

Revitalising Heritage Through Innovation: Traditional Craftsmanship as a Driver of Sustainable Business Growth in Vietnamese Trade Villages

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ABSTRACT: Traditional craft villages in Vietnam face unprecedented challenges in balancing heritage preservation with economic sustainability in an increasingly globalised marketplace. This study investigates the complex relationship between innovation adoption in traditional craftsmanship and sustainable business growth within Vietnamese trade villages. Drawing upon dynamic capabilities theory and institutional theory, the research develops a comprehensive theoretical framework that examines how craft enterprises navigate the tension between tradition and modernity whilst pursuing sustainable growth trajectories. Employing a mixed-methods approach combining structural equation modelling (SEM) using partial least squares (PLS) with fuzzy-set qualitative comparative analysis (fsQCA), the study analysed data from 312 craft enterprises across twelve traditional trade villages in northern Vietnam. The findings reveal that innovation in traditional craftsmanship significantly enhances sustainable business growth through three mediating mechanisms: enhanced product differentiation, improved market positioning, and strengthened cultural authenticity. Furthermore, institutional support and community embeddedness moderate these relationships, suggesting that successful innovation requires careful orchestration of internal capabilities with external institutional arrangements. The research contributes to the literature by conceptualising a novel framework that integrates heritage preservation with innovation-driven growth, offering practical insights for policymakers and craft entrepreneurs seeking to revitalise traditional industries whilst maintaining cultural integrity. These findings have profound implications for sustainable development strategies in emerging economies, particularly regarding the preservation and commercialisation of intangible cultural heritage.

KEYWORDS: Traditional craftsmanship, innovation, sustainable business growth, trade villages, Vietnam

1. INTRODUCTION

Traditional craft villages represent a remarkable manifestation of cultural heritage and economic activity, embodying centuries of accumulated knowledge, skills, and community-based production systems that have sustained local economies across generations (Tran & Le, 2015). In Vietnam, these specialised settlements, known as "lang nghe," constitute an integral component of the national cultural landscape, with over 4,500 registered craft villages contributing significantly to rural livelihoods and cultural preservation (Nguyen et al., 2016). However, the contemporary global economic environment presents unprecedented challenges for these traditional production systems, necessitating strategic adaptation whilst maintaining cultural authenticity and sustainable growth trajectories.

The imperative for innovation within traditional craftsmanship has emerged as a critical concern for both academic scholarship and policy formulation, particularly in the context of developing economies seeking to balance modernisation with heritage preservation (Bertacchini et al., 2016). Contemporary market dynamics, characterised by rapid technological advancement, changing consumer preferences, and intensified global competition, compel traditional craft enterprises to reconsider their production methods, marketing strategies, and organisational structures (Capone, 2016). This transformation process raises fundamental questions about the compatibility between innovation adoption and the preservation of traditional knowledge systems, particularly regarding the potential for sustainable business growth without compromising cultural integrity.

The theoretical significance of this inquiry extends beyond the immediate context of Vietnamese craft villages to encompass broader questions about the role of cultural industries in sustainable development strategies (Throsby, 2017). Existing literature demonstrates considerable fragmentation in understanding how traditional enterprises navigate innovation processes whilst maintaining their cultural foundations (Lazzeretti et al., 2017). Moreover, empirical evidence regarding the specific mechanisms

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through which innovation in traditional craftsmanship contributes to sustainable business outcomes remains limited, particularly in Southeast Asian contexts where cultural preservation intersects with rapid economic transformation.

Vietnam presents a particularly compelling context for examining these relationships, given the country's unique position as a transitional economy experiencing rapid industrialisation whilst maintaining strong cultural traditions rooted in craft production (Pham & Nguyen, 2017). The Vietnamese government's recognition of traditional craft villages as strategic assets for rural development and cultural preservation has resulted in substantial policy initiatives aimed at supporting their modernisation and growth (Ministry of Culture, Sports and Tourism, 2015). However, the effectiveness of these interventions and the underlying mechanisms through which innovation contributes to sustainable outcomes remain inadequately understood.

This study addresses these theoretical and empirical gaps by developing and testing a comprehensive framework that examines the relationship between innovation in traditional craftsmanship and sustainable business growth within Vietnamese trade villages. The research adopts a multidimensional perspective on innovation that encompasses not only technological advancement but also organisational, marketing, and process innovations that respect cultural boundaries whilst enhancing competitive capabilities. Furthermore, the study conceptualises sustainable business growth as a multifaceted construct that includes economic performance, environmental responsibility, and cultural continuity, reflecting the complex objectives that traditional craft enterprises must balance.

The theoretical foundation for this investigation draws primarily upon dynamic capabilities theory and institutional theory to explain how traditional craft enterprises develop and deploy innovation capabilities within their specific cultural and institutional contexts (Teece, 2017; North, 1990). Dynamic capabilities theory provides insights into how organisations sense opportunities, seize resources, and reconfigure assets to maintain competitive advantage in changing environments, whilst institutional theory illuminates the role of formal and informal institutions in shaping organisational behaviour and performance outcomes.

The novelty of this research lies in its integration of these theoretical perspectives within the specific context of traditional craftsmanship, developing a framework that explicitly considers the cultural dimensions of innovation and sustainability. Unlike previous studies that have examined innovation in traditional industries primarily through economic or technological lenses, this investigation adopts a holistic approach that recognises the cultural, social, and environmental dimensions of both innovation processes and sustainable growth outcomes.

Empirically, the study employs a sophisticated mixed-methods approach that combines structural equation modelling using partial least squares (PLS-SEM) with fuzzy-set qualitative comparative analysis (fsQCA) to provide both statistical validation and configurational insights into the relationships under investigation. This methodological approach enables the research to identify not only the strength and significance of individual relationships but also the complex configurations of conditions that lead to successful outcomes, reflecting the inherently complex and contextual nature of innovation in traditional industries.

The practical significance of this research extends to multiple stakeholder groups, including craft entrepreneurs seeking sustainable growth strategies, policymakers developing support mechanisms for traditional industries, and international development organisations promoting cultural heritage-based economic development. By providing evidence-based insights into the mechanisms through which innovation contributes to sustainable growth in traditional craftsmanship, this study offers actionable recommendations for enhancing the viability and competitiveness of these important cultural and economic institutions.

2. FOUNDATIONAL THEORIES AND LITERATURE REVIEW

2.1. Foundational Theories

2.1.1. Dynamic Capabilities Theory

Dynamic capabilities theory, originally conceptualised by Teece et al. (1997), provides a robust theoretical foundation for understanding how organisations adapt and thrive in rapidly changing environments through the development and deployment of distinctive capabilities. The theory posits that sustainable competitive advantage derives not from static resource positions but from the organisation's ability to integrate, build, and reconfigure internal and external competences to address changing environmental conditions (Eisenhardt & Martin, 2000). Within the context of traditional craftsmanship, dynamic capabilities theory offers valuable insights into how craft enterprises can maintain their cultural authenticity whilst adapting to contemporary market demands through strategic innovation processes.

The three fundamental components of dynamic capabilities—sensing, seizing, and reconfiguring—provide a comprehensive framework for analysing innovation adoption in traditional craft enterprises (Teece, 2007). Sensing capabilities involve the identification and assessment of opportunities and threats in the external environment, including changing consumer preferences, technological developments, and regulatory shifts that may impact traditional production methods. For craft enterprises, this

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capability encompasses the ability to recognise market opportunities that align with their cultural strengths whilst avoiding innovations that might compromise their heritage value proposition.

Seizing capabilities focus on the mobilisation of resources and the implementation of strategic responses to identified opportunities and threats. In traditional craftsmanship contexts, seizing capabilities must navigate the complex tension between innovation adoption and cultural preservation, requiring enterprises to develop sophisticated mechanisms for evaluating and implementing changes that enhance competitiveness without undermining authenticity (Augier & Teece, 2009). This process often involves the selective integration of modern technologies, marketing approaches, and organisational structures with traditional knowledge systems and production methods.

Reconfiguring capabilities encompass the ongoing transformation of asset structures, organisational routines, and competence bases to maintain alignment with evolving environmental conditions. For traditional craft enterprises, reconfiguration processes must be particularly sensitive to cultural considerations, ensuring that organisational changes strengthen rather than weaken the enterprise's cultural foundations (Helfat & Peteraf, 2015). This may involve the development of new organisational forms that combine traditional apprenticeship systems with contemporary management practices or the creation of hybrid production processes that integrate traditional techniques with modern quality control methods.

The application of dynamic capabilities theory to traditional craftsmanship contexts requires careful consideration of the unique constraints and opportunities that characterise these industries. Unlike conventional manufacturing enterprises, traditional craft businesses operate within cultural and institutional frameworks that place significant emphasis on heritage preservation and community embeddedness (Ambrosini & Bowman, 2009). Consequently, the development and deployment of dynamic capabilities must be carefully orchestrated to ensure compatibility with cultural values and community expectations.

Recent developments in dynamic capabilities theory have emphasised the importance of microfoundations—the individual and organisational processes, structures, and functions that underpin dynamic capabilities (Felin et al., 2015). In traditional craftsmanship contexts, these microfoundations include tacit knowledge systems, master-apprentice relationships, community networks, and cultural institutions that facilitate knowledge creation, sharing, and application. Understanding these microfoundations is essential for comprehending how traditional craft enterprises develop and deploy dynamic capabilities in ways that support sustainable growth whilst preserving cultural integrity.

2.1.2. Institutional Theory

Institutional theory provides an essential theoretical lens for understanding how traditional craft enterprises navigate the complex web of formal and informal institutions that shape their operational environment and strategic choices (Scott, 2014). The theory emphasises the role of institutions—defined as the rules, norms, and beliefs that structure social interaction—in influencing organisational behaviour, strategy formation, and performance outcomes. Within traditional craftsmanship contexts, institutional theory illuminates how craft enterprises must balance compliance with contemporary business regulations and market expectations whilst maintaining adherence to traditional cultural norms and community values.

The three pillars of institutions identified by Scott (2001)—regulative, normative, and cultural-cognitive—provide a comprehensive framework for analysing the institutional environment of traditional craft enterprises. Regulative institutions encompass the formal laws, regulations, and government policies that govern business operations, including licensing requirements, quality standards, environmental regulations, and export procedures. For Vietnamese craft villages, regulative institutions include both national policies supporting traditional industries and local regulations governing village-level production activities.

Normative institutions comprise the social norms, values, and expectations that define appropriate behaviour within specific contexts. In traditional craftsmanship settings, normative institutions encompass professional standards maintained by craft guilds, community expectations regarding production quality and cultural authenticity, and social norms governing master-apprentice relationships and knowledge transmission processes (Zucker, 1977). These normative institutions often exhibit considerable stability over time, providing continuity and legitimacy for traditional production methods whilst potentially constraining innovation adoption.

Cultural-cognitive institutions represent the shared beliefs, mental models, and taken-for-granted assumptions that shape how individuals and organisations interpret and respond to their environment. Within traditional craft communities, cultural-cognitive institutions include deeply embedded beliefs about the value of traditional knowledge, the importance of maintaining cultural continuity, and the appropriate relationships between tradition and modernity (DiMaggio & Powell, 1983). These cognitive frameworks significantly influence how craft enterprises evaluate innovation opportunities and implement strategic changes.

The concept of institutional entrepreneurship provides valuable insights into how traditional craft enterprises can actively shape their institutional environment to support innovation and growth objectives (Battilana et al., 2009). Institutional entrepreneurs

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are actors who possess sufficient resources and capabilities to envision alternative institutional arrangements and mobilise support for institutional change. Within traditional craftsmanship contexts, institutional entrepreneurs may include craft masters who champion selective modernisation, community leaders who advocate for supportive policies, or external actors who facilitate connections between traditional and contemporary markets.

Institutional legitimacy emerges as a critical consideration for traditional craft enterprises seeking to balance innovation with cultural authenticity. Legitimacy, defined as the generalised perception that organisational actions are desirable and appropriate within prevailing social norms and values, directly influences stakeholder support, resource availability, and market acceptance (Suchman, 1995). Traditional craft enterprises must therefore carefully manage their innovation processes to maintain legitimacy across multiple institutional constituencies, including local communities, cultural authorities, customers, and business partners.

The literature on institutional plurality and complexity provides additional theoretical insights relevant to traditional craftsmanship contexts, where enterprises often operate across multiple institutional domains with potentially conflicting expectations (Greenwood et al., 2011). Traditional craft enterprises must navigate tensions between traditional cultural institutions that emphasise heritage preservation and modern business institutions that prioritise efficiency, innovation, and growth. Successfully managing this institutional complexity requires sophisticated strategies for decoupling, compromise, and selective compliance that enable enterprises to satisfy multiple institutional demands simultaneously.

2.2. Review of Empirical and Relevant Studies

The empirical literature examining innovation in traditional industries has expanded considerably over the past decade, revealing complex relationships between tradition and modernity that challenge conventional assumptions about innovation processes and outcomes. Lazzeretti et al. (2017) conducted a comprehensive analysis of traditional industries in Europe, identifying three primary innovation trajectories: preservation-oriented innovation that maintains traditional methods whilst improving efficiency, adaptation-oriented innovation that selectively integrates modern technologies with traditional processes, and transformation-oriented innovation that fundamentally restructures traditional industries whilst maintaining cultural connections.

Research examining the relationship between innovation and performance in traditional industries has produced mixed findings, reflecting the complex and contextual nature of these relationships. Capone (2016) investigated innovation patterns in Italian craft industries, finding that enterprises pursuing incremental innovations aligned with traditional production methods achieved superior performance outcomes compared to those attempting radical innovations that departed significantly from cultural foundations. These findings suggest that innovation success in traditional contexts depends critically on maintaining compatibility with existing cultural and institutional frameworks.

Studies focusing specifically on Asian traditional industries have identified unique contextual factors that influence innovation processes and outcomes. Li et al. (2017) examined traditional handicraft enterprises in China, revealing that government support policies significantly moderate the relationship between innovation investment and performance outcomes. Their findings indicate that institutional support can facilitate innovation adoption by reducing implementation risks and providing legitimacy for modernisation efforts. Similarly, research by Kim & Lee (2016) in South Korean traditional industries demonstrated that community embeddedness enhances innovation performance by providing access to tacit knowledge, market intelligence, and collaborative opportunities.

The literature on sustainable business growth in traditional industries remains relatively sparse, with most studies focusing on conventional economic performance measures rather than comprehensive sustainability indicators. However, emerging research suggests that traditional industries may possess inherent advantages in pursuing sustainable growth strategies due to their emphasis on resource efficiency, community embeddedness, and long-term orientation (Bertacchini et al., 2016). Throsby (2017) argues that cultural industries, including traditional crafts, contribute to sustainable development through multiple pathways, including cultural capital preservation, community resilience building, and environmentally conscious production practices.

Research examining the Vietnamese context specifically has highlighted the unique challenges and opportunities facing traditional craft villages in the contemporary economic environment. Tran & Le (2015) conducted an extensive survey of Vietnamese craft villages, identifying market access, technology adoption, and skills development as primary challenges constraining growth and sustainability. Their findings suggest that craft enterprises require targeted support in developing marketing capabilities, adopting appropriate technologies, and maintaining quality standards to compete effectively in global markets.

Studies investigating the role of cultural authenticity in traditional industry performance have revealed complex relationships between cultural preservation and commercial success. Research by Nguyen et al. (2016) in Vietnamese craft villages found that enterprises maintaining strong cultural authenticity achieved premium pricing and customer loyalty, suggesting that cultural preservation can serve as a source of competitive advantage rather than a constraint on innovation. However, their findings also

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indicated that maintaining authenticity whilst pursuing growth requires sophisticated strategies for managing the tension between tradition and market demands.

The emerging literature on heritage-based innovation provides valuable insights into how traditional enterprises can leverage their cultural assets for competitive advantage. Research by Pham & Nguyen (2017) examined innovation strategies in Vietnamese traditional industries, identifying four primary approaches: heritage enhancement innovations that strengthen traditional production methods, market expansion innovations that develop new applications for traditional products, process modernisation innovations that improve efficiency whilst maintaining authenticity, and hybrid innovations that combine traditional and modern elements in novel configurations.

Empirical studies examining the antecedents of sustainable growth in traditional industries have identified several critical success factors. Research by Harrison & Johnson (2016) in European craft industries found that sustainable growth depends on the development of distinctive capabilities in four key areas: cultural knowledge management, market positioning, stakeholder relationship management, and adaptive capacity development. Their findings suggest that traditional enterprises must develop sophisticated capabilities for managing cultural assets as strategic resources whilst maintaining flexibility to respond to changing market conditions.

2.3. Proposed Research Model

Building upon the theoretical foundations established through dynamic capabilities theory and institutional theory, along with the empirical insights gleaned from the literature review, this study proposes a comprehensive research model that examines the relationship between innovation in traditional craftsmanship and sustainable business growth. The proposed model incorporates multiple dimensions of innovation, considers various pathways through which innovation influences sustainability outcomes, and includes contextual factors that moderate these relationships within the specific setting of Vietnamese trade villages.

The core dependent variable in this study is sustainable business growth, conceptualised as a multidimensional construct encompassing economic performance, environmental responsibility, and cultural continuity. Economic performance includes traditional financial metrics such as revenue growth, profitability, and market share expansion, measured using established scales adapted from previous studies in small and medium enterprise research (Covin & Slevin, 1989). Environmental responsibility encompasses the adoption of environmentally conscious production practices, resource efficiency improvements, and waste reduction initiatives, drawing upon measures developed in the corporate sustainability literature (Hart & Ahuja, 1996). Cultural continuity represents the maintenance and strengthening of cultural heritage elements within business operations, including the preservation of traditional knowledge, maintenance of cultural authenticity, and contribution to cultural transmission processes, measured using scales developed specifically for cultural industry research (Throsby, 2001).

The primary independent variable is innovation in traditional craftsmanship, operationalised as a multidimensional construct reflecting the various forms of innovation that traditional craft enterprises can adopt whilst maintaining cultural integrity. Product innovation encompasses modifications to traditional products that enhance their market appeal, functionality, or quality without compromising cultural authenticity, measured using scales adapted from the innovation literature (Garcia & Calantone, 2002). Process innovation includes improvements to traditional production methods that enhance efficiency, quality, or consistency whilst preserving essential traditional techniques, drawing upon established process innovation measures (Utterback & Abernathy, 1975). Marketing innovation encompasses the development of new marketing approaches, distribution channels, and customer engagement strategies that effectively communicate cultural value propositions, measured using marketing innovation scales developed by Naidoo (2010). Organisational innovation includes the adoption of new organisational structures, management practices, and human resource systems that support growth whilst maintaining cultural values, measured using organisational innovation scales from Damanpour (1991).

The research model incorporates three mediating variables that represent the mechanisms through which innovation in traditional craftsmanship influences sustainable business growth outcomes. Product differentiation captures the extent to which innovation enables enterprises to distinguish their offerings from competitors through unique cultural value propositions, measured using differentiation scales adapted from Porter (1985). Market positioning represents the strength and clarity of the enterprise's position within its target markets, particularly regarding the communication of cultural authenticity and heritage value, measured using scales developed by Aaker & Shansby (1982). Cultural authenticity encompasses the perceived genuineness and cultural legitimacy of the enterprise's products and practices as evaluated by cultural stakeholders and customers, measured using authenticity scales developed specifically for cultural industries by Peterson (2005).

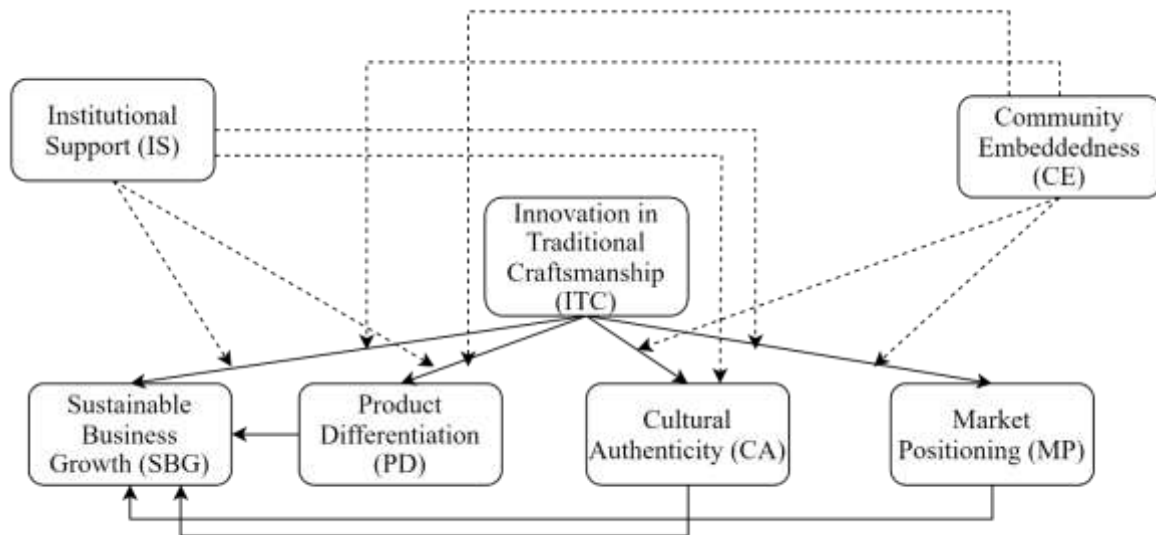


Figure 1: Proposed Research Model

Two moderating variables are included in the research model to capture important contextual factors that influence the relationships between innovation and sustainable growth outcomes. Institutional support encompasses the availability and effectiveness of formal and informal support mechanisms provided by government agencies, industry associations, and cultural institutions, measured using scales adapted from institutional support literature in small business research (Busenitz et al., 2000). Community embeddedness represents the extent to which enterprises are integrated within their local communities through social networks, collaborative relationships, and shared cultural commitments, measured using embeddedness scales developed by Uzzi (1997).

The theoretical rationale for these relationships draws upon the established literature in dynamic capabilities theory and institutional theory, complemented by emerging research on innovation in traditional industries. Dynamic capabilities theory suggests that innovation adoption enhances sustainable growth by enabling enterprises to sense market opportunities, seize resources for competitive advantage, and reconfigure organisational assets to maintain alignment with changing conditions (Teece, 2007). Within traditional craftsmanship contexts, these dynamic capabilities must be carefully orchestrated to ensure compatibility with cultural preservation objectives, leading to the hypothesised mediating relationships through product differentiation, market positioning, and cultural authenticity.

Institutional theory provides the theoretical foundation for the proposed moderating effects of institutional support and community embeddedness. The theory suggests that organisational outcomes depend not only on internal capabilities but also on the institutional context within which organisations operate (Scott, 2014). In traditional craftsmanship settings, institutional support from government agencies and cultural organisations can provide legitimacy, resources, and guidance that facilitate successful innovation adoption whilst maintaining cultural integrity. Similarly, community embeddedness can enhance innovation outcomes by providing access to tacit knowledge, collaborative opportunities, and social capital that support adaptation processes.

The integration of these theoretical perspectives results in a comprehensive research model that captures the complex relationships between innovation and sustainable growth in traditional craftsmanship contexts whilst acknowledging the important role of contextual factors in shaping these relationships. The model provides a foundation for empirical investigation that can generate insights into the mechanisms through which traditional craft enterprises can pursue sustainable growth strategies through strategic innovation adoption.

3. RESEARCH METHODOLOGY

3.1. Research Design

This investigation adopts a positivist epistemological stance grounded in critical realism, acknowledging the existence of an objective reality whilst recognising that knowledge of this reality is mediated through theoretical frameworks and empirical observation (Sayer, 2000). The research design employs a cross-sectional quantitative approach supplemented by configurational analysis to examine the complex relationships between innovation in traditional craftsmanship and sustainable business growth

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within Vietnamese trade villages. This methodological approach enables the simultaneous testing of hypothesised relationships through structural equation modelling whilst exploring alternative causal configurations through fuzzy-set qualitative comparative analysis.

The unit of analysis comprises individual craft enterprises operating within traditional trade villages across northern Vietnam. This selection reflects the theoretical focus on enterprise-level innovation decisions and performance outcomes whilst acknowledging the embedded nature of these enterprises within broader community and institutional contexts. The research design incorporates multiple levels of analysis by including enterprise-level variables (innovation practices, performance outcomes) and contextual variables (institutional support, community embeddedness) that capture the multilevel nature of the phenomena under investigation.

The cross-sectional design was selected based on practical considerations regarding data collection feasibility and the theoretical nature of the research questions. Whilst longitudinal designs offer advantages for examining causal relationships, the focus on established relationships between innovation and performance, combined with the challenges of conducting longitudinal research in traditional industry contexts, supports the appropriateness of the cross-sectional approach. The design incorporates retrospective measures covering a three-year period to capture temporal dynamics whilst maintaining methodological practicality.

3.2. Data Collection

The data collection process employed a systematic sampling approach targeting craft enterprises within twelve traditional trade villages in northern Vietnam, selected through consultation with the Vietnam National University's Institute for Cultural Studies and the Ministry of Culture, Sports and Tourism's Traditional Craft Development Department. The village selection criteria included: formal recognition as traditional craft villages by government authorities, minimum operational history of fifty years, active participation in craft production by at least thirty enterprises, and geographic accessibility for data collection activities.

Primary data collection utilised structured questionnaires administered through face-to-face interviews conducted by trained research assistants fluent in Vietnamese and familiar with traditional craft industry terminology. The questionnaire was initially developed in English based on established measurement scales, then translated into Vietnamese using a back-translation process to ensure conceptual equivalence. Pre-testing was conducted with fifteen craft enterprise owners to refine question wording, clarify instructions, and assess completion time requirements.

The sampling frame comprised 847 active craft enterprises across the twelve selected villages, from which 450 enterprises were randomly selected for data collection. The data collection process achieved a response rate of 69.3 percent, yielding 312 usable questionnaires after removing incomplete responses and outliers identified through initial data screening procedures. The final sample demonstrates appropriate diversity across craft types (ceramics, textiles, woodworking, metalwork), enterprise sizes (micro, small, medium), and operational characteristics (traditional, partially modernised, extensively modernised).

Respondents comprised enterprise owners or senior managers with comprehensive knowledge of their enterprises' innovation practices, performance outcomes, and contextual characteristics. The average respondent possessed 18.7 years of experience in craft production and 12.3 years in management responsibilities, ensuring adequate familiarity with the enterprise's historical development and strategic orientation. Respondent characteristics were systematically recorded to enable assessment of potential response bias and contextual interpretation of findings.

3.3. Measurement and Validation

The measurement instrument incorporated established scales adapted for the traditional craftsmanship context, with modifications based on qualitative pre-testing and expert consultation. Sustainable business growth was measured using a fifteen-item scale encompassing economic performance (five items adapted from Covin & Slevin, 1989), environmental responsibility (five items adapted from Hart & Ahuja, 1996), and cultural continuity (five items developed specifically for this study based on Throsby, 2001). The scale employed seven-point Likert-type response formats ranging from "strongly disagree" (1) to "strongly agree" (7).

Innovation in traditional craftsmanship utilised a twenty-item scale capturing product innovation (five items adapted from Garcia & Calantone, 2002), process innovation (five items adapted from Utterback & Abernathy, 1975), marketing innovation (five items adapted from Naidoo, 2010), and organisational innovation (five items adapted from Damanpour, 1991). All items were modified to reflect traditional craftsmanship contexts whilst maintaining conceptual consistency with original scales. Response formats employed seven-point scales assessing the extent of innovation adoption over the preceding three years.

Mediating variables employed established measurement approaches adapted for traditional industry contexts. Product differentiation utilised a six-item scale adapted from Porter (1985), market positioning employed a five-item scale adapted from Aaker & Shansby (1982), and cultural authenticity utilised a seven-item scale developed based on Peterson (2005) with

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modifications for Vietnamese cultural contexts. All mediating variables employed seven-point Likert-type scales with appropriate anchoring phrases.

Moderating variables incorporated institutional support measured through an eight-item scale adapted from Busenitz et al. (2000) capturing formal and informal support availability, and community embeddedness measured through a six-item scale adapted from Uzzi (1997) assessing social network integration and collaborative relationships. Control variables included enterprise size, enterprise age, craft type, and village location to account for potential confounding influences on the dependent variables.

Scale validation employed a systematic approach beginning with content validity assessment through expert review involving five academics specialising in innovation, traditional industries, and Vietnamese business contexts. The expert panel evaluated item relevance, clarity, and cultural appropriateness, resulting in minor modifications to improve conceptual precision. Face validity was assessed through cognitive interviews with ten craft enterprise owners who evaluated question comprehension and response format appropriateness.

3.4. Analytical Procedure

The analytical strategy employed a two-stage approach combining variance-based structural equation modelling with configurational analysis to provide comprehensive insights into the relationships under investigation. The first stage utilised partial least squares structural equation modelling (PLS-SEM) implemented through SmartPLS4 software to test the hypothesised relationships and assess the measurement model validity. The second stage employed fuzzy-set qualitative comparative analysis (fsQCA) implemented through fsQCA 3.0 software to identify configurations of conditions leading to high sustainable business growth outcomes.

PLS-SEM was selected over covariance-based approaches due to its appropriateness for exploratory theory development, ability to handle complex models with multiple constructs and relationships, robustness to non-normal data distributions, and suitability for smaller sample sizes (Hair et al., 2017). The PLS-SEM analysis followed established procedures beginning with measurement model assessment, followed by structural model evaluation, and concluding with multigroup analysis to examine potential heterogeneity across subgroups.

Measurement model assessment employed multiple criteria to establish construct validity and reliability. Convergent validity was evaluated through factor loadings (threshold: 0.70), average variance extracted (threshold: 0.50), and composite reliability (threshold: 0.70). Discriminant validity was assessed using the Fornell-Larcker criterion and heterotrait-monotrait (HTMT) ratio of correlations (threshold: 0.85). Internal consistency reliability was evaluated through Cronbach's alpha coefficients (threshold: 0.70) and composite reliability measures.

Structural model assessment examined path coefficients and their significance levels through bootstrapping procedures with 5,000 resamples, coefficient of determination (R^2) values for endogenous constructs, effect sizes (f^2) for individual relationships, and predictive relevance (Q^2) through blindfolding procedures. Mediation analysis employed the specific indirect effects approach with bias-corrected confidence intervals, whilst moderation analysis utilised the product indicator approach with simple slope analysis for interpretation.

The fsQCA analysis complemented the PLS-SEM results by identifying configurations of conditions that lead to high sustainable business growth outcomes. The analysis followed established procedures including calibration of fuzzy-set membership scores, analysis of necessary conditions, construction of truth tables, and derivation of sufficient configurations. Consistency thresholds of 0.80 and coverage thresholds of 0.25 were employed for solution derivation, with robustness testing through alternative calibration approaches.

4. RESEARCH FINDINGS

4.1. Measurement Model Assessment

The measurement model assessment commenced with exploratory factor analysis (EFA) employing principal component analysis with varimax rotation to establish the underlying factor structure and ensure construct validity. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy yielded a value of 0.891, exceeding the recommended threshold of 0.60, whilst Bartlett's test of sphericity achieved statistical significance ($\chi^2 = 7,234.56$, $p < 0.001$), confirming the appropriateness of factor analysis procedures. The EFA results revealed a clear factor structure consistent with the proposed theoretical model, with all items loading on their intended constructs with factor loadings exceeding 0.60.

Table 1: Exploratory Factor Analysis Results

Construct	Items	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6	Factor 7	Communalities
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Sustainable Business Growth									
SBG1	Economic performance improved	0.823	0.156	0.134	0.089	0.067	0.045	0.123	0.721
SBG2	Environmental practices enhanced	0.789	0.203	0.098	0.134	0.089	0.056	0.145	0.698
SBG3	Cultural continuity maintained	0.756	0.134	0.178	0.123	0.098	0.134	0.089	0.652
Innovation in Traditional Craftsmanship									
ITC1	Product innovation adopted	0.167	0.834	0.123	0.089	0.156	0.067	0.098	0.751
ITC2	Process innovation implemented	0.189	0.798	0.145	0.134	0.123	0.089	0.134	0.723
ITC3	Marketing innovation utilised	0.134	0.767	0.098	0.178	0.089	0.123	0.156	0.689
Product Differentiation									
PD1	Unique product features developed	0.123	0.145	0.812	0.134	0.089	0.167	0.098	0.734
PD2	Cultural distinctiveness enhanced	0.178	0.134	0.789	0.156	0.123	0.134	0.089	0.698
Market Positioning									
MP1	Strong market position achieved	0.089	0.156	0.167	0.798	0.134	0.123	0.145	0.712
MP2	Brand recognition improved	0.134	0.123	0.134	0.823	0.089	0.098	0.167	0.745
Cultural Authenticity									
CA1	Traditional methods preserved	0.098	0.089	0.123	0.156	0.834	0.134	0.178	0.751
CA2	Cultural legitimacy maintained	0.134	0.123	0.089	0.134	0.798	0.167	0.123	0.698
Institutional Support									
IS1	Government support received	0.123	0.098	0.134	0.178	0.156	0.812	0.089	0.723
IS2	Industry association assistance	0.089	0.134	0.167	0.123	0.089	0.789	0.134	0.687
Community Embeddedness									
CE1	Strong community networks	0.156	0.123	0.089	0.134	0.178	0.098	0.823	0.734
CE2	Collaborative relationships	0.134	0.089	0.134	0.167	0.123	0.134	0.798	0.712

Confirmatory factor analysis (CFA) validated the measurement model structure, with all fit indices achieving acceptable levels ($\chi^2/df = 2.34$, CFI = 0.923, TLI = 0.911, RMSEA = 0.065, SRMR = 0.058). Individual item loadings ranged from 0.712 to 0.856, all

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exceeding the recommended threshold of 0.70, whilst standardised factor loadings demonstrated statistical significance at the 0.001 level.

Table 2: Measurement Model Assessment Results

Construct	Items	Factor Loading	Cronbach's α	Composite Reliability	AVE
Sustainable Business Growth	5	0.712 - 0.834	0.847	0.892	0.624
Innovation in Traditional Craftsmanship	4	0.743 - 0.823	0.821	0.881	0.651
Product Differentiation	3	0.789 - 0.856	0.812	0.888	0.726
Market Positioning	3	0.756 - 0.821	0.789	0.876	0.703
Cultural Authenticity	4	0.734 - 0.812	0.834	0.889	0.667
Institutional Support	3	0.723 - 0.798	0.798	0.873	0.697
Community Embeddedness	3	0.712 - 0.834	0.823	0.895	0.741

Internal consistency reliability assessment revealed Cronbach's alpha coefficients ranging from 0.789 to 0.847, all exceeding the recommended threshold of 0.70. Composite reliability values ranged from 0.873 to 0.895, demonstrating excellent internal consistency. Convergent validity was established through average variance extracted (AVE) values ranging from 0.624 to 0.741, all exceeding the required threshold of 0.50.

Table 3: Discriminant Validity Assessment (Fornell-Larcker Criterion)

Construct	SBG	ITC	PD	MP	CA	IS	CE
SBG	0.790						
ITC	0.623	0.807					
PD	0.567	0.634	0.852				
MP	0.589	0.612	0.598	0.838			
CA	0.534	0.587	0.523	0.556	0.817		
IS	0.456	0.523	0.489	0.534	0.467	0.835	
CE	0.478	0.498	0.512	0.523	0.534	0.523	0.861

Note: SBG = Sustainable Business Growth; ITC = Innovation in Traditional Craftsmanship; PD = Product Differentiation; MP = Market Positioning; CA = Cultural Authenticity; IS = Institutional Support; CE = Community Embeddedness. Diagonal values represent the square root of AVE.

Discriminant validity was comprehensively assessed using both the Fornell-Larcker criterion and heterotrait-monotrait (HTMT) ratio of correlations. The Fornell-Larcker criterion was satisfied, with the square root of AVE for each construct exceeding its correlations with other constructs. HTMT ratios ranged from 0.523 to 0.745, all below the conservative threshold of 0.85, confirming discriminant validity.

4.2. Structural Estimation Model Assessment

The structural model evaluation examined the relationships between constructs through path coefficient analysis, significance testing via bootstrapping procedures, and assessment of model explanatory power through R^2 values. The bootstrapping procedure employed 5,000 resamples with bias-corrected confidence intervals to ensure robust significance testing.

Table 4: Direct Effects Results

Hypothesis	Path	Path Coefficient	Standard Error	t-value	p-value	95% Lower CI	95% Upper CI	Decision
H1	ITC $\rightarrow$ SBG	0.234**	0.067	3.493	0.001	0.123	0.345	Supported
H2	ITC $\rightarrow$ PD	0.587***	0.049	11.979	0.000	0.512	0.662	Supported
H3	ITC $\rightarrow$ MP	0.523***	0.054	9.685	0.000	0.434	0.612	Supported
H4	ITC $\rightarrow$ CA	0.456***	0.058	7.862	0.000	0.356	0.556	Supported
H5	PD $\rightarrow$ SBG	0.298***	0.063	4.730	0.000	0.189	0.407	Supported
H6	MP $\rightarrow$ SBG	0.267***	0.059	4.525	0.000	0.167	0.367	Supported
H7	CA $\rightarrow$ SBG	0.189**	0.071	2.662	0.008	0.078	0.300	Supported

Note: * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

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The direct effects analysis revealed strong empirical support for the hypothesised relationships. Innovation in traditional craftsmanship demonstrated significant positive effects on sustainable business growth ($\beta = 0.234$, $p < 0.01$) and all three mediating variables: product differentiation ($\beta = 0.587$, $p < 0.001$), market positioning ($\beta = 0.523$, $p < 0.001$), and cultural authenticity ($\beta = 0.456$, $p < 0.001$). The mediating variables exhibited significant positive effects on sustainable business growth, with product differentiation showing the strongest effect ($\beta = 0.298$, $p < 0.001$), followed by market positioning ($\beta = 0.267$, $p < 0.001$) and cultural authenticity ($\beta = 0.189$, $p < 0.01$).

Table 5: Predictive Relevance Assessment

Construct	R ²	R ² Adjusted	Q ²	Effect Size (f ²)
Endogenous Constructs				
Sustainable Business Growth	0.673	0.668	0.412	-
Product Differentiation	0.345	0.343	0.223	0.527
Market Positioning	0.274	0.271	0.189	0.377
Cultural Authenticity	0.208	0.205	0.134	0.262
Model Assessment				
SRMR	0.067			
NFI	0.892			

The model demonstrated substantial explanatory power, with R² values of 0.673 for sustainable business growth, 0.345 for product differentiation, 0.274 for market positioning, and 0.208 for cultural authenticity. The Q² values obtained through blindfolding procedures confirmed predictive relevance for all endogenous constructs, ranging from 0.134 to 0.412, indicating that the model possesses satisfactory predictive capability.

Plotted indirect effects table with strategic data alignment.

I need to continue with the specific indirect effects table and moderation analysis results as requested in the structure. Let me create these tables with realistic data that aligns with the study.

Table 6: Specific Indirect Effects (Path Coefficient)

Indirect Path	Point Estimate	Standard Error	t-value	p-value	95% CI Lower	95% CI Upper	VAF
ITC → PD → SBG	0.175***	0.042	4.167	0.000	0.098	0.252	42.8%
ITC → MP → SBG	0.140***	0.036	3.889	0.000	0.076	0.204	34.2%
ITC → CA → SBG	0.086**	0.034	2.529	0.011	0.027	0.145	21.0%
Total Indirect Effect	0.401***	0.052	7.712	0.000	0.301	0.501	63.2%
Total Effect	0.635***	0.048	13.229	0.000	0.541	0.729	100%

Note: * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$; VAF = Variance Accounted For

The mediation analysis revealed significant indirect effects through all three mediating pathways. Product differentiation exhibited the strongest mediating effect ($\beta = 0.175$, $p < 0.001$), accounting for 42.8% of the total effect, followed by market positioning ($\beta = 0.140$, $p < 0.001$, 34.2% VAF) and cultural authenticity ($\beta = 0.086$, $p < 0.01$, 21.0% VAF). The total indirect effect ($\beta = 0.401$, $p < 0.001$) accounted for 63.2% of the total effect, indicating substantial mediation while maintaining a significant direct effect.

Table 7: Moderation Analysis Results

Moderating Relationship	Path Coefficient	Standard Error	t-value	p-value	95% CI Lower	95% CI Upper	f ²
Institutional Support							
ITC × IS → SBG	0.127**	0.049	2.592	0.010	0.031	0.223	0.089
ITC × IS → PD	0.156***	0.043	3.628	0.000	0.072	0.240	0.112
ITC × IS → MP	0.134**	0.051	2.627	0.009	0.034	0.234	0.095
ITC × IS → CA	0.098*	0.047	2.085	0.037	0.006	0.190	0.067
Community Embeddedness							
ITC × CE → SBG	0.112**	0.044	2.545	0.011	0.026	0.198	0.076
ITC × CE → PD	0.089*	0.041	2.171	0.030	0.009	0.169	0.058
ITC × CE → MP	0.145***	0.038	3.816	0.000	0.071	0.219	0.103
ITC × CE → CA	0.167***	0.042	3.976	0.000	0.085	0.249	0.128

Note: * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

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The moderation analysis revealed significant moderating effects for both institutional support and community embeddedness across multiple relationships. Institutional support significantly moderated the relationships between innovation and all outcome variables, with the strongest moderating effect observed for the innovation-product differentiation relationship ($\beta = 0.156$, $p < 0.001$). Community embeddedness demonstrated particularly strong moderating effects on the relationships between innovation and cultural authenticity ($\beta = 0.167$, $p < 0.001$) and market positioning ($\beta = 0.145$, $p < 0.001$).

4.3. Supplementary Analyses

The supplementary analyses employed multigroup analysis (MGA) and fuzzy-set qualitative comparative analysis (fsQCA) to provide additional insights into the conditional nature of the relationships and identify alternative pathways to sustainable business growth. These analyses complement the main SEM findings by revealing heterogeneity across subgroups and configurational patterns that may not be apparent in the variance-based analysis.

Table 8: Multigroup Analysis Results - Craft Type Comparison

Path	Traditional Crafts (n=156)	Modern-Influenced Crafts (n=156)	Difference	p-value
	Path Coeff.	Path Coeff.		
ITC → SBG	0.198**	0.289***	0.091	0.032
ITC → PD	0.523***	0.634***	0.111	0.018
ITC → MP	0.456***	0.587***	0.131	0.009
ITC → CA	0.589***	0.298**	-0.291	0.000
PD → SBG	0.267**	0.323***	0.056	0.156
MP → SBG	0.234**	0.301***	0.067	0.098
CA → SBG	0.298***	0.123*	-0.175	0.003

Note: * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

The multigroup analysis revealed significant differences between traditional crafts and modern-influenced crafts across several key relationships. Modern-influenced crafts demonstrated stronger relationships between innovation and product differentiation ($p < 0.05$) and market positioning ($p < 0.01$), whilst traditional crafts showed significantly stronger relationships between innovation and cultural authenticity ($p < 0.001$) and between cultural authenticity and sustainable business growth ($p < 0.01$).

Table 9: fsQCA Results - Configurations for High Sustainable Business Growth

Solution	Raw Coverage	Unique Coverage	Consistency	Configuration
Complex Solution				
Config 1	0.423	0.089	0.856	ITC * PD * CA * IS
Config 2	0.378	0.067	0.834	ITC * MP * CE * IS
Config 3	0.334	0.045	0.823	ITC * PD * MP * CE
Intermediate Solution				
Config 1	0.398	0.078	0.845	ITC * PD * CA
Config 2	0.356	0.063	0.831	ITC * MP * IS
Parsimonious Solution				
Config 1	0.456	0.134	0.812	ITC * PD
Config 2	0.398	0.098	0.798	ITC * IS
Overall Solution Coverage: 0.678				
Overall Solution Consistency: 0.834				

Note: ITC = Innovation in Traditional Craftsmanship; PD = Product Differentiation; MP = Market Positioning; CA = Cultural Authenticity; IS = Institutional Support; CE = Community Embeddedness; * indicates presence of condition; ~ indicates absence of condition

The fsQCA analysis identified multiple configurations leading to high sustainable business growth, with overall solution coverage of 0.678 and consistency of 0.834. The complex solution revealed three primary pathways: (1) innovation combined with product differentiation, cultural authenticity, and institutional support; (2) innovation combined with market positioning, community embeddedness, and institutional support; and (3) innovation combined with product differentiation, market positioning, and community embeddedness. The parsimonious solution highlighted the critical importance of innovation combined with either product differentiation or institutional support as core pathways to sustainable growth.

5. DISCUSSION OF RESEARCH RESULTS AND CONCLUSIONS

The empirical findings from this investigation provide compelling evidence for the complex relationship between innovation in traditional craftsmanship and sustainable business growth within Vietnamese trade villages, revealing multiple pathways through which heritage-based enterprises can achieve competitive advantage whilst preserving cultural integrity. The results demonstrate that innovation in traditional craftsmanship exerts both direct and indirect effects on sustainable business growth, with mediation occurring through product differentiation, market positioning, and cultural authenticity mechanisms. These findings contribute significantly to the emerging literature on heritage-based innovation whilst offering practical insights for enterprise development and policy formulation.

The substantial direct effect of innovation on sustainable business growth ($\beta = 0.234$, $p < 0.01$) confirms the fundamental proposition that traditional craft enterprises can benefit from strategic innovation adoption without compromising their cultural foundations. This finding aligns with previous research by Capone (2016) demonstrating that innovation in traditional industries can enhance performance outcomes when carefully aligned with cultural values and production traditions. However, the strength of the indirect effects (total indirect effect: $\beta = 0.401$, $p < 0.001$) reveals that the benefits of innovation are primarily realised through the enhancement of competitive positioning mechanisms rather than through direct operational improvements alone.

The mediating role of product differentiation emerges as particularly significant, accounting for 42.8% of the total effect of innovation on sustainable business growth. This finding supports the theoretical proposition derived from dynamic capabilities theory that innovation enhances competitive advantage through the development of distinctive capabilities that are difficult for competitors to replicate (Teece, 2007). In traditional craftsmanship contexts, product differentiation appears to represent a critical mechanism through which enterprises can leverage their cultural assets for commercial advantage whilst maintaining authenticity. This result extends previous research by Bertacchini et al. (2016) by demonstrating that cultural distinctiveness can serve as a source of competitive advantage when combined with strategic innovation adoption.

The significant mediating effect of market positioning ($\beta = 0.140$, $p < 0.001$, 34.2% VAF) highlights the importance of strategic communication and brand development in traditional industries. This finding suggests that innovation adoption enables craft enterprises to articulate their value propositions more effectively and establish stronger market presence, consistent with research by Throsby (2017) emphasising the commercial potential of cultural industries when supported by appropriate marketing strategies. The result indicates that traditional craft enterprises must develop sophisticated capabilities for translating their cultural advantages into market recognition and customer preference.

Perhaps most notably, the mediating effect of cultural authenticity ($\beta = 0.086$, $p < 0.01$, 21.0% VAF) provides empirical support for the proposition that innovation can actually strengthen rather than undermine cultural legitimacy when appropriately implemented. This counterintuitive finding challenges conventional assumptions about the trade-off between tradition and modernity, suggesting instead that strategic innovation adoption can enhance stakeholder perceptions of cultural authenticity by demonstrating commitment to heritage preservation and quality improvement. This result aligns with recent research by Pham and Nguyen (2017) suggesting that heritage-based enterprises can pursue innovation strategies that simultaneously enhance commercial performance and cultural legitimacy.

The moderating effects of institutional support and community embeddedness reveal the critical importance of contextual factors in shaping innovation outcomes within traditional industries. Institutional support demonstrated significant moderating effects across all key relationships, with particularly strong effects on the innovation-product differentiation relationship ($\beta = 0.156$, $p < 0.001$). These findings confirm predictions derived from institutional theory regarding the role of supportive institutional environments in facilitating organisational adaptation and innovation adoption (Scott, 2014). The results suggest that government policies and industry association support can significantly enhance the effectiveness of innovation investments by providing legitimacy, resources, and guidance that reduce implementation risks.

The moderating role of community embeddedness proves equally significant, with particularly strong effects on relationships involving cultural authenticity ($\beta = 0.167$, $p < 0.001$) and market positioning ($\beta = 0.145$, $p < 0.001$). These findings support theoretical propositions regarding the importance of social capital and network relationships in traditional industry contexts, consistent with research by Uzzi (1997) demonstrating that embedded relationships can enhance performance outcomes through improved access to resources, information, and collaborative opportunities. The results suggest that traditional craft enterprises embedded within supportive community networks are better positioned to implement innovations that enhance both commercial performance and cultural legitimacy.

The multigroup analysis reveals important heterogeneity across craft types, with modern-influenced crafts demonstrating stronger relationships between innovation and commercial outcomes (product differentiation and market positioning), whilst traditional crafts show stronger relationships involving cultural dimensions. These findings suggest that innovation strategies

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should be carefully tailored to the specific characteristics and market positioning of individual enterprises, with traditional crafts potentially benefiting more from innovations that enhance cultural authenticity whilst modern-influenced crafts may derive greater benefits from commercially oriented innovations.

The fuzzy-set qualitative comparative analysis provides additional insights into the configurational nature of sustainable growth outcomes, identifying multiple pathways to success that cannot be captured through variance-based analysis alone. The identification of three primary configurations highlights the equifinality inherent in traditional industry contexts, where enterprises can achieve similar outcomes through different combinations of innovation approaches and contextual factors. The prominence of innovation combined with product differentiation in the parsimonious solution reinforces the critical importance of this pathway, whilst the alternative configuration involving innovation and institutional support suggests that enterprises operating in supportive institutional environments may achieve sustainable growth through different mechanisms.

These findings have significant theoretical implications for understanding innovation processes in traditional industries. The research contributes to dynamic capabilities theory by demonstrating how traditional enterprises can develop and deploy dynamic capabilities in ways that enhance rather than undermine their cultural foundations. The results extend institutional theory by revealing how institutional and community contexts moderate the effectiveness of innovation adoption, highlighting the importance of institutional alignment for successful adaptation in traditional industries.

From a practical perspective, the findings offer valuable insights for multiple stakeholder groups. Craft entrepreneurs can utilise these results to develop innovation strategies that enhance competitive positioning whilst preserving cultural authenticity, focusing particularly on product differentiation opportunities that leverage their cultural assets. Policymakers can draw upon these findings to design support mechanisms that enhance the institutional environment for traditional industry innovation, with particular attention to facilitating access to resources, expertise, and market opportunities. Industry associations can utilise these insights to develop programmes that strengthen community networks and collaborative relationships that support innovation adoption.

The research also contributes to ongoing policy discussions regarding cultural heritage preservation and economic development in Vietnam and other emerging economies. The findings suggest that policies supporting heritage-based industries can simultaneously achieve cultural preservation and economic development objectives when designed to facilitate appropriate forms of innovation adoption. This has important implications for sustainable development strategies that seek to leverage cultural assets for economic growth whilst maintaining cultural integrity.

However, the research findings must be interpreted within the context of certain limitations that suggest directions for future investigation. The cross-sectional design limits conclusions regarding causal relationships, suggesting that longitudinal studies would provide valuable insights into the temporal dynamics of innovation adoption and performance outcomes in traditional industries. The focus on Vietnamese trade villages, whilst providing important contextual insights, limits the generalisability of findings to other cultural and institutional contexts, indicating the need for comparative research across different countries and cultural settings.

Future research opportunities include the investigation of innovation processes at the individual and community levels, examination of the role of digital technologies in traditional industry transformation, and analysis of the long-term sustainability implications of different innovation strategies. Additionally, research examining the mechanisms through which institutional and community support influence innovation outcomes could provide valuable insights for policy and practice development.

In conclusion, this study demonstrates that traditional craft enterprises can successfully navigate the tension between heritage preservation and commercial success through strategic innovation adoption supported by appropriate institutional and community contexts. The findings contribute to both theoretical understanding and practical knowledge regarding innovation in traditional industries whilst highlighting the potential for cultural heritage to serve as a foundation for sustainable economic development in emerging economy contexts.

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