age was concentrated mainly in the nine-year group, suggesting that most firms in the sample had moved beyond the start-up stage, achieved a certain degree of stability, and developed relatively clear managerial practices. In terms of product grouping, the sample was restricted to the food and beverage segment, thereby ensuring industry homogeneity in the analysis and aligning with the highly competitive nature of the fast-moving consumer goods sector. Notably, the perceived level of competition among firms in the sample was generally high, which further reinforces the contextual relevance of examining the mechanism through which innovation is translated into business performance.

Table 2. Descriptive statistics of the sample and firm characteristics

Criteria	Description
Number of valid responses	270
Respondent position	Business owners and chief executive officers
Average respondent tenure	7 years
Firm age (predominant group)	9 years
Product group	Food and beverages (fast-moving consumer goods)
Perceived competition	High

Source: Processed by the research team, 2025

4.2. Results of measurement model assessment

The measurement model was assessed in terms of indicator reliability, internal consistency reliability, convergent validity, multicollinearity, and discriminant validity. After examining the outer loadings, all retained indicators satisfied the acceptable threshold. The outer loadings ranged from 0.716 to 0.902, indicating that the observed variables adequately represented their respective latent constructs. Cronbach's alpha values ranged from 0.846 to 0.895, and composite reliability values ranged from 0.891 to 0.921, exceeding the recommended threshold of 0.70. The average variance extracted (AVE) values were also above 0.50 for all constructs, confirming convergent validity. In addition, all VIF values were below 3.3, suggesting that multicollinearity was not a serious concern.

Table 3. Measurement model assessment

Construct	Items	Outer loading range	Cronbach's alpha	CR	AVE	Max VIF
Leadership (LE)	5	0.724-0.868	0.846	0.891	0.621	2.18
Organizational learning (OL)	5	0.731-0.889	0.872	0.907	0.663	2.31
Innovation (IN)	6	0.716-0.881	0.895	0.921	0.660	2.49
Business performance (BP)	5	0.742-0.902	0.884	0.916	0.687	2.28

Source: Processed by the research team, 2025

Discriminant validity was further assessed using the heterotrait-monotrait ratio (HTMT). As shown in Table 4, all HTMT values were below the conservative threshold of 0.85. Therefore, the constructs in the model were empirically distinct from one another, and the measurement model was considered suitable for structural model testing.

Table 4. Discriminant validity assessment using HTMT

Construct pair	HTMT value	Decision
LE - OL	0.684	Accepted
LE - IN	0.621	Accepted
LE - BP	0.552	Accepted
OL - IN	0.736	Accepted
OL - BP	0.613	Accepted
IN - BP	0.759	Accepted

Source: Processed by the research team, 2025

4.3. Results of model and hypothesis testing

The structural model was evaluated using PLS-SEM with 5,000 bootstrap samples. The standardized root mean square residual (SRMR) was 0.062, below the recommended cut-off value of 0.08, indicating an acceptable model fit. The R^2 values were 0.426 for organizational learning, 0.614 for innovation, and 0.517 for business performance. These results indicate that the model explains a moderate proportion of the variance in the endogenous constructs. The Q^2 values were greater than zero for all endogenous constructs, confirming the model's predictive relevance.

Table 5. Model fit and explanatory power

Endogenous construct	R^2	Adjusted R^2	Q^2	Interpretation
Organizational learning (OL)	0.426	0.424	0.271	Moderate explanatory power
Innovation (IN)	0.614	0.609	0.389	Moderate to substantial explanatory power
Business performance (BP)	0.517	0.509	0.316	Moderate explanatory power

Source: Processed by the research team, 2025.

The results of the direct effects indicate that all four direct hypotheses were supported. Innovation had a positive and significant effect on business performance ($\beta = 0.719$, $t = 14.58$, $p < 0.001$), supporting H1. Leadership positively affected innovation ($\beta = 0.254$, $t = 4.17$, $p < 0.001$), supporting H2. Organizational learning had a positive effect on innovation ($\beta = 0.538$, $t = 8.96$, $p < 0.001$), supporting H3. Leadership also had a strong positive effect on organizational learning ($\beta = 0.653$, $t = 13.21$, $p < 0.001$), supporting H4.

Table 6. Results of direct effects

Hypothesis	Relationship	β	t-value	p-value	f^2	Decision
H1	IN $\rightarrow$ BP	0.719	14.58	<0.001	0.482	Supported
H2	LE $\rightarrow$ IN	0.254	4.17	<0.001	0.108	Supported
H3	OL $\rightarrow$ IN	0.538	8.96	<0.001	0.324	Supported
H4	LE $\rightarrow$ OL	0.653	13.21	<0.001	0.742	Supported

Source: Processed by the research team, 2025.

Control variables were also tested. Firm size and firm age did not have statistically significant effects on business performance ($p > 0.05$), whereas perceived market competition showed a positive but small effect ($\beta = 0.118$, $t = 2.11$, $p = 0.035$). This indicates that competitive pressure may encourage market responsiveness, but its effect is weaker than the direct effect of innovation.

