

Impact of affect-based trust on organizational innovativeness: the moderating role of network strength in regional clusters

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Doctoral Thesis Summary

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Vliv důvěry založené na pocitech na inovativnost organizace: moderační role síly sítě v regionálních klastrech

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ABSTRACT

Innovation is an important topic in the study of regional clusters because of its benefits in enhancing competitiveness both at the national, regional, and organizational levels. Through developing the basic concepts of social capital and social exchange theory, this thesis explores and hypothesizes the positive impact relationship between affect-based trust and organizational innovativeness, as well as the moderating role of network strength on the above relationship. A quantitative study with the support of the Thu Duc City government was conducted, collecting data from 408 respondents, and conducting quantitative processing using the PLS-SEM model. The research results of the thesis show that in regional clusters, affect-based trust has a positive impact on organizational innovativeness in all four aspects: product, behavior, strategy and process. However, network strength does not completely play a moderation role in the relationships mentioned above, but only shows a moderation role in 3 sub-relationships. Accordingly, empirical evidence concludes that increasing the frequency of interactions, increasing the time spent in the regional cluster will lead to an increasing influence of affect-based trust on behavioral innovativeness; and the longer the duration in the regional cluster, the stronger the impact of affect-based trust on process innovativeness.

ABSTRAKT

Inovace jsou důležitým tématem při studiu regionálních klastrů, a to pro jejich přínosy pro zvyšování konkurenceschopnosti na národní, regionální i organizační úrovni. Prostřednictvím rozvíjení základních konceptů teorie sociálního kapitálu a teorie sociální výměny tato práce zkoumá a předpokládá pozitivní vztah mezi důvěrou založenou na pocitech a inovativností organizace, jakož i moderační roli síly sítě na tento vztah. Byl kvantitativní studie proveden průzkum s podporou vlády města Thu Duc, při kterém byly shromážděny údaje od 408 respondentů a provedeno vyhodnocení pomocí modelu PLS-SEM. Výsledky výzkumu ukazují, že v regionálních klastrech má důvěra založená na pocitech pozitivní vliv na inovativnost organizace ve všech čtyřech aspektech: produkt, chování, strategie a proces. Síla sítě však nehraje ve výše uvedených vztazích zcela moderační roli, ale vykazuje pouze moderační roli ve 3 dílčích vztazích. V souladu s tím empirické důkazy vedou k závěru, že zvyšování frekvence interakcí a prodlužování doby strávené v regionálním klastru vede k rostoucímu vlivu důvěry založené na pocitech na behaviorální inovativnost; a čím delší je doba působení v regionálním klastru, tím silnější je vliv důvěry založené na pocitech na procesní inovativnost.

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1. INTRODUCTION

As the economy transitions from the traditional to knowledge economy driven by innovation, the development of regional clusters around the world has also undergone important shifts (Cooke and Piccaluga, 2006). Instead of focusing on exploiting the advantages of large numbers of workers and increasing output, today's regional clusters must focus more on the concentration of knowledge and the discovery of innovative ideas. High-quality workers, with many innovative ideas, create many competitive advantages for dynamic regional clusters, and they also create new products and services with higher added value than others traditional products (Asheim, Isaksen, and Trippl, 2019).

In dynamic regional clusters, highly qualified workers trained and developed with new knowledge, advanced skills and creativity become valuable resources, especially when they are placed in organizations that have many supporting factors, such as those that build a good trust (Clarke and Gholamshahi, 2018). An environment of trust helps employees to be more open-minded, willing to share knowledge, experiences, and original ideas (Afsar et al., 2020; Chen et al., 2021). When employees feel empathy, kindness, and support from others, they are more likely to open up and share their unique ideas (Munawar et al., 2023). These high-quality relationships create a deep interaction, jointly explore and develop innovative ideas, especially when placed in the context of regional clusters, when interpersonal contact members and organizations have close proximity and regular intensity (Pecze, 2020). Cognitive-based trust, which is characterized by assessments of competence and reliability (Chua et al., 2008), can be clearly formed in regional clusters, thanks to the characteristics of quality human resources high and similar cultures (Turkina et al., 2019). Therefore, this thesis is proposed to explore the links between affect-based trust and organizational innovativeness. This thesis also hypothesizes that: a strong network strength measured by time in cluster and interaction frequency will have moderation role on this relationship, which will be tested through a quantitative research in regional clusters from Vietnam

2. THEORETICAL BACKGROUND

2.1 Theoretical lenses of the research

The present study employs several theoretical lenses to build up the relationships between the defined variables. Social capital theory, applied because it describes features of social organization such as networks, norms, and social trust (Bourdieu, 1986), would explain the link between trust and innovation. Social exchange theory, which emphasizes that social relationships are formed based on the mutual exchange of benefits and values (Blau, 1964), explains the role of network strength; Meanwhile, cluster theory (Marshall, 1890), which characterizes

regional clusters, is a context in which the above-mentioned factors require more attention due to proximity and frequent interaction.

2.1.1 Social capital theory

Social capital theory is reviewed first because it explains the importance of network and trust in innovation. Social capital theory is a sociological concept that refers to the resources and benefits that individuals and groups can access through their social networks and relationships (Bhandari and Yasunobu, 2009). It posits that social connections and networks can provide individuals with access to valuable information, resources, and opportunities that they may not otherwise have access to. Social capital theory has been widely studied and applied in various fields, including economics, political science, and public health (Dobos, 2017).

2.1.2 Social exchange theory

In this thesis, social exchange theory helps better understand the mechanisms by which trust and cooperation impact innovation in organizations, as well as the role of networks. This theory is often viewed as a fundamental instrument for comprehending behavior within workplaces (Cropanzano et al., 2017). However, in-depth studies on social exchange theory and shared behaviors within organizations or in clusters are often developed based on Blau's (1964) research. It offers a unique lens to examine social behavior, drawing parallels with the concepts of economic input and output. It also delves into the nuances of interpersonal relationships and social interactions, positioning them as social exchanges laden with the pursuit of benefit and aversion to harm, thus underscoring the principle of 'self-interest' as a key driver of human behavior (Blau, 1964).

2.1.3 Cluster theory

Regional clustering is an important context, and also a point of difference from other studies outside the cluster. The notion of "regional clusters" has been a subject of scholarly inquiry for over a century, with its origins traceable back to Marshall's seminal work in 1890, wherein it assumes a pivotal role in the discourse surrounding economic development. This conceptual framework posits that human activities tend to aggregate in particular locales, thus fostering both national and regional specialization (Malmberg et al., 1996). Numerous theoretical paradigms have been advanced to explicate the dynamics of regional clusters, exemplified by Porter's (1990) diamond model, Krugman's (1991) core-periphery model, and Cooke's (1992) conceptualization of regional innovation systems.

