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CHAPTER 1. INTRODUCTION TO THE RESEARCH

1.1 THE NECESSITY OF RESEARCH PROBLEMS

1.1.1 Practical context

Tourism operates within an ecosystem characterized by strong interconnections and mutual reinforcement among multiple stakeholders, including destinations, accommodation facilities, ancillary services, gastronomy, socio-cultural elements, and local communities. Within this ecosystem, hotels occupy a central position by directly providing lodging, dining, and supplementary services that address the diverse needs of tourists across leisure, sightseeing, conferencing, and entertainment activities.

According to the official website of the Ministry of Culture, Sports and Tourism (2025), Ho Chi Minh City's tourism market continued to show positive momentum. In the first six months of 2025, total tourism revenue was estimated at VND 117.937 trillion, representing a 27.3% increase compared to the same period of the previous year. International tourist arrivals exceeded 3.85 million, up 44%, while domestic tourist arrivals reached more than 18.33 million, an increase of 7%. The hotel market also recorded increases in both average room rates and occupancy rates. These figures reflect a strong recovery and a positive growth trajectory of the hotel industry in the city. Nevertheless, the hotel industry faces considerable challenges, including intensifying competition driven by expanding supply, mounting pressure from international brands, and escalating customer expectations regarding service quality, technological integration, and personalized experiences. Small and medium-sized hotels, in particular, encounter significant obstacles in digital transformation due to financial and human resource constraints, thereby diminishing their competitiveness relative to international chains equipped with advanced service ecosystems.

The critical issue lies in identifying which resources and factors are most decisive for innovation, enabling breakthroughs in operations, strengthening competitiveness, improving performance, and simultaneously meeting the

industry's stringent quality standards. Beyond recognition, the implementation process pecifically, the prioritization of resources, factors, and scientifically grounded methods tailored to the realities of the operating environment remains an urgent and decisive requirement for hotels to overcome in order to survive and achieve sustainable development.

1.1.2 Theoretical context

For several decades, research in the hospitality field has concentrated on elucidating the fundamental drivers that enhance organizational performance and business outcomes. Both theoretical approaches and empirical evidence demonstrate that business effectiveness is influenced by multiple groups of factors, most notably tangible and intangible resources under the resource-based view, quality management systems such as Total Quality Management (TQM), and the dynamic capabilities of organizations. These determinants have been extensively validated across both manufacturing and service sectors in diverse national contexts.

In an increasingly volatile and competitive business environment, knowledge capital has been progressively recognized as a pivotal resource underpinning sustainable development and long-term competitive advantage. Within tourism and hospitality, service quality requirements are particularly stringent, reflecting the rising expectations of customers. Consequently, quality management principles and tools, especially TQM are regarded as an appropriate foundation for enhancing service effectiveness.

Moreover, innovation plays a pivotal role in differentiating products and services, thereby enhancing customer satisfaction and improving business outcomes (Jones, 1996; Ottenbacher et al., 2006; Chang et al., 2011). Prior studies have confirmed that innovation enables hotel enterprises to improve service quality, reduce costs, increase revenue and profitability, and strengthen competitive positioning. Ultimately, business performance is regarded as a comprehensive measure reflecting the extent to which both financial and non-financial objectives are achieved. This perspective is particularly relevant to the hospitality industry, where customer value, stakeholder satisfaction, and social contributions are increasingly significant.

The study entitled *"The Impact of Intellectual Capital and Total Quality Management (TQM) on Business Performance through Innovation Capability in the Hotel Industry of Ho Chi Minh City"* was undertaken to identify the critical factors influencing business performance. The research aims to provide practical insights for guiding effective and contextually appropriate solutions, thereby laying the groundwork for improving and advancing the performance of the hospitality industry in Ho Chi Minh City toward sustainable and prosperous development.

1.2 Research Objectives

The general objective of this dissertation is to examine the influence of Intellectual capital, total quality management (TQM), and innovation capability on business performance, both directly and indirectly. The study focuses specifically on enterprises operating within the hotel industry in Ho Chi Minh City.

This dissertation is directed toward the following specific objectives:

(1) To assess the impact of Intellectual capital, total quality management (TQM), and innovation capability on business performance.

(2) To evaluate the mediating role of innovation capability in the relationship between Intellectual capital, total quality management, and business performance.

(3) To propose managerial implications that can support the hotel industry in Ho Chi Minh City in improving and enhancing business performance.

1.3 Research Questions

To achieve the stated objectives, this dissertation seeks to address the following questions:

(1) How do Intellectual capital, total quality management (TQM), and innovation capability relate to and influence the business performance of hotel enterprises in Ho Chi Minh City ?

(2) Does innovation capability mediate the relationship between intellectual capital, total quality management (TQM), and business

performance in hotel enterprises in Ho Chi Minh City? If so, to what extent and in what form is this mediating role manifested ?

(3) What managerial implications can be derived following the empirical validation of the proposed research model ?

1.4 Research Object and Scope

1.4.1 Research Object

The relationship and impact of Intellectual capital, total quality management (TQM), and innovation capability on the business performance of hotels in Ho Chi Minh City constitute the central focus of this dissertation. The survey population comprises hotel enterprises ranked from one to five stars currently operating within the city. Respondents include members of the executive board and senior management teams, such as General Directors, Deputy General Directors, Directors, Deputy Directors, Chief Financial Officers, Chief Accountants, as well as departmental directors and heads of functional units. These individuals are directly involved in strategy formulation, implementation, and oversight, and bear responsibility for the outcomes and overall performance of the hotels.

During data collection, the study concentrates on hotel enterprises that have already adopted TQM or plan to implement it in the near future (within one to six months). The selection of survey participants based on these criteria is intended to ensure the appropriateness and reliability of the research sample, while accurately reflecting the practical context of TQM implementation. This approach thereby aligns rigorously with the research objectives of the dissertation.

1.4.2 Scope of research

Temporal Scope: The data and information employed in this dissertation were collected during the period 2019–2024.

Content Scope: The study focuses on hotel enterprises (one- to five-star) currently active in Ho Chi Minh City.

1.5 Research Methodology

This study employs a combination of qualitative and quantitative approaches.

The qualitative research method was employed to guide sample

selection and to collect and synthesize data in order to address the research objectives of the dissertation, including the acquisition of materials relevant to the study's aims. At the same time, this approach provided the foundation for identifying research gaps, thereby facilitating the development of hypotheses, the construction of the research model, and the establishment of measurement scales for the dissertation.

The quantitative research method was primarily employed to analyze data, assess the validity of the research model, and examine the factors influencing hotel business performance. In addition, the hypotheses and research model were tested using SPSS and SMART PLS software.

1.6 Research Structure

Apart from the table of contents, list of abbreviations, list of tables, references, and appendices, the dissertation is structured into five chapters as follows:

Chapter 1: Introduction to the Research, Chapter 2: Literature Review and Research Model, Chapter 3: Research Design, Chapter 4: Research Findings and Discussion, Chapter 5: Conclusion and Managerial Implications

CHAPTER 2. LITERATURE REVIEW AND RESEARCH MODEL

2.1 Literature Review and Research Model

2.1.1 Resources Based View (RBV)

This theory elucidates the superior advantage of firms from a resource-based perspective (Jay B. Barney, 2007), positing that to achieve and sustain competitive advantage, a company must possess resources that are strategically aligned with its developmental objectives.

According to Barney (1991), the resource-based theory emphasizes the internal strength of firms in leveraging specific resources to attain competitive advantage. To be effective, these resources must satisfy four fundamental criteria. First, resources must be valuable, enabling the enterprise to exploit opportunities, enhance benefits, and mitigate risks and challenges arising from the competitive environment. Second, they must be rare and distinctive, creating uniqueness in competition both in the present

and the future. Third, resources should be difficult to imitate or replicate perfectly in practice, as they are often embedded in historical context, organizational culture, and long-term accumulation processes. Fourth, they must be non-substitutable, meaning they cannot be easily replaced by equivalent resources or alternative strategic solutions

The resource-based theoretical perspective serves as a foundational premise for research and applications aimed at enhancing organizational competitiveness and business performance, including:

Intellectual capital is recognized as the most strategically significant resource of the firm (Grant, 1996; McElyea, 2002), while Total Quality Management (TQM) is regarded both as a comprehensive managerial philosophy and as a source of competitive advantage (Powell, 1995; Abdi et al., 2008). These two resources constitute the focal points to be examined in this dissertation.

2.1.2 Dynamic Capability Theory (DC)

The dynamic capabilities theory proposed by Teece et al. (1997), building upon the resource-based view (RBV), posits that the concept of dynamic capabilities reflects a firm's ability to generate and sustain competitive advantage even in rapidly changing business environments.

Dynamic capabilities are constituted by two core implications. The first, *dynamic*, reflects a firm's ability to continuously innovate, restructure, and upgrade its existing competencies in order to adapt effectively to business environments characterized by high volatility and intense competition. The second, *capabilities*, is intrinsically linked to the role of strategic management in identifying, integrating, coordinating, and efficiently exploiting both internal and external resources of the enterprise.

The survival and success of an enterprise largely depend on its capacity for creativity and value creation. Accordingly, innovation capability is regarded as a dynamic capability and constitutes a central focus of this dissertation.

In summary, the theoretical review indicates that business performance is shaped by multiple perspectives, with two principal approaches standing out:

the resource based view and the dynamic capabilities framework. The prevailing trend is to integrate these two perspectives, thereby generating more substantial and positive impacts on business performance.

2.1.3 Knowledge Based View (KBV)

The knowledge-based view (KBV) of the firm regards knowledge as the most strategically significant resource. KBV identifies knowledge as the paramount asset of an enterprise, endowed with strategic attributes that are critical for creating and sustaining competitive advantage, as well as for executing strategy through organizational structures and management systems.

While the resource based view (RBV) emphasizes internal organizational factors namely resources and capabilities as the basis for explaining firm profitability and value creation (Barney, 1991; Grant, 1991; Makhija, 2003), the knowledge based view (KBV) posits that firms primarily exist as mechanisms for integrating and exploiting knowledge. Within this perspective, competitive advantage arises from the ability to generate, share, combine, and apply knowledge more effectively than rivals. Accordingly, KBV not only provides a theoretical lens for elucidating the relationship among Intellectual capital, Total Quality Management (TQM), and innovation capability, but also underscores the strategic role of knowledge as a foundation enabling hospitality enterprises to adapt effectively to continuously volatile and increasingly competitive business environments.

2.1.4 Deming's Theory (Plan Do Check Action - PDCA)

W. Edwards Deming's quality management theory asserts that productivity and quality cannot be assured merely through final inspection but must be embedded from the outset and continuously improved through a systematic management process (PDCA-Plan,Do,Check,Act).His comprehensive managerial philosophy emphasizes understanding the interrelationships among organizational elements, processes, and the role of individuals within the entire quality management system. Distilled into Deming's 14 management principles, this framework is regarded as the foundation of modern Total Quality Management (TQM), contributing to

competitive advantage by optimizing processes, enhancing operational efficiency, and improving long-term customer satisfaction.

When integrated with the knowledge-based view (KBV), Deming's theory functions as a strategic theoretical framework that enables Intellectual capital, TQM, and innovation capability to be leveraged more effectively, thereby advancing organizational performance and value creation.

2.2 Research Concepts

2.2.1 Intellectual Capital (IC)

Intellectual capital is recognized as an intangible asset, a powerful resource, and a key contributor to organizational success, value creation, and future benefits (P & Sumathy, 2021).

Based on preliminary investigations into the operational practices of Vietnam's hospitality industry, together with a synthesis of theoretical perspectives on intellectual capital and in-depth interviews with experienced industry experts regarding its constituent elements, the findings suggest four principal components to be examined in this dissertation: human capital, social capital, structural capital, and technological capital.

2.2.1.1 Human capital (HC)

Human capital is regarded as an irreplaceable and distinctive asset that can generate competitive differentiation by enabling the effective utilization of resources and enhancing organizational performance. Moreover, individuals with the capacity to generate knowledge and foster creativity serve as key drivers of innovation (Delgado-Verde et al., 2016).

2.2.1.2 Structural capital (SC)

Structural capital refers to the capacity of a firm to provide standardized processes and organizational arrangements that support employees in generating optimal intellectual outcomes and enhancing business performance. It encompasses all non-human knowledge embedded within the organization, including operational systems, production processes, organizational culture, managerial philosophy, and all forms of intellectual property owned by the enterprise (Tseng & Goo, 2005)

2.2.1.3 Social capital (SC)

Social capital refers to a firm's ability to establish and maintain relationships with external stakeholders such as partners, customers, governmental agencies, and non-governmental organizations (Altındağ et al., 2019). It is built upon social networks and organizational leadership, including connections with regulatory bodies, professional associations, and communities, which act as powerful catalysts for enhancing organizational performance (Stam et al., 2014).

2.2.1.4 Technological capital (TC)

Technological capital is an intangible asset derived from technical knowledge (Ramírez, 2010). In other words, it is grounded in organizational activities and functions, both internal and external, that relate to products and services.

Technological capital also encompasses an organization's ability to innovate and develop new products and services. It is primarily grounded in research and development (R&D) and intellectual property. As an integral dimension of intellectual capital, technological capital is regarded as an effective instrument and a principal source of competitiveness for small and medium-sized enterprises (M. Khalique & Pablos, 2015; Scafarto, 2016).

2.2.2 Total Quality Management (TQM)

Total Quality Management (TQM) is defined as a managerial philosophy that emphasizes the participation and commitment of all employees across the organization in delivering high-quality products and services that meet customer expectations (Amin et al., 2017). TQM has been shown to enhance employee productivity, stabilize work and service quality, and improve organizational performance at the institutional level.

Building upon prior studies and in-depth interviews with knowledgeable and experienced experts in the hotel industry in Ho Chi Minh City. Following expert discussions and consultations, seven key components of Total Quality Management (TQM) were identified for examination: leadership, training, continuous improvement, supplier quality management, customer focus, employee fulfillment, and process management.

2.2.2.1 Leadership (LĐ)

Leadership is a process that facilitates both individual and collective efforts with the deliberate aim of understanding and influencing people to identify necessary actions, appropriate approaches, and the realization of shared objectives (Cakir & Adiguzel, 2020). Accordingly, leadership is conceived as a dynamic process in which a leader guides and directs individuals within the group to act appropriately, fosters cohesion, and ensures coordinated functioning, thereby enabling collective development toward the attainment of common goals.

2.2.2.2 Supplier quality management (SQM)

Supplier quality management is an outward-facing quality management practice that focuses on the selection, evaluation, monitoring, and development of suppliers to ensure that inputs from the supply chain consistently meet the required standards of quality, reliability, and operational performance (Robinson & Malhotra, 2005; Foster, 2008).

From the perspective of (Zhang et al. , 2000) and (Manzani & Mohamed Larbi Sidmou, 2019), supplier quality control emphasizes quality rather than price.

2.2.2.3 Process management (PI)

A business process is defined as an organized set of interrelated activities that collectively operate to produce valuable outcomes (Lapina et al., 2021).

Process management and the implementation of necessary improvements ensure that both external and internal customers benefit. Consequently, process management emphasizes controlling processes so that they function as intended (M. Al-Ababneh, 2021), and it is regarded as the lifeblood of the Total Quality Management (TQM) philosophy.

2.2.2.4 Continuous improvement (CI)

Continuous improvement is a focused and incremental innovation process (Bessant et al., 1994), or, in other words, a quality philosophy premised on the assumption that further enhancement is always possible and that processes must be continuously reassessed and improved.

The role of continuous improvement within organizational quality management is that of an innovation driver, influencing business performance and strengthening competitive advantage (Bernal-Torres et al., 2021).

2.2.2.5 Customer focus (CF)

Customer focus refers to the way in which firms must understand and identify customer needs and strive to exceed their expectations (Stylidis et al., 2020; Samudro et al., 2020).

The importance of customer focus lies in its role as the starting point of any quality initiative (Sousa, 2003). It extends beyond merely fulfilling customer needs to encompass the effective handling of customer feedback (Meesala & Paul, 2018).

2.2.2.6 Employee fulfillment (EF)

Employee fulfillment through the application of TQM practices can enhance both individual and organizational efficiency, thereby improving product quality and customer satisfaction while reducing industrial operating costs (Alsaidi, 2014).

Furthermore, employee fulfillment aims to motivate and elevate workforce quality by addressing and satisfying employee needs a trend increasingly pursued by many organizations. It also reflects commitment, satisfaction, and pride in one's profession and organization, serving as a critical factor within comprehensive quality management that strengthens competitiveness and improves organizational performance.

2.2.2.7 Training/ Education/ Learning (TEL)

Training is a process of updating knowledge, developing skills, and fostering changes in attitudes and behaviors, thereby enhancing learners' ability to perform tasks effectively (Mousa, 2012).

According to Palo and Padhi (2003), training is regarded as a means of communicating quality strategies and is considered an organizational function aimed at improving the performance of employees and teams (Jawabreh et al., 2020; Xu & Zhang, 2021).

2.2.3 Innovation capability (INC)

Innovation capability is defined as the continuous ability to transform knowledge and ideas into new products, processes, and systems for the benefit of the firm and its stakeholders (Lawson & Samson, 2001).

According to Ngo and O'Cass (2009), innovation capability comprises a set of processes involving the application of organizational knowledge, skills, and collective strength to undertake innovation activities. These encompass both technical innovation (products/services, production technologies) and non-technical innovation (management, markets, and marketing). It reflects the organization's capacity to mobilize and deploy stakeholder resources in developing new products, services, processes, and organizational systems, thereby generating added value for the firm.

2.2.4 Business performance (BP)

Business performance serves as a benchmark for comparing and assessing progress in meeting organizational objectives and stakeholder expectations (Antony & Bhattacharyya, 2010). In other words, business performance represents the ratio between outputs and inputs of an economic entity within a given period, expressed as the relationship of outcomes to resources utilized.

In the hotel industry, which is characterized by its service oriented nature, performance measurement extends beyond financial objectives to encompass non-financial goals such as customer satisfaction, customer value, stakeholder interests, and societal contributions. Accordingly, business performance must be evaluated through both financial and non-financial indicators. This dual perspective constitutes the central focus of performance assessment in this dissertation.

Theoretical research on business performance has identified multiple perspectives of influence, among which two dominant approaches are the resource based view and dynamic capabilities. The current trend is to integrate these two perspectives, which also constitutes the principal research orientation of this dissertation.

2.3 Research gaps

Based on foundational theories and a review of statistical evidence from related studies conducted both domestically and internationally in relation to the objectives of this dissertation, the author identifies several critical points that serve to determine the research gaps addressed in this study, as follows:

First, a major research gap lies in the absence of an integrated mechanism linking strategic resources, knowledge, quality management, and innovation in explaining business performance. Although the Resource-Based View (RBV) emphasizes the role of firm resources particularly intangible resources in generating competitive advantage and enhancing business performance, it does not sufficiently explain the mechanism through which these resources are transformed into concrete organizational outcomes. Existing studies also provide limited empirical evidence that simultaneously integrates intellectual capital, total quality management (TQM), and innovation capability within a single research model to explain business performance in the hotel industry, particularly in the Vietnamese context. In addition, the literature still lacks a consistent explanation of the mediating role of innovation capability in the relationship between strategic resources and business performance.

Second, within the RBV framework, Barney (1991) asserts that the value of resources can only be accurately assessed in specific environmental and industry contexts. However, empirical research on intellectual capital (IC) reveals notable limitations in scope, methodology, and generalizability. Such studies remain fragmented and fail to adopt an integrated approach that connects resources, capabilities, and performance outcomes. Similarly, research on Total Quality Management (TQM) and dynamic capabilities has documented positive effects on hotel business performance, yet these findings are largely based on cross-sectional data, geographically narrow samples, and have not sufficiently clarified the mediating role of innovation capability.

Third, most studies on intellectual capital in the hotel industry have concentrated on the three traditional components human capital, structural

capital, and relational capital while technological capital, an increasingly critical element in the knowledge economy, has not been systematically examined. This fragmented approach fails to fully capture the integrative role of technological capital within the structure of intellectual capital and its impact on business performance. In addition, although research on Total Quality Management (TQM) in the hotel sector has demonstrated positive effects on service quality and operational outcomes, comprehensive and in depth investigations into the mechanisms through which TQM influences business performance remain limited.

These gaps highlight the need for an integrated research framework to clarify the effects of intellectual capital and total quality management (TQM) on business performance through innovation capability, grounded in a combined theoretical foundation of the Resource-Based View (RBV), Dynamic Capability Theory, the Knowledge-Based View (KBV), and Deming's quality management theory.

This approach not only contributes to advancing an interdisciplinary theoretical foundation, but also provides empirical evidence on the value-creation mechanisms of knowledge, quality, and innovation in increasingly competitive and dynamic environments.

Accordingly, by integrating the aforementioned elements and addressing the gaps between foundational theory and practical application, the author proposes a research model for the dissertation entitled: *The Impact of Intellectual Capital and Total Quality Management on Business Performance through Innovation Capability in the Hospitality Industry of Ho Chi Minh City.*

2.4 Research Model and Hypotheses

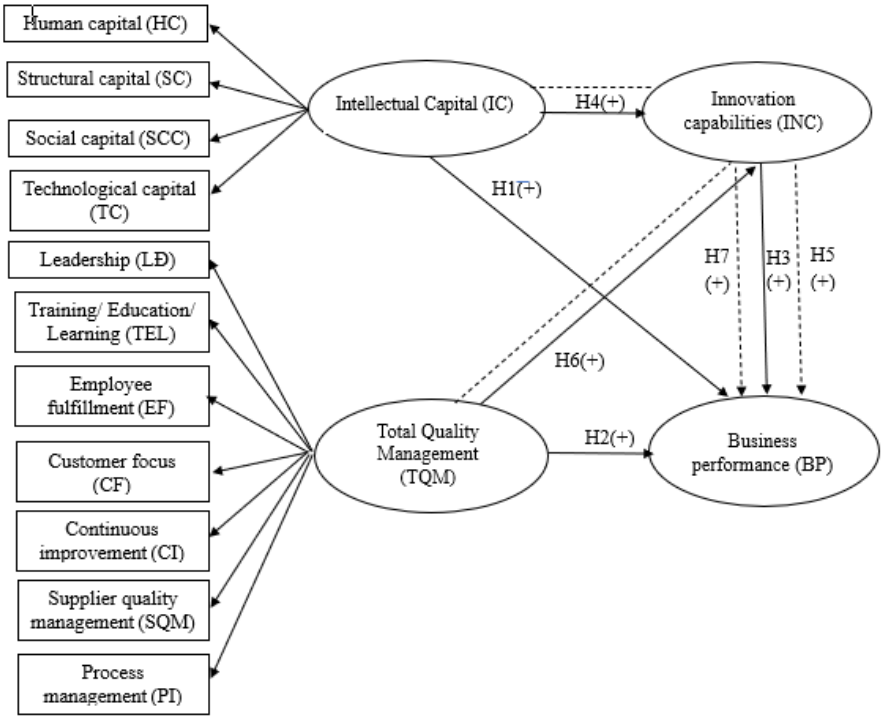
2.4.1 Hypothesis Development

Based on the theoretical foundations related to business performance and the associated concepts, seven research hypotheses are formulated as follows:

Direct Effect Hypotheses: **H1**-Intellectual capital exerts a direct impact on business performance, **H2** - Total Quality Management (TQM) exerts a direct impact on business performance, **H3** - Innovation capability exerts a direct impact on business performance, **H4** - Intellectual capital exerts a direct impact on innovation capability, and **H6** - Total Quality Management (TQM) exerts a direct impact on innovation capability.

Indirect Effect Hypotheses: **H5** - Intellectual capital indirectly influences business performance through the mediating role of innovation capability, and **H7** - Total Quality Management (TQM) indirectly influences business performance through the mediating role of innovation capability.

2.4.2 Research Model



⟶: Direct Effects of Component Factors

- - - - ➔ : Indirect Effects of Component Factors

(Source: Author's synthesis, 2024)

CHAPTER 3. RESEARCH DESIGN

3.1 Research Process

The overall research process comprises three principal stages: (1) a qualitative study aimed at exploring and refining the measurement scales; (2) a preliminary quantitative study conducted to assess the reliability and validity of the scales; and (3) a formal quantitative study, in which the proposed research model and hypotheses are tested through structural equation modeling (SEM) with the support of advanced statistical tools.

3.1.1 Qualitative Research

The objective of the qualitative study is to explore, refine, and supplement the observed variables in order to ensure more appropriate and accurate measurement of the research constructs.

Through focus group discussions and expert consultations, the study is able to identify factors that have not yet been examined within the Vietnamese context, while simultaneously determining those elements that align with the specific characteristics of the hospitality industry in Ho Chi Minh City.

Group 1 included six academic specialists currently teaching at universities and colleges.

Group 2 comprised five managerial experts with substantial knowledge and extensive practical experience, presently working in hotels located in Ho Chi Minh City.

The outcomes of the expert group discussions serve as the foundation for developing the measurement scales, which will subsequently be employed in the preliminary quantitative survey.

3.1.2 Quantitative Research

The objective of the quantitative study is to focus on data collection and analysis, thereby contributing to the validation of the linkage between

theoretical development and practical application through two stages: preliminary quantitative research and formal quantitative research.

3.2 Preliminary Quantitative Research Results

The qualitative investigation into the measurement scale resulted in the identification of 13 factors comprising 49 observed variables. Specifically, four factors pertain to intellectual capital, seven to Total Quality Management (TQM), one represents the mediating construct of innovation capability, and one denotes the dependent construct of business performance.

The selection of measurement items was conducted based on reliability criteria using Cronbach's Alpha, and construct validity was assessed through Exploratory Factor Analysis (EFA). The results indicated that three variables (HC5, SC4, and TC4) did not meet the required thresholds.

Consequently, 46 observed variables were confirmed to satisfy statistical standards and will therefore be employed as the official measurement scale in this study to test the proposed hypotheses and research model.

3.3 Results of the Formal Quantitative Study

In this study, with 46 observed variables and 13 factors each measured by at least three items the selection of a sample size exceeding 500 is deemed appropriate to ensure the stability and reliability of statistical analyses.

A total of 600 questionnaires were distributed for data collection, yielding 530 valid responses. This figure, equivalent to 11.52 times the number of observed variables, was included in the formal analysis, thereby satisfying the requirements for sample size adequacy and representativeness of the study.

CHAPTER 4. RESEARCH RESULTS AND DISCUSSION

4.1 Sample Descriptive Statistics

Based on the number of valid questionnaires collected, a total of 530 respondents were classified according to demographic characteristics, including gender, age, educational attainment, hotel rating, years of hotel operation, and workforce size. In addition, the survey sample was screened using specific criteria, whereby respondents were required to be members of

the executive board or senior management of hotel enterprises, and to have either implemented Total Quality Management (TQM) practices.

This classification ensured that the research objectives were met and provided a detailed overview to contextualize the study and illustrate the characteristics of the survey sample.

4.2 4.2 Testing of the Research Model - Phase 1

4.2.1 Scale Reliability Assessment

The testing results for 13 constructs with 46 observed variables met all reliability assessment criteria, thereby confirming the stability and trustworthiness of the measurement scales employed in the study.

4.2.2 Convergent Validity Testing

Based on the assessment of scale convergence using two indicators outer loadings and Average Variance Extracted (AVE), the results confirmed that the measurement scales achieved an adequate level of convergent validity.

4.2.3 Discriminant Validity Testing

The evaluation of the measurement model, conducted through tests of internal reliability, convergent validity, and discriminant validity, demonstrates that all sets of observed variables employed to measure the research constructs meet the required standards of reliability and validity.

4.2.4 Impact Analysis on the Dependent Variables

The synthesis of Phase 1 testing results reveals a clear causal relationship from the independent variables (Intellectual Capital and Total Quality Management) to the dependent variables (Innovation Capability and Business Performance). This finding affirms the explanatory power of the proposed research model and demonstrates that the hypotheses are empirically supported. These initial results provide a solid foundation for advancing to Phase 2, which aims to further elucidate the mediating role of innovation capability within the examined relationships.

4.3 Results of the Research Model Evaluation - Phase 2

4.3.1 Reliability Testing

The results indicated that the Cronbach’s alpha values of the constructs ranged from 0.736 to 0.855, exceeding the recommended threshold of 0.7

suggested by (DeVellis, 2012). In addition, the Composite Reliability (CR) values of the constructs varied between 0.834 and 0.900, which are consistent with the criteria proposed by (Hair et al., 2014).

4.3.2 Convergent Validity Testing

The measurement scale employed in Phase 2 satisfies the criteria for convergent validity, as both the factor loadings (FL) and the average variance extracted (AVE) meet the required thresholds.

4.3.3 Discriminant Validity Testing

The assessment of the HTMT criterion indicates that all HTMT values fall below the threshold of 0.9, as recommended by (Henseler et al., 2015). This result confirms that the observed variables in the study satisfy the requirements for discriminant validity, ensuring that each latent construct captures distinct dimensions of the research concepts and thereby affirming the validity of the measurement scales for subsequent analyses.

4.3.4 Structural Model Testing

4.3.4.1 Multicollinearity Diagnostics

The research findings revealed that the Variance Inflation Factor (VIF) values of the independent variables ranged from 1.381 to 2.056, which are substantially below the exclusion threshold of 5. This result confirms the absence of multicollinearity within the research model, thereby ensuring the reliability and stability of the model estimations.

4.3.4.2 Path Coefficients

The analysis results indicate that all relationships within the model are statistically significant, with *p*-values below 0.05 and *t*-values exceeding 1.96, thereby confirming the acceptance of the proposed hypotheses.

The findings further demonstrate that intellectual capital and Total Quality Management exert substantial effects on innovation capability and business performance. While the mediating role of innovation capability in enhancing business performance is statistically significant, its influence is comparatively weaker than that of other factors. These insights hold considerable implications for corporate strategy formulation and contribute to strengthening the practical applicability of the proposed research model.

4.3.4.3 Adjusted R^2 Analysis

The analysis of R^2 and adjusted R^2 coefficients demonstrated that the model possesses strong predictive capability, with substantial explanatory power for the two primary dependent variables. This finding confirms that the independent variables in the study exert significant influence on both business performance and innovation capability, thereby providing a solid foundation for practical managerial recommendations.

4.3.4.4 Effect Size f2

The f^2 effect size analysis indicates that intellectual capital (IC), Total Quality Management (TQM), and innovation capability (INC) exert significant impacts on business performance within the model. Specifically, IC demonstrates an effect size of $f^2 = 0.142$, TQM records $f^2 = 0.13$, and INC shows $f^2 = 0.029$. In addition, both IC and TQM exert notable effects on INC, thereby confirming that all variables in the model have been rigorously tested and meet the required standards.

4.3.4.5 Predictive Relevance Analysis (Q^2)

The results demonstrate that the model exhibits strong predictive capability for business performance (BP), indicating that the exogenous variables (Intellectual Capital, Total Quality Management, and Innovation Capability) effectively account for its variance. Overall, the findings provide compelling evidence that the model predicts both business performance (BP) and innovation capability (INC) with high explanatory power. Moreover, they underscore the critical role of exogenous variables such as Intellectual Capital (IC) and Total Quality Management (TQM) in explaining the variability of these constructs, thereby enhancing the robustness and reliability of the proposed research model.

4.4 Discussion of Research Findings

4.4.1 Measurement Model Analysis

The results of the formal quantitative analysis confirm that the measurement scales meet established reliability standards. All 13 first-order constructs demonstrate satisfactory composite reliability and strong internal consistency. Convergent validity is achieved, as both factor loadings and

average variance extracted (AVE) satisfy the required thresholds, while the measurement model also exhibits discriminant validity.

Similarly, the author conducted the Phase 2 measurement model assessment by re-examining the Phase 1 model, in which the second-order latent constructs Intellectual Capital and Total Quality Management (TQM), were re-specified as first-order latent constructs. The Phase 2 evaluation further indicates that the model achieves acceptable levels of reliability and composite reliability, with the measurement scales demonstrating robust internal consistency, convergent validity, and discriminant validity.

4.4.2 Discussion of Research Results

The evaluation of both the measurement model and the theoretical model demonstrates that the observed variable sets employed to measure the research constructs fully satisfy the requirements of internal consistency reliability, convergent validity, and discriminant validity, with all scales achieving the necessary levels of distinction.

Furthermore, the results of the structural equation modeling (SEM) confirm the statistical significance of seven research hypotheses, while also assessing the model's predictive capability and the extent of the influence exerted by the independent variables.

Collectively, these findings reaffirm that the proposed hypotheses and research model are well aligned with the practical realities of the hospitality industry in Ho Chi Minh City, thereby contributing both substantial scientific value and clear practical applicability.

CHAPTER 5. CONCLUSION AND MANAGERIAL IMPLICATIONS

5.1 Conclusion

The empirical findings confirm the alignment of the proposed model with foundational theories in strategic management and resource-based perspectives, while simultaneously extending the understanding of the linkage mechanisms among intellectual capital, Total Quality Management (TQM), innovation capability, and business performance within the

hospitality sector of Ho Chi Minh City and Vietnam more broadly.

From a practical standpoint, the dissertation provides a scientific basis for formulating strategies aimed at enhancing quality, fostering innovation, and improving operational performance in hotel enterprises.

5.2 Managerial Implications

The findings reveal that business performance (BP) is directly influenced by three principal groups of factors: (1) intellectual capital, encompassing human, structural, social, and technological capital; (2) Total Quality Management (TQM); and (3) innovation capability (INC).

In addition, intellectual capital and TQM exert indirect effects on BP through the mediating role of INC. These results provide an important scientific foundation to support policymakers and managers in hotel enterprises in Ho Chi Minh City in formulating strategic orientations and implementing appropriate initiatives aimed at enhancing and improving business performance.

Some suggested managerial implications including:

5.2.1 Implications about Intellectual Capital

For tourism authorities, the findings highlight the necessity of formulating policies that support the development of intellectual capital in hotel enterprises, particularly through initiatives such as workforce training programs, incentives for technological adoption and innovation, and the promotion of industry-wide collaboration.

For hotel managers, the findings underscore the necessity of approaching intellectual capital as a core strategic resource. Specifically, enterprises should prioritize investment in the development of human capital, the enhancement of structural capital, the strengthening of social capital, and the advancement of technological capital. The integrated management of these components will contribute to sustainably improving business performance.

5.2.2 Implications about Total Quality Management

For tourism authorities, it is essential to design and refine policies that encourage hotel enterprises to adopt Total Quality Management (TQM) in a systematic and long-term manner.

For hotel managers, the findings emphasize the necessity of comprehensively integrating core management practices to enhance efficiency and competitiveness. Particular attention should be directed toward seven key dimensions: leadership, training, employee task performance, continuous improvement, supplier quality management, customer focus, and process management.

5.2.3 Implications about Innovation Capability

For tourism authorities, it is essential to establish an enabling institutional and policy environment that fosters innovation capability within the hospitality sector.

For hotel managers, the empirical findings confirm that innovation capability serves as a pivotal mediating mechanism in the relationship between strategic management factors and operational performance, particularly under conditions of intense competition and crisis.

5.2.4 Implications about Business performance

For tourism regulatory authorities, enhancing the business performance of the hospitality industry should be approached from a systemic perspective. Accordingly, it is necessary to design and refine policy frameworks that encourage enterprises to invest in the development of intellectual capital, implement Total Quality Management (TQM) in a structured and long-term manner, and strengthen innovation capability through digital transformation, training in quality management, and support for innovation activities.

For hotel managers, intellectual capital and TQM must be recognized as critical strategic resources, with innovation capability serving as the central mechanism for connecting, reconfiguring, and transforming these resources

into sustainable business outcomes. This process contributes to improving service quality, increasing customer value, and fostering innovation across the entire organization.

5.3 Limitations and Future Research

5.3.1 Research Limitations

First, the scope of investigation was limited to Ho Chi Minh City, and therefore lacks broad representativeness.

Second, the study has not yet explored or tested the relationship between Intellectual Capital and Total Quality Management.

Third, the limitations may also stem from the structural characteristics of the data sample within the hotel industry in Ho Chi Minh City.

5.3.2 Future Research Directions

Future research should consider expanding the constituent factors of intellectual capital, Total Quality Management (TQM), and capabilities beyond innovation capability, in order to increase the diversity and explanatory power of the research model and enrich the theoretical framework.

Extending the scope of investigation to other regions will further enhance the generalizability and broader applicability of the findings.

Subsequent studies are also encouraged to employ stratified sampling designs based on hotel star ratings to address imbalances in sample structure and improve data representativeness.

Moreover, future research should rigorously examine the relationship between intellectual capital and TQM to clarify the underlying mechanisms of interaction between these constructs.

THE AUTHOR'S PUBLICATIONS RELATED TO DISSERTATION

Publications on Vietnamese national journals:

1. **Ung Sơn Khôi & Huỳnh Thanh Tú**: The Impact of Intellectual Capital and Total Quality Management on Business Performance through Innovation Capability in Ho Chi Minh City's Hotel Industry: Literature Review and Research Model - Tạp chí Phát triển khoa học và công nghệ - Economics-Law and Management 2025, 9(1):5822-6112 (ISSN 2588-1051), 5864-5873.
2. **Ung Sơn Khôi & Huỳnh Thanh Tú :** Developing Measurement Scales for Intellectual Capital and Total Quality Management in Relation to Business Performance through Innovation Capability in Ho Chi Minh City's Hotel Industry - Economy And Forecast Review, February -2025 (04), (ISSN 1859-4972), 333-337.
3. **Ung Sơn Khôi & Huỳnh Thanh Tú**: The Impact of Intellectual Capital and Total Quality Management on Business Performance through Innovation Capability in Ho Chi Minh City's Hotel Industry - VietNam Finance - Economy - September-2025 (ISSN 2615-8973), 180-184.