Table 7. Results of control variables

Control variable	Relationship	β	t-value	p-value	Decision
Firm size	Size $\rightarrow$ BP	0.076	1.42	0.156	Not significant
Firm age	Age $\rightarrow$ BP	0.052	1.04	0.299	Not significant
Perceived competition	Competition $\rightarrow$ BP	0.118	2.11	0.035	Significant, small effect

Source: Processed by the research team, 2025

The mediation analysis was conducted by examining the specific indirect effects. The indirect effect of leadership on business performance through innovation was positive and

significant ($\beta = 0.183$, $t = 4.02$, $p < 0.001$), supporting H5. The indirect effect of organizational learning on business performance through innovation was also positive and significant ($\beta = 0.387$, $t = 7.68$, $p < 0.001$), supporting H6. Finally, the serial mediation effect of leadership on business performance through organizational learning and innovation was significant ($\beta = 0.253$, $t = 6.52$, $p < 0.001$), supporting H7. These findings confirm that innovation is not only a direct driver of business performance but also a key mechanism through which leadership and organizational learning are translated into performance outcomes.

Table 8. Results of indirect effects

Hypothesis	Indirect path	β_{ind}	t-value	p-value	Decision
H5	LE -> IN -> BP	0.183	4.02	<0.001	Supported
H6	OL -> IN -> BP	0.387	7.68	<0.001	Supported
H7	LE -> OL -> IN -> BP	0.253	6.52	<0.001	Supported

Source: Processed by the research team, 2025

4.4. Discussion

The empirical results provide clearer evidence for the mechanism through which innovation improves the business performance of small and medium-sized enterprises in the fast-moving consumer goods sector in Ho Chi Minh City. Among the direct effects, innovation exerted the strongest influence on business performance. This finding is consistent with the dynamic capabilities perspective, which argues that firms operating in volatile markets must continuously renew products, processes, marketing activities, and distribution channels in order to respond to changing customer demand. In the food and beverage segment, innovation can affect business performance relatively quickly because packaging changes, promotional adjustments, product variants, and online channel shifts are often implemented and evaluated within short market cycles.

The results also show that organizational learning had a stronger effect on innovation than leadership did directly. This implies that leadership alone is insufficient if it is not converted into shared knowledge, market sensing, cross-functional coordination, and routines for learning from customers and distribution channels. In other words, organizational learning is the internal capability that transforms leadership orientation into repeatable innovation practices. This result supports the argument that innovation in SMEs should not be treated as a one-time activity, but as a learning-based managerial process.

The significant serial mediation effect further clarifies the “black box” linking leadership and performance. Leadership improves organizational learning; organizational learning strengthens innovation; and innovation subsequently enhances business performance. This finding contributes to the literature by showing that the effect of leadership on performance is transmitted through a sequential capability-building process rather than through a simple direct relationship. In the context of Vietnamese FMCG SMEs, where resources are limited and competition is intense, this mechanism is particularly important because firms must learn quickly from market feedback before scaling up innovation decisions.

The findings regarding control variables are also informative. Firm size and firm age were not statistically significant, suggesting that larger or older SMEs do not automatically achieve better performance unless they can convert resources and experience into innovation capability. Perceived competition had a small but significant effect, indicating that competitive pressure may stimulate firms to improve responsiveness and market adaptation. However, its effect was much smaller than the effect of innovation, confirming that

competition alone does not create performance; rather, firms must respond to competition through concrete innovation practices.

Overall, the revised results strengthen the theoretical and practical value of the study. Theoretically, the findings support an integrated model linking leadership, organizational learning, innovation, and business performance. Practically, they suggest that FMCG SMEs should prioritize innovation activities that can be rapidly tested in the market, such as packaging renewal, product adjustment, sales-channel innovation, and digital customer engagement. Taken together, these findings suggest that, in FMCG SMEs, innovation creates performance benefits most effectively when it is guided by leadership, supported by organizational learning, and implemented through rapid market-oriented adjustments rather than isolated innovation activities.

4.5. Theoretical and managerial implications

4.5.1. Theoretical implications

The findings provide several theoretical implications for the literature on innovation, leadership, organizational learning, and SME performance. First, the positive effect of innovation on business performance reinforces the dynamic capabilities perspective. In a highly competitive FMCG environment, innovation reflects the firm's ability to sense market changes, seize opportunities, and reconfigure resources through product adjustment, packaging renewal, process improvement, marketing innovation, and channel adaptation. The result therefore suggests that dynamic capability becomes observable when it is translated into concrete innovation practices that generate measurable performance outcomes [2], [3].

Second, the study extends the resource-based view by showing that internal resources do not automatically create performance advantages. Leadership, knowledge, experience, and organizational routines become valuable only when they are converted into learning capability and then into innovation. This is further supported by the finding that firm size and firm age were not significant predictors of business performance, whereas innovation and the learning-based mediation mechanism were significant. Thus, in Vietnamese SMEs, competitive advantage depends less on the possession of resources and more on the capability to organize, learn, and renew those resources in response to market pressure [4], [6], [12].

Third, the significant sequential mechanism from leadership to organizational learning, innovation, and business performance contributes to the leadership and organizational learning literature. The findings imply that leadership affects performance not simply through direct managerial control, but through the creation of learning conditions: encouraging market information sharing, supporting experimentation, tolerating controlled failure, and institutionalizing lessons learned into routines. Organizational learning, therefore, acts as the bridge that converts leadership orientation into repeatable innovation practices [7], [9], [13].

Fourth, this study contributes to the existing body of knowledge by contextualizing the innovation-performance relationship in Vietnamese FMCG SMEs. Prior studies often examine SMEs across multiple industries, while the present study focuses on the food and beverage segment in Ho Chi Minh City, where product life cycles are short, consumer responses are rapid, and distribution channels change quickly. This context helps explain why innovation in packaging, product variants, digital sales channels, and promotional activities may influence performance more rapidly than in sectors with longer innovation cycles. The study therefore adds context-specific evidence from a large urban business ecosystem in Vietnam, where leadership, learning, and innovation jointly shape SME performance.

4.5.2. Managerial implications

The findings also offer practical implications for owners and chief executive officers of SMEs in the FMCG sector. First, firms should treat innovation as a regular management process rather than as an occasional campaign. Innovation priorities should be linked to market value, such as improving packaging convenience, adjusting product variants, refining pricing and promotion, expanding online channels, and strengthening customer engagement. Because the food and beverage market changes rapidly, SMEs should adopt small-scale experiments, measure results quickly, and scale only the ideas that show clear evidence of market acceptance.

Second, leadership should be understood as a capability for designing the conditions under which innovation can occur. Managers need to communicate innovation priorities clearly, allocate a modest but stable budget for experimentation, empower cross-functional teams, and shorten approval procedures for market trials. In resource-constrained SMEs, effective leadership does not necessarily mean large investment; rather, it means focusing limited resources on the most promising innovation activities and creating discipline in implementation.

Third, SMEs should institutionalize organizational learning. Practical mechanisms may include periodic collection of customer and distributor feedback, post-launch review meetings, shared sales and marketing data, documentation of failed and successful experiments, and internal guidelines for product, packaging, channel, and promotional decisions. When learning becomes an organizational routine, innovation becomes less dependent on individual experience and more capable of being repeated, improved, and scaled.

From a policy and ecosystem perspective, the results imply that SME support programs should move beyond financial assistance alone. Support should focus on capability development, including training in innovation leadership, consulting on market data management, support for packaging and product testing, digital sales transformation, and linkage programs among SMEs, universities, distributors, and technical experts. Such support would help SMEs reduce experimentation costs, shorten learning cycles, and improve the likelihood that innovation leads to tangible performance improvement.

5. CONCLUSION

This study examined the relationship among leadership, organizational learning, innovation, and business performance in SMEs operating in the FMCG food and beverage segment in Ho Chi Minh City. The empirical results show that innovation has a strong positive effect on business performance, while leadership and organizational learning influence performance mainly through innovation. The significant sequential pathway from leadership to organizational learning, then to innovation and business performance, indicates that performance improvement is generated through a capability-building process rather than through isolated managerial actions.

Theoretically, the study clarifies how the resource-based view, dynamic capabilities perspective, leadership theory, and organizational learning theory can be integrated to explain SME performance in a dynamic emerging-market context. The findings show that leadership provides direction, organizational learning transforms knowledge into routines, and innovation converts these routines into market outcomes. This contributes to the literature by opening the “black box” between internal managerial factors and business performance, particularly in Vietnamese SMEs where resources are limited and market competition is intense.

Practically, the study suggests that FMCG SMEs should strengthen innovation leadership, build organizational learning systems, and prioritize rapid, market-oriented innovation activities. Instead of relying solely on firm size, age, or accumulated experience,

SMEs should develop routines for sensing customer needs, testing new ideas, learning from market feedback, and scaling successful innovation practices. For policymakers and support organizations, the findings indicate that improving SME performance requires capability-based support, especially in innovation management, organizational learning, market testing, and digital channel development.

This study has several limitations. First, the cross-sectional design and self-reported data limit the ability to make strong causal claims and may involve common method bias. Second, the sample is limited to Ho Chi Minh City and to the food and beverage segment of the FMCG sector. Therefore, the findings should be interpreted as reflecting a large urban business ecosystem and may differ in less developed regions or in other FMCG sub-sectors. Future research should use longitudinal data, combine subjective and objective performance indicators, compare different regions and FMCG sub-sectors, and examine additional contextual conditions that may strengthen or weaken the innovation-performance relationship [17], [23].

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