2.2 Organizational innovativeness

2.2.1 Definition of organizational innovativeness

Lynch et al. (2010) propose a framework for comprehending the idea of organizational innovativeness, arguing that the term "*innovativeness*" is frequently used ambiguously and that a more clear definition is needed to promote study and practice in the subject. The authors suggest that "organizational innovativeness" means "*the ability of an organization to come up with and implement new ideas that improve the quality, effectiveness, and efficiency of organizational performance*" (Lynch et al., 2010). The notion of organizational innovation is broad and involves a range of different expressions. Wang and Ahmed (2004) categories organizational innovativeness to four major elements: (1) product innovativeness, (2) process innovativeness, (3) behavioral innovativeness, and (4) strategic innovativeness.

2.2.2 Micro-factors that affect organizational innovativeness

Micro factors are researched and classified at 3 organizational levels (culture, environment, leadership,...), group level (teamwork, personal relationships) and individual level (levels, attitudes,...) (Halász, 2018). Previous research has demonstrated that the innovativeness of an organization is dependent on various individual factors, including the creative abilities of employees and the entrepreneurial traits exhibited by managers (Martínez-Román and Romero, 2017). Additionally, numerous firm-level factors impact organizational innovation, such as the degree of formalization, specialization, centralization, and resource slack (Subramanian and Nilakanta, 1996), as well as market, entrepreneurial, and learning orientations (Hult et al., 2004). Furthermore, organizational culture and processes (Shoham et al., 2012), organizational creativity, knowledge base, managerial practices, leadership style, and the size of the firm (Martínez-Román and Romero, 2017) also play significant roles in influencing organizational innovation.

2.2.3 Macro-factors that affect organizational innovativeness

Organizational innovation in regional clusters plays an important role in driving the growth and improving the performance of those regions (Yu and Jackson, 2011). It has a multi-dimensional impact on the economy and people in that community, it helps firms and employees to upgrade the way they work, structure, and process to continue thrive in a rapidly changing social context (Delgado et al., 2014). According to Pouwels and Koster (2017), collaborations with other firms proved to be highly effective when they encompassed collaborative research and development, joint marketing, and joint production operations. Smaller firms demonstrated a greater propensity for innovation, whilst organizations operating within industries characterized by intense competition exhibited a higher inclination towards creativity (Pouwels and Koster (2017).

2.3 Trust

Trust has been defined as *"the willingness to be vulnerable to the actions of a trustee based on the expectation that the trustee will perform a particular action, irrespective of any monitoring or control mechanism"* (Mayer et al., 1995, p. 712); or *"a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviours of another"* (Rousseau et al., 1998). McAllister (1995) have the initial proposition of a multidimensional trust model encompassing *"cognition-based"* and *"affect-based"*, which served as the base for much later research on trust.

2.3.1 Cognition-based trust

Cognition-based trust refers to a character-based notion of trust, such as in organizational management, where it reflects a subordinate's expectations about the leader's personal attributes such as dependability, integrity, competency, and honesty (McAllister, 1995). This trust between two people often depends on who they are and what characteristics they have, instead of paying more attention to the emotional aspect or the density of contact between them (Zhu et al., 2013).

2.3.2 Affect-based trust

Affect-based trust is defined as *"emotional bonds between individuals"* that are founded on demonstrations of *"genuine care and concern for the welfare"* of the other party (McAllister, 1995, p. 26). The concept places significant emphasis on empathy, affiliation, and rapport, which are rooted in a mutual respect for the other individual (McAllister, 1995). Affect-based trust emerges from interpersonal engagements and is informed by emotional experiences and moods that are either specific to a given connection or more broadly incidental, hence influencing the level of trust within such relationship (Legood, 2023).

2.3.3 Similarities and differentiate between cognition-based trust and affect-based trust

According to McAllister (1995), the development of cognition-based trust in an individual depends on the outcomes of previous interactions and the perception of shared characteristics such as culture, ethnicity, and professional qualifications. The formation of affect-based trust is influenced by individuals' perceptions of the intentions of others, shaped by factors like the frequency of interactions and the provision of assistance. Once a basic level of cognition-based trust is established, individuals are more likely to form emotional bonds with their colleagues, indicative of affect-based trust. Therefore, McAllister (1995) suggested that cognition-based trust positively influences the development of affect-based trust. In research of

Legood et al (2023), cognition-based trust is commonly regarded as a cognitive phenomenon, whereas affect-based trust seems to be primarily rooted in an individual's emotions and affective experiences. Still, it's important to remember that trust based on feelings also includes cognitive mechanisms, such as expecting good intentions and judging the strength and quality of the relationship, and is not just based on emotional reactions (Legood et al, 2023).

2.3.4 The relationship between affect-based trust and organizational innovativeness

As stated in previous chapters, trust is a social capital resource, and is “embedded” in relationships between people, created and utilized through social interactions (Nahapiet and Ghoshal, 1998). Employees who trust their organization are more likely to feel comfortable sharing their innovative ideas and collaborating with colleagues, and a lack of trust can lead to a reluctance to share ideas and a focus on self-preservation rather than collaboration and innovation, so building a trust among employees is essential for innovation (Golipour et al., 2011).

Affect-based trust is a critical component of knowledge exchange, not only from an impersonal perspective (Vanhala and Ritala, 2016), but also from an interpersonal, as it allows individuals to share information, take risks, and collaborate effectively (Sankowska, 2013). It is a key determinant of knowledge transfer and creation, essential for enhancing firm innovativeness. It acts as a catalyst for knowledge exchange and enhances the likelihood of knowledge creation (Cheung et al., 2016). In turn, knowledge creation enables firms to develop new products, services, and processes, leading to increased innovativeness (Esterhuizen et al., 2012). Knowledge transfer and creation mediate the relationship between trust and innovativeness, a positive relationship between trust and innovativeness is stronger when firms engage in higher knowledge transfer and creation (Vanhala and Ritala, 2016). These results are similar to the Krot and Lewicka (2011) study in Polish firms, where trust is a key element in fostering innovation and that it is essential for organizations to develop, firms with high levels of trust among their employees are more likely to engage in innovative activities. So, trust is also a crucial factor in developing social networks within firms, facilitating the exchange of information and ideas necessary for innovation (Krot and Lewicka, 2011).

2.4 Regional clusters

2.4.1 Definition of regional clusters

A cluster is defined as “*a geographically proximate group of interconnected companies and associated institutions in a particular field, linked by commonalities and complementarities*” (Porter, 1998, p. 215). The cluster concept is rooted in the theoretical literature of Marshall (1920) and Krugman (1991), focusing on the

economic principles of spatial agglomeration. Additionally, a cluster is described as “*a network of strongly interdependent firms, knowledge-producing agents (e.g., universities, research institutes), bridging institutions (e.g., brokers, consultants), and customers linked to each other in the production chain*” (OECD, 2002, p. 414).

2.4.2 Network strength in regional clusters

The role of network strength in regional cluster relationships is explored in the study by Delgado et al. (2014), and Bergman and Feser (2020), but in terms of clusters within the overall local economy. Accordingly, Delgado et al. (2014) argue that regional clusters of related industries and specialized skills can contribute to economic growth and development, and it can help to enhance productivity, innovation, and competitiveness within an industry. They also note that clusters can generate positive externalities, such as knowledge spillovers, which benefit not just the firms in the cluster but the broader regional economy (Delgado et al., 2014). It was further developed by Bergman and Feser (2020) where the authors once again emphasized clusters promote innovation, productivity, and competitiveness by facilitating knowledge spillovers, economies of scale, and specialization (Bergman and Feser, 2020). They argue that clusters can promote regional diversity by creating opportunities for niche industries and fostering entrepreneurship. The potential benefits include job creation, innovation, and increased competitiveness (Bergman and Feser, 2020).

Network strength facilitates innovation in several organizations and companies. It also plays a critical role in fostering an innovative environment, which, in turn, leads to efficiency in innovation (Eisingerich et al., 2010). The innovation gained from the network can help organizations create new value propositions and disrupt traditional markets (Lam et al., 2021). Network strength also leads to efficiency in innovation by reducing duplication of efforts, promoting knowledge sharing, and fostering collaboration (Eisingerich et al., 2010). The network in the regional cluster also bring two-way benefits, with both advantages and disadvantages. According to Delgado et al. (2014), network in clusters may play a role in facilitating convergence by promoting innovation and productivity growth, attracting investment, and creating jobs, and the suitable policies should focus on enhancing the local environment for entrepreneurship, improving infrastructure, investing in education and workforce development, and promoting collaboration between firms, universities, and government agencies (Delgado et al., 2014). In addition, the potential drawbacks of this closed network in clusters, such as excessive competition and the risk of creating barriers to entry for new firms. However, these risks can be managed by encouraging collaboration and innovation within the cluster and promoting access to information and resources for new entrants (Delgado et al., 2014).

2.4.3 The moderating role of network strength in regional clusters

The strength of an organization's network can significantly impact its ability to cluster and achieve its objectives (Ting Helena Chiu, 2008), through provides opportunities for collaboration, enabling organizations to pool their resources and expertise to achieve common objectives (Camarinha-Matos et al., 2009). An organization with a strong network is more likely to find partners with similar goals and values. For example, in a study of Lee and Kim (2011), a non-profit organization with a strong network of partners can collaborate with them to raise awareness about social issues, mobilize resources, and achieve their mission.

One of the best forms of collaboration in teams is knowledge sharing (Alshwayat et al., 2021). In co-located team, people can leverage the expertise of its partners and stakeholders to solve complex problems and innovate more quickly (Gupta et al., 2009). In cases where there is less barrier to acquiring knowledge, the accumulation of knowledge and technical knowledge of members is easier than the exchange of the latter because of the proximity of space (Bathelt, Malmberg, and Maskell, 2004). In regional clusters, a high-level of trust enables more efficient knowledge transfer among firms, this has been confirmed by the argument about information flow in the studies of Porter (2000). Training and knowledge sharing provides opportunities for learning and development processes targeted at behavioral, task, knowledge, skill improvement (Abdullah et al., 2014). However, knowledge elements can only be freely shared if there is a person-to-person trust established within the organization or cluster (Cheung et al., 2016; Vanhala and Ritala , 2016), in particular, affect-based trust also plays a closer role in promoting creativity, because it is based on emotions, empathy, and shared values (Chua et al., 2008). Thus, it can be considered that the root of this process of sharing and creating innovation between people is trust, especially that created through interaction (affect-based), not are cognitive-based features. Trust enables individuals and organizations to collaborate, share information, and build relationships based on mutual respect and understanding (Chen, Lin and Yen, 2014). Trust also helps to reduce transaction costs, mitigate risks, and promote cooperation among cluster members (Terstriep and Lüthje, 2018). Trust is likely to be higher in a tightly-knit cluster, where firms have a long history of collaboration and interaction. In contrast, in a loosely knit cluster, where firms have little or no interaction history, a trust may be lower, and the potential for conflicts and misunderstandings may be higher (Pecze, 2020). When a firm first joins a cluster, it may be perceived as an outsider and may face challenges in gaining the trust and respect of other members. This can be especially true if the firm is new to the industry or has a different business model or approach to innovation (Pecze, 2020). However, if the firm can demonstrate its value and establish itself as a reliable partner, trust may gradually increase and enhance innovation potential (Pecze, 2020).

2.5 Research gap and context of research

Organizational innovation is an area of interest to many scholars, and plays an important role in the study of organizational behavior (Alharbi et al., 2019; Damanpour, 2020). Innovation stands as a crucial driver for organizational success, particularly in the context of improving competitiveness (Andrei, 2019). Through innovation, companies can introduce new products, services, or processes that differentiate them in the market, attracting customers and capturing market share (Kahn, 2018). It allows organizations to respond promptly to changing consumer preferences and emerging technologies, enabling them to offer superior value propositions (Khanagha et al., 2013). In recent years, there are some studies related to organizational innovation and the factors affecting organizational innovation, these factors may come from within the organization such as knowledge management (Lestari et al., 2020), human resource development expenditures (Kim and Choi, 2020); or external externalities, such as inter-organizational cooperation (Pouwels and Koster, 2017). However, the articles published to date leave the following research gaps:

First, numerous studies have examined the connection between trust and innovation within organizations, both in terms of trust in general (Golipour et al., 2011; Krot and Lewicka, 2011), or institutional trust (Ellonen et al., 2008). Nevertheless, affect-based trust, established on emotional connections and social relationships rather than rational evaluations of an individual's competence and trustworthiness, should be given greater consideration (Chua et al., 2008; Cheung et al., 2016). This type of trust is particularly relevant in regional clusters, where social interactions and norms are essential in facilitating collaboration among businesses and exchanging information (Pecze, 2020). Since regional clusters are characterized by a concentration of companies in a particular geographic area, there is greater scope for inter-firm relationships and knowledge sharing (Abdullah et al., 2014, Chen, Lin and Yen, 2014). Regional clusters offer businesses a range of advantages, including collaborative opportunities, access to skilled labor and resources (Porter, 1998), improved innovation capabilities, and enhanced market visibility (Turkina et al., 2019). Being part of a cluster can contribute significantly to a company's competitiveness and long-term success (Boix and Galletto, 2009). Thus, the regional cluster context can be considered as a novel context for affect-based trust studies, as firms have more opportunities to collaborate and share knowledge (Pecze, 2020).

Second, common topics when studying regional clusters are often cluster policies or cluster firms, such as local industrial comparative advantage (Picard and Zeng, 2010), reason the company chooses the cluster for business (O'hualachain and Leslie, 2013), or the relationship between cluster size and cluster firm size (Li et al., 2012). However, there is a small direction of research about organizational behavior concerning regional clusters, primarily centered on exploring the

interaction between clusters and the employees of the organizations within them (Giuliani, 2007; Huber, 2012). Giuliani (2007) examined four wine industries in Italy and Chile, focusing on the selective nature of knowledge networks within clusters. Similarly, Huber (2012) investigated the benefits experienced by employees within firms of the Cambridge IT cluster due to cluster dynamics. Clusters have different knowledge characteristics from firms outside the cluster, thanks to the focus on knowledge. With universities in clusters, it can increase co-located firms' patents (Liu, 2013), and network-based exchange activities spread knowledge (Kantor and Whalley, 2014), or universities can also become knowledge hubs, as in the case of Georgia Institute of Technology (Youtie and Shapira, 2008). Therefore, focusing on this research direction is an interesting idea to understand more about the benefits and impacts of regional cluster characteristics on organizational behavior.

Third, in the research field of social capital, social exchange, and industrial clusters, previous studies have often focused on developed countries. Choosing an developing countries context helps fill the research gap and provides a new perspective, expand understanding and application of these theories in different economic contexts. Vietnam was chosen as the context for the thesis' research because this country is suitable for research and application needs in the field of organizational innovation and regional clusters from both a theoretical and practical perspective because of the following specific reasons: First reason, Vietnam is one of the fastest growing economies in Asia. During the preceding five-year period from 2017 - 2022, the average annual GDP growth rate exceeded 6%. During the specified period, there was a notable increase in manufacturing production, with an average growth rate of 10% (Ministry of Planning and Investment, 2022). Second reason, Vietnam is in the stage of transferring the functions of industrial clusters, from manufacturing to innovation, and encountered some problems in linking within the cluster and outside the cluster (Ministry of Planning and Investment, 2022). From 2011 to 2020, there has been a significant increase in the number of firms in district-level areas as a result of industrial development. (Nguyen-Chi et al., 2022). But there are still many restrictions and shortcomings in the quickly constructing industrial clusters, particularly in strengthening the function of linkage and spreading widely among towns throughout Vietnam's area (Hai et al., 2022). Third reason, the Vietnamese Government has many policies to encourage innovation and business development, creating a favorable legal and economic environment for this research. The Vietnamese Government has identified four key priority industries for Vietnam by 2050, including (1) Emerging technologies (AI, robotics and smart system); (2) Education and training; (3) High-tech agriculture and food processing; (4) Green energy, environment, health and tourism. They support the growth of other sectors and set the tone for Vietnam's ecosystem development (Ministry of Planning and Investment, 2022). With such government attention, research and

development support programs, along with the support and enthusiasm of local government leaders, make Vietnam an ideal research destination.

3. RESEARCH METHODOLOGY

3.1 Research problem

Regional clusters are concentrations of interconnected businesses, suppliers, and institutions within a specific geographical area (Malmberg, and Maskell, 2002). These clusters have proven to be highly valuable for the facilitation of knowledge sharing and innovation (Turkina et al., 2019). Innovation helps companies create new products, services, and processes, stay competitive, and respond quickly to market changes (Dereli, 2015). Besides, knowledge sharing ensures that knowledge and skills are not limited to a few individuals, but are widely disseminated throughout the organization, increasing efficiency and productivity, creating long-term value for the organization (Torres, Ferraz & Santos-Rodrigues, 2018). Trust is also a fundamental aspect of successful collaboration and cooperation, and it plays a crucial role in fostering innovation (Ellonen et al., 2008). In an atmosphere of trust, individuals and organizations are more willing to take calculated risks, knowing that their colleagues and partners will support them, even in the face of failure (Sankowska, 2013). This can encourage a culture of experimentation and learning from mistakes, which are essential elements of innovation (Semerciöz et al., 2011). Organizations with mutual trust are more likely to collaborate on joint projects, share information, and leverage each other's strengths, team members are more likely to collaborate seamlessly, leverage each other's skills, and contribute creatively to problem-solving (Cheung et al., 2016). A long-term relationships provide a stable foundation for ongoing collaboration, joint ventures, and the sustained development of innovative initiatives, so building an affect-based mutual trust fosters long-term relationships among organizations in a regional cluster (Krot and Lewicka, 2011).

In summary, encouraging collaboration, risk-taking, and open communication can create a positive and supportive environment, these are also factors linked to affect-based trust and organizational innovativeness (Chua et al., 2008; Legood et al, 2023). The previous research on innovation and organizational activities in regional clusters is valuable, both theoretically and practically (Chapter 2.2, Chapter 2.3). However, there is a gap in previous research, presented in Chapter 2.5, which motivates the need for more research on micro-factors in organizational innovativeness. The brief sections on social exchange theory (Chapter 2.1.2) and trust (Chapter 2.3) have shown that affect-based trust has all the elements to impact organizational innovativeness. Additionally, in regional cluster contexts, previous studies also suggest that network strength also plays a role in the relationship between affect-based trust and organizational innovativeness (Chapter 2.4.4). Thus,

through the literature review above, the research problem raised here is "**Is the development of affect-based trust important for the innovativeness of organizations involved in a regional cluster?**".

3.2 Research objectives and hypotheses

Based on the research gap and the research problem, the main aim of this research is to **examine the relationship between affect-based trust and organizational innovativeness, as well as examining the moderating role of network strength in regional cluster (period, interaction frequency)**. To achieve the research main objective, the research sub-objectives are set as follows:

***RO₁:** To investigate the direct effect of affect-based trust to organizational innovativeness (represented by four subfactors: product, behavioral, strategic, process);*

***RO₂:** To examine the moderating role of network strength (period, interaction frequency) in regional cluster on the relationship between affect-based trust and organizational innovativeness (represented by four subfactors: product, behavioral, strategic, process);*

There are some arguments that trust greatly supports collaboration and idea sharing (Nahapiet and Ghoshal, 1998; Golipour et al., 2011), knowledge exchange (Spadaro et al., 2020; Vanhala and Ritala, 2016; Sankowska, 2013; Ellonen et al., 2008), as well as providing a risk-tolerant environment (Sankowska, 2013). These factors strongly promote innovation (Vanhala and Ritala, 2016; Esterhuizen et al., 2012), with empirical evidence of the importance of affect-based trust in the overall relationship (Krot and Lewicka, 2011; Chua et al., 2008). Thus,

H₁: Affect-based trust is positively related to organizational innovativeness

Because organizational innovation is divided into 4 categories, 4 sub-hypotheses are established H_{1a}, H_{1b}, H_{1c}, H_{1d}, corresponding to the 4 aspects of product, behavioral, as Figure 1.

Close relationships within organizations, and between organizations, will create cooperation, and share resources, reaching the same goal (Lee and Kim, 2011; Camarinha-Matos et al., 2009; Ting Helena Chiu, 2008). Knowledge sharing is also easier thanks to the removal of knowledge barriers (Bathelt, Malmberg, and Maskell, 2004), through training (Abdullah et al., 2014) and innovation together (Gupta et al., 2009), leading to close cooperation stemming from trust within the regional cluster (Pecze, 2020; Chen, Lin and Yen, 2014). In regional clusters, high levels of trust enable more effective knowledge transfer and linkages between organizations (Terstriep and Lüthje, 2018; Porter, 2000); Conversely, in a loosely knit cluster, where firms have little or no interaction history, a trust may be lower, and the potential for conflicts and misunderstandings may be higher (Pecze, 2020).

Therefore, it can be argued that the level of network strength will be one of the factors moderating the relationship between affect-based trust and organizational innovativeness, especially in the context of trust based on subjective feelings mainly relies on emotions and networking between members (Vanhala and Ritala, 2016; Chua et al., 2008). Network strength, which measures the frequency, intensity, trust, and stability of interactions among network partners, is systematically measured as “period in cluster” (calculated in “time”) and “interaction frequency” (calculated in “frequency”) (Eisingerich et al., 2010). Thus,

H₂: The period in regional cluster moderates the relationship between affect-based trust and organizational innovativeness

H₃: The interaction frequency in regional cluster moderates the relationship between affect-based trust and organizational innovativeness

As organizational innovativeness is also divided into 4 categories (Wang and Ahmed, 2004, in Table 2.2), there are 2 hypotheses divided into 8 sub-hypotheses H2a, H2b, H2c, H2d (period in cluster); H3a, H3b, H3c, H3d (interaction frequency). Eight sub-hypotheses are proposed as Figure 1.

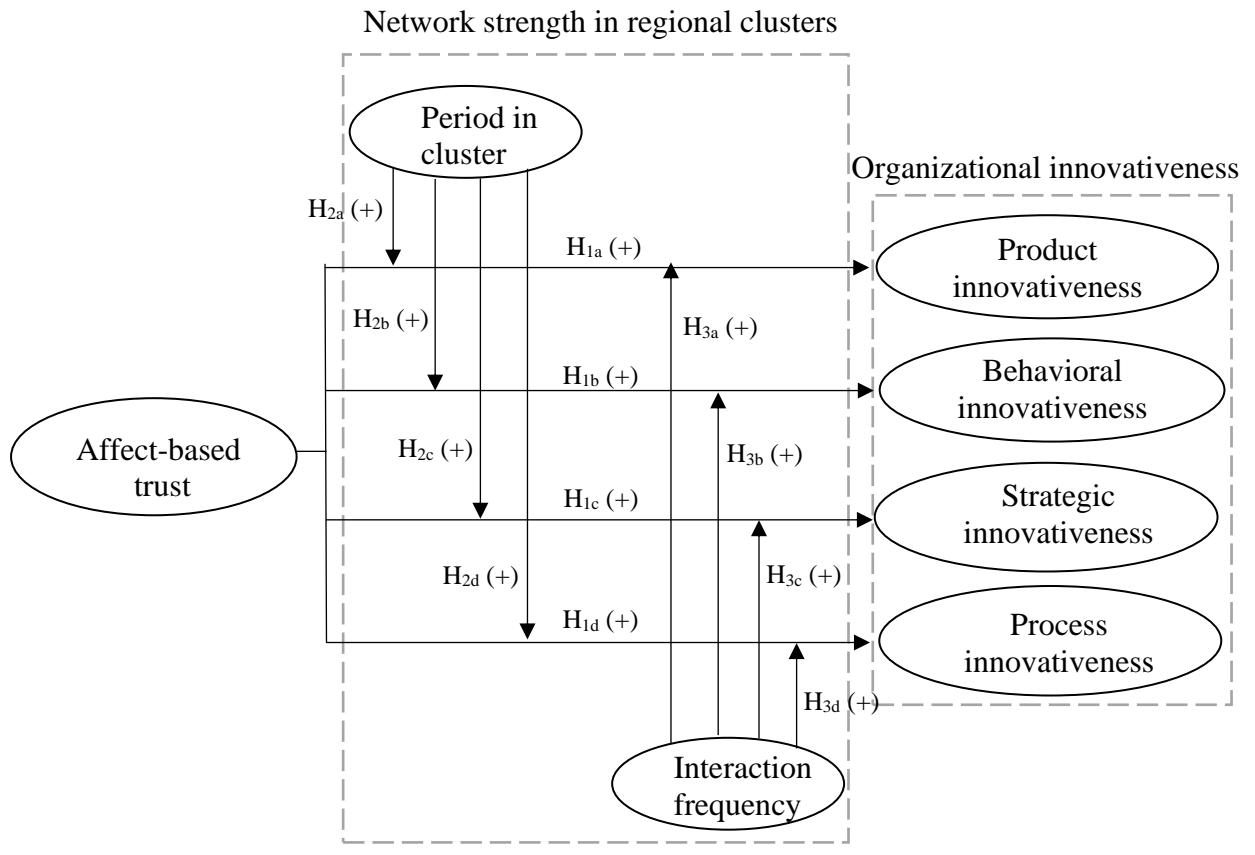


Figure 1: The proposed research model. Source: The author’s works

3.3 Research design

3.3.1 Pilot survey and measurement of constructs

First, the author performs a pilot survey. These interviews aim to compare the real-world setting with the research idea and the results of earlier studies. Based on previous studies by Ellonen et al. (2008), Golipour et al. (2011), the role of the interviewee, their seniority, and the size of the organization they work for, were the factors chosen to determine background of the respondents. The suggested measurement of constructs, delineated in Table 3.1.

Table 3.1: Measurement of constructs

Variables		Measurement	Item	Source
Affect-based trust		<ul style="list-style-type: none"> - We have a sharing relationship. We can both freely share out ideas, feelings, and hopes. - I can talk freely to this individual about difficulties I am having at work and know that (s)he will want to listen. - We would both feel a sense of loss if one of us was transferred and we could no longer work together. - If I shared my problems with this person, I know (s)he would respond constructively and caringly. - I would have to say that we have both made considerable emotional investments in our working relationship. 	5	McAllister (1995)
Organization innovativeness	Product innovativeness	<ul style="list-style-type: none"> - In new product and service introductions, this organisational unit is often first-to-market - The new products and services of this organisational unit are often perceived as very novel and innovative by customers - During the past five years, this organisational unit has introduced more innovative products and services than its competitors - The new products and services of this organisational unit often beat new competitors - In new product and service introduction, this organisational unit is often at the cutting edge of technology 	5	Ellonen et al., (2008); Wang and Ahmed, (2004)
	Behavioural innovativeness	<ul style="list-style-type: none"> - Individuals who do things in a different way are accepted and tolerated in this unit - In this organisational unit, people are encouraged to think and behave in original and novel ways 	5	

Variables		Measurement	Item	Source
		<ul style="list-style-type: none"> - In this organisational unit, people are willing to try new ways of doing things and seek unusual, novel solutions - One gets a lot of support from managers if one wants to try new ways of doing things - When a problem cannot be solved using conventional methods, people in this organisational unit invent new methods 		
	Strategic innovativeness	<ul style="list-style-type: none"> - The managers of this organisational unit are willing to take risks to seize and explore “chancy” growth opportunities - The managers of this organisational unit constantly seek unusual, novel solutions to problems through “idea men” - In comparison with its competitors, this organisational unit’s most recent product marketing program is revolutionary in the market 	3	
	Process innovativeness	<ul style="list-style-type: none"> - This organisational unit improves its business processes constantly - During the past five years, this organisational unit has developed many new management approaches - This organisational unit changes the production methods faster than its competitors 	3	
Network strength in regional clusters	Network strength	<ul style="list-style-type: none"> - I has long-lasting relationships with actors in this cluster - I frequently meet with my exchange partners in this cluster to share resources and new ideas. 	2	Eisingerich et al. (2010);

Source: The author’s works

3.3.2 Main research

This study's survey employed a nonprobability sampling technique. A minimum sample size of 10 observations is advised for each independent variable, per Hair et al. (2017). Hair et al. (2017) propose that the variable with the greatest number of forward arrows ($10 \times 3 = 30$) can be multiplied by 10 to determine the sample size for PLS-SEM; nevertheless, it is advised to establish a minimum sample size that is more than the customary threshold and comprises at least 300 observations. Questionnaires distributed from 02/2023 – 09/2023, in Saigon Hi-Tech Park, Thu Duc City (in Ho Chi Minh City), Vietnam, that is considered the most dynamic area in innovation, and is located in the first innovation district in

Vietnam (Le et al., 2023). Because the topic of this thesis is also an issue that Thu Duc city government is interested in, with the introduction of the leaders of the People's Committee of Thu Duc city, the research was have maximum supported by the Saigon Hi-Tech Park management board. A questionnaire was distributed to 500 participants, and here were 408 valid responses (81,6%) in all, and it was decided that these 408 responses may be used in the study. The backgrounds of the interview participants are described in Table 3.2.

Table 3.2: Background of Respondents

	Categories	Frequency	Percent
Number of years working in the organization	Under 3 years	89	21.8
	3 – 6 years	127	31.1
	6 – 9 years	115	28.2
	9 – 12 years	40	9.8
	Over 12 years	37	9.1
Position in organization	Founder/Director	42	10.3
	Manager	40	9.8
	R&D Expert	115	28.2
	Supervisor/Team leader	123	30.1
	Employee	88	21.6
Number of employees of the organization	Under 15 employees	38	9.3
	16 – 30 employees	118	28.9
	31 – 45 employees	87	21.3
	45 – 60 employees	45	11.0
	Over 60 employees	120	29.4

Source: The author's works

4. FINDINGS

4.1 Pilot survey

The 20 interviewees, comprising two academic scholars, five R&D experts, five directors, and eight employees from Saigon Hi-Tech Park in Ho Chi Minh City, Vietnam, provided valuable consultation opinions and insightful ideas during the questionnaire development process for the survey. Since all of the interviewees acknowledged the existence of reciprocal correlations between the proposed constructs and their substantial impacts on the target construct of organizational innovativeness, the discussions were generally positive. The outcome serves as both the basis for designing the questionnaire and a necessary step towards addressing research questions of the thesis once all relevant indicators and proposed constructs have been confirmed with an agreement rate ranging from 80% to 100%.

4.2 Main research

4.2.1 Statistics results

For statistics, there are 408 responses satisfied the research requirements. As indicated in Table 4.1, nearly all respondents expressed agreement with the questionnaire, evidenced by a median score of 4. The standard deviations, ranging from 0.784 to 1.039, highlight significant variations between the mean observations and among responses.

Table 4.1: Descriptive Statistics of research

	Descriptive Statistics				
	N	Minimum	Maximum	Mean	Std. Deviation
AT1	408	1	5	3.18	.784
AT2	408	1	5	3.13	1.019
AT3	408	1	5	3.30	.846
AT4	408	1	5	4.02	1.016
AT5	408	1	5	3.24	.828
PD1	408	1	5	3.44	.845
PD2	408	1	5	4.07	.958
PD3	408	1	5	3.35	.819
PD4	408	1	5	3.18	1.003
PD5	408	1	5	3.36	.798
BH1	408	1	5	3.38	.817
BH2	408	1	5	3.34	.863
BH3	408	1	5	3.47	.838
BH4	408	1	5	3.40	.889
BH5	408	1	5	2.41	.970
ST1	408	1	5	3.44	.839
ST2	408	1	5	2.48	1.039
ST3	408	1	5	3.39	.837
PC1	408	1	5	3.36	.808
PC2	408	1	5	3.33	.814
PC3	408	1	5	3.25	.805
Valid N (listwise)	408				

Note: AT: Affect-based trust; PD: Product innovativeness; BH: Behavioural innovativeness; ST: Strategic innovativeness; PC: Process innovativeness.

Source: The author's works

However, this metric alone does not capture the correlations between responses or constructs within the model. A more comprehensive data analysis is necessary to evaluate these correlations accurately.

➤ **Quality of observed variables**

The results of processing internal loadings for all indicators show that two variables AT2 and PD4 were eliminated because Outer Loadings are less than 0.7 (Hair, 2019). Table 4.2 shows the final results after reprocessing the data (removing the two variables AT2 and PD4).

Table 4.2: Outer Loadings of research (after removing variables)

Outer Loadings					
	ST	BH	AT	PC	PD
ST1	0.866				
ST2	0.745				
ST3	0.855				
BH1		0.859			
BH2		0.799			
BH3		0.855			
BH4		0.821			
BH5		0.785			
AT1			0.815		
AT3			0.811		
AT4			0.806		
AT5			0.848		
PC1				0.883	
PC2				0.861	
PC3				0.864	
PD1					0.866
PD2					0.741
PD3					0.859
PD5					0.861

Note: AT: Affect-based trust; PD: Product innovativeness; BH: Behavioural innovativeness; ST: Strategic innovativeness; PC: Process innovativeness.

Source: The author's works

Outer Loadings observed variables (Table 4.4) are all greater than 0.7, so all observed variables are meaningful in the model (Hair, 2019).

4.2.2 Evaluating measurement models

Based on the data presented in Table 4.3, the constructs exhibit average variance extracted (AVE) values ranging from 0.673 to 0.756. These values exceed the threshold of 0.5, indicating strong convergent validity for all constructs (Hair et al., 2017; 2019). Furthermore, internal loadings for all indicators range from 0.741 to 0.866, surpassing the recommended criterion of 0.70, which underscores the reliability of the measurement model. Moreover, composite reliability scores, Cronbach's alpha, and rho-A fall within the ranges of 0.863 to 0.914, 0.761 to 0.882, and 0.772 to 0.885, respectively. These results affirm the model's robust internal consistency (Hair et al., 2019).

Table 4.3: Consistency reliability and Convergent validity

Constructs and Relevant Indicators	Convergent validity	Internal consistency reliability		
	AVE >0.50	Composite Reliability 0.60 - 0.95	Cronbach's Alpha 0.60-0.95	Rho_A 0.70-0.95
ST	0.678	0.863	0.761	0.772
BH	0.679	0.914	0.882	0.885
AT	0.673	0.892	0.838	0.839
PC	0.756	0.903	0.838	0.840
PD	0.694	0.901	0.852	0.862

Note: AT: Affect-based trust; PD: Product innovativeness; BH: Behavioural innovativeness; ST: Strategic innovativeness; PC: Process innovativeness.

Source: The author's works (computed by SmartPLS)

The figures presented in Table 4.4, all of which are below 0.9, indicate that the measurement models have achieved adequate discriminant validity, as recommended by Hair et al. (2017). Therefore, it is reasonable to conclude that the measurement models have been successfully validated.

Table 4.4: Discriminant validity

Heterotrait-Monotrait Ratio (HTMT)

	ST	BH	AT	PC	PD
ST					
BH	0.597				
AT	0.851	0.774			
PC	0.559	0.588	0.768		
PD	0.569	0.568	0.766	0.526	

Note: AT: Affect-based trust; PD: Product innovativeness; BH: Behavioural innovativeness; ST: Strategic innovativeness; PC: Process innovativeness.

Source: The author's works (computed by SmartPLS)

4.2.3 Evaluation of Structural Model and Hypothesis Testing

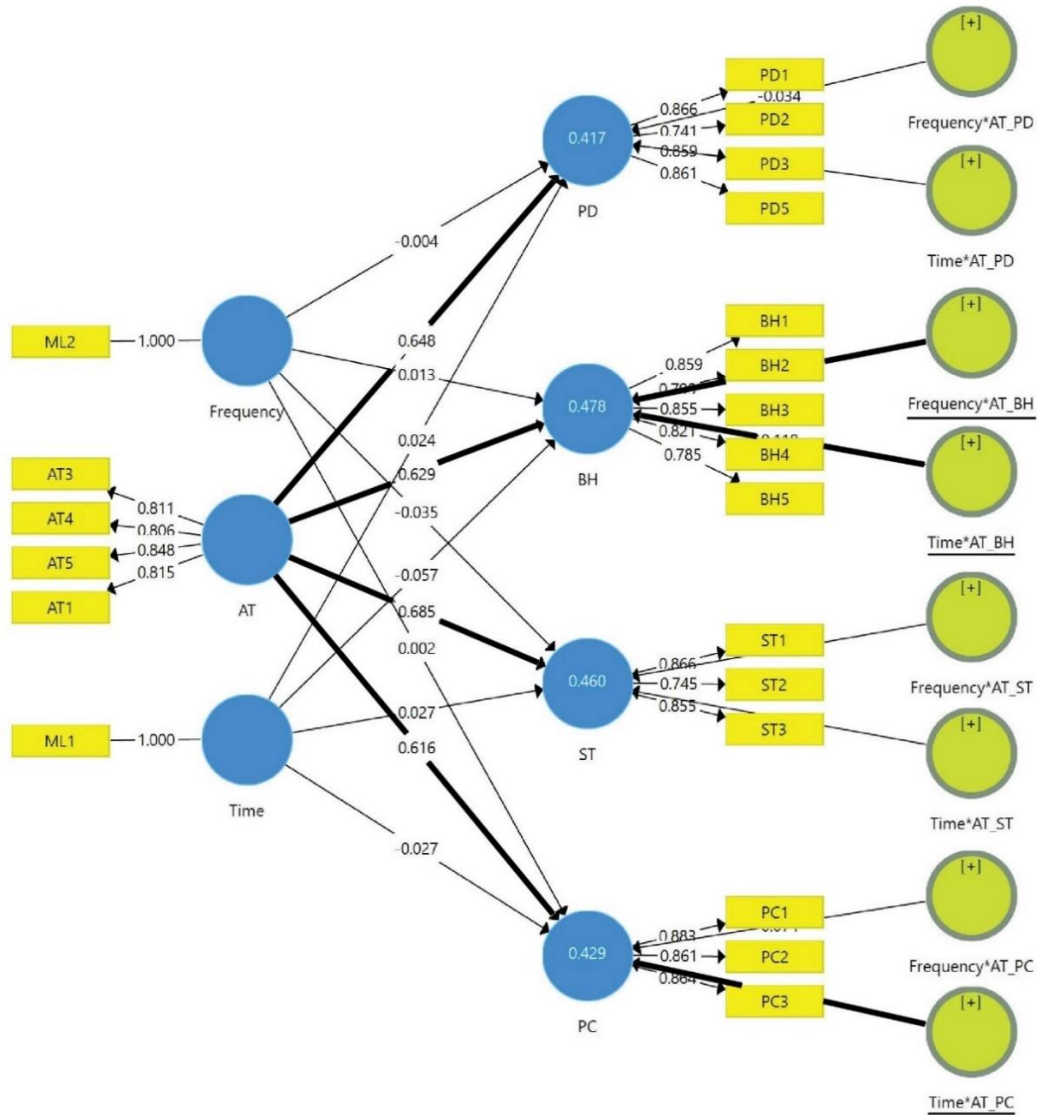
The statistics presented in Table 4.5 form the basis for evaluating the structural model and testing the research hypotheses.

Table 4.5: Suitability and predictive relevance of the model

Metrics		Estimated Model	Remarks
Root mean square residual covariance (RMS _{theta})		0.050	A well-fitting model
Path coefficients (β)	AT -> ST	0.685	Positive
	AT -> BH	0.629	Positive
	AT -> PC	0.616	Positive
	AT -> PD	0.648	Positive
Coefficient of Determination (R ²)	ST	0.460	Moderate
	BH	0.478	Moderate
	PC	0.429	Moderate
	PD	0.417	Moderate
f ² effect size	AT -> ST	0.839	Large effect
	AT -> BH	0.734	Large effect
	AT -> PC	0.642	Large effect
	AT -> PD	0.696	Large effect
Predictive relevance (Q ²)	ST	0.308	Medium
	BH	0.322	Medium
	PC	0.322	Medium
	PD	0.289	Medium
q ² effect size	AT -> ST	0.192	Medium
	AT -> BH	0.168	Medium
	AT -> PC	0.175	Medium
	AT -> PD	0.183	Medium

Note: AT: Affect-based trust; PD: Product innovativeness; BH: Behavioural innovativeness; ST: Strategic innovativeness; PC: Process innovativeness.

Source: The author's works



Note: AT: Affect-based trust; PD: Product innovativeness; BH: Behavioural innovativeness; ST: Strategic innovativeness; PC: Process innovativeness; Time: period in regional cluster; Frequency: interaction frequency.

Relationships are statistically significant: **bold line**

"period in regional cluster": calculated by "time"; "interaction frequency" calculated by "frequency".

Figure 2: The estimated model with all moderators. Source: The author's works

To assess the significance of predictors on target constructs within conceptual models, significance testing will be conducted using the bootstrapping approach, as recommended by Hair et al. (2017). In this study, the bootstrapping approach is applied with the support of SmartPLS, utilizing 5,000 samples at a significance level of 5%. Table 4.6 presents a summary of the findings derived from this analysis.

Table 4.6: Summary of Hypothesis testing

Hypothesis		Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P values	Remarks
H _{1c}	AT -> ST	0.685	0.686	0.027	25.276	< 0.001	Support
H _{1b}	AT -> BH	0.629	0.632	0.035	18.163	< 0.001	Support
H _{1d}	AT -> PC	0.616	0.617	0.035	17.830	< 0.001	Support
H _{1a}	AT -> PD	0.648	0.649	0.031	20.794	< 0.001	Support
H _{2c}	Frequency*AT_ST -> ST	-0.010	-0.009	0.048	0.200	0.842	Not supported
H _{2b}	Frequency*AT_BH -> BH	0.124	0.122	0.048	2.561	0.011	Support
H _{2d}	Frequency*AT_PC -> PC	0.074	0.070	0.043	1.698	0.090	Not supported
H _{2a}	Frequency*AT_PD -> PD	-0.034	-0.035	0.057	0.608	0.543	Not supported
H _{3c}	Time*AT_ST -> ST	-0.020	-0.020	0.044	0.468	0.640	Not supported
H _{3b}	Time*AT_BH -> BH	0.118	0.120	0.054	2.175	0.030	Support
H _{3d}	Time*AT_PC -> PC	0.108	0.108	0.046	2.348	0.019	Support
H _{3a}	Time*AT_PD -> PD	0.049	0.048	0.054	0.913	0.361	Not supported

Note: AT: Affect-based trust; PD: Product innovativeness; BH: Behavioural innovativeness; ST: Strategic innovativeness; PC: Process innovativeness; Time: period in regional cluster; Frequency: interaction frequency.

Source: The author's works

The results show that the affect-based trust influence significantly and positively organizational innovativeness, in both 4 aspects (product, behavioural, strategic, process) at average and high levels.

Regarding the moderate relationship, 3 moderate relationships are statistically significant because the p-value is less than 0.05:

- **Frequency*AT_BH -> BH:** The regulatory impact coefficient is $0.124 > 0$, so when the frequency of meetings increases, it will make affect-based trust have a stronger impact on behavioural innovativeness.

- **Time*AT_BH -> BH:** The moderating impact coefficient is $0.118 > 0$, so when period in cluster increases, affect-based trust will have a stronger impact on behavioural innovativeness.

• **Time*AT_PC -> PC:** The moderating effect coefficient is $0.108 > 0$, so when period in cluster increases, affect-based trust will have a stronger impact on process innovativeness.

The results of the study showed that 4/4 direct relationships were significant; Meanwhile, only 3/8 of the moderating relationships were significant. This implies that there will need to be further analysis of each factor in organizational innovation, as well as the role of each factor in network strength. However, because the magnitude of the β coefficient indicates the strength of the relationship, and the size of the three β coefficients mentioned is relatively close to 0.1, it can be seen that the moderation effect is quite weak. Chapter 5 will discuss and provide additional arguments about these research results.

5. DISCUSSIONS

5.1 The impact of affect-based trust on organizational innovativeness

This thesis results show that the affect-based trust influence significantly and positively organizational innovativeness, in both 4 aspects (product, behavioural, strategic, process) at average and high levels. Affect-based trust is a key factor in innovation, and organization with employees with high levels of trust are more likely to become more connected in innovation activities. However, while previous studies focused on institutional trust (Semerciöz et al., 2011; Ellonen et al., 2008) or impersonal trust (Vanhalala and Ritala, 2016), this study focuses on one aspect closely related to human emotions, which is affect-based trust. The confirmation of the comprehensive impact on all four aspects of organizational innovation is also something that the results of this study bring, however each aspect has different interesting things when compared with previous studies.

For product innovativeness, affect-based trust is shown to have a significant influence on product innovation (Hypothesis 1a). It is one of the sources of motivation and excitement in the creative process (Islam et al., 2022). Previous studies have shown that, when individuals and teams believe in their ability to create innovation, they demonstrate higher levels of commitment and effort in developing and implementing new ideas (Bharadwaj and Menon, 2000). This is because trust creates a positive mentality, motivating creatives to overcome challenges and continue their efforts, even in the face of difficulties (Zak, 2017). In addition, good trust minimizes the fear of failure, it creates a work environment where trust and risk-taking are nurtured, and a culture that encourages experimentation and innovation is formed, thus reducing fear of failure (Ujoatuonu et al., 2018). Regarding behavioral innovativeness, this parallels some previous studies on innovation behavior, for example Amabile et al. (1996) suggested that the creative process is underpinned by intrinsic motivation, which is enhanced in environments

where individuals believe that their contributions will be valued and not subjected to unnecessary criticism. At the organizational level, trust facilitates the exchange of information, resources, and knowledge necessary for innovation (Kmieciak, 2021). Affect-based trust, as mentioned in this study, can be a factor that leaders and team members should pay attention to in managing their teams. For strategic innovativeness, research results indicate that strategic innovation is influenced by affect-based trust (Hypothesis 1c). Affect-based trust promotes employees' active participation in strategic innovation process, where every member feels that they are trusted and valued, they feel more responsible for contributing to the overall success of the organization (Kim, Wang and Chen, 2018). This commitment not only strengthens the organization's innovation capacity by making the most of employee knowledge and skills, but also promotes information sharing and collaboration, thereby improving innovation (Kim, Wang and Chen, 2018). Additionally, strategic innovation often comes with risk and uncertainty. Affect-based trust alleviates these concerns by providing a solid basis for coping with uncertainty through mutual support and trust (Zhou et al., 2005), which creates conditions for implementing stronger innovation initiatives, even though they may encounter initial difficulties. The results of the study also indicate that affect-based trust influences process innovativeness. Similar to strategic innovation, changes in direction or ways of working require an environment that encourages experimentation with new approaches and reduces fear of failure, which is consistent with the concept of “psychological security”. (Ujoatuonu et al., 2018), a concept closely related to trust, indicates that when employees feel psychologically safe, they are more likely to come up with new ideas and participate in innovation processes.

5.2 The moderating role of network strength in regional clusters

The findings presented in Chapter 4 demonstrate that augmenting the frequency of interactions leads to a heightened influence of affect-based trust on behavioral innovation. The findings of this study are novel in comparison to prior research, which solely indicated that heightened frequency of interaction contributes to enhanced comprehension (Parker, 2023), communication (Yoerger, Crowe & Allen, 2015), or social support (Collins, Hislop & Cartwright, 2016). The observed disparity can be attributed to the distinctive attributes of regional clusters, wherein cluster members exhibit heightened levels of trust owing to their geographical and cultural affiliations. