Developing capabilities for innovation in small and medium enterprises

A number of logistic and linear regressions will be used. The STATA software is used to run these models.

HR practices could improve a range of capabilities that may not be observable in the analysis. If these firms were initially better endowed with innovation capabilities, the effect of HR practices would be overstated, thus, raising concerns about endogeneity. Therefore, a number of control variables that potentially affect innovation are included in the analysis. In addition, as the development of innovation capabilities is assessed across years and industries, time - fixed effect and cross-sectional fixed effect are applied. Additionally, environmental uncertainty is calculated to avert common source bias.
**TWO**

(H) What’s New?  
The research desires to explore the moderation role of operational capabilities in supporting innovation by investigating a unique panel dataset, which allows testing of how capabilities are developed across time to support innovation.

(I) So What?  
In emerging economy SMEs, a lack of capital and skilled workers may result in weak operational capabilities. Thus, firms may prefer to invest in operational capabilities to quickly obtain their business targets. Additionally, HR practices could improve the range of firm capabilities (especially dynamic capabilities) that contribute to overall innovation performance. Thus, it is important to fully understand the relationship between operational capabilities (e.g. HR practices), dynamic capabilities, and innovation. By investigating the model, the research is expected to deliver recommendations for firms to choose the most relevant types of HR practices in developing innovation supporting capabilities. Moreover, it proposes capabilities that should be present to cooperate with HR practices to improve innovation.

**ONE**

(J) Contribution?  

*Theoretical contribution:*
- Extend innovation theory to show the connected capabilities through which innovation is supported. There are not only operational, but also dynamic capabilities that contribute to the innovation outcomes. Thus propose a new staged approach to innovation theory, indicating that the support of capabilities to innovation is dynamic over time.
- Extend capability theory by introducing a capability staircase approach. The staircase of capabilities shows how dynamic capabilities modify and interact with operational capabilities to support innovation.
- Develop an innovation-supporting model for SMEs in emerging economies demonstrating how capabilities contribute to innovation and the interactions between HR development practices and capabilities.

*Methodological/Empirical contribution:*
- Propose a longitudinal perspective facilitating a staged understanding of the influence of capability development on the innovation outcomes.
- A longitudinal dataset of SMEs in Vietnam will supplement empirical evidence about innovation study in emerging economies.

(K) Other Considerations  
It is important to collaborate and receive feedback from academic staff at UQ Business School about the idea of new model. Collaboration with expertise and local authorities in Vietnam to review the research results to sharpen the policy implications. The research outcomes are expected to be published on top tier journals such as Industrial Marketing Management, Research Policy, Journal of Business Research, Small Business Economics, Journal of Small Business Management.

Risk assessment: The generalisability of the findings (or lack thereof) is an important issue to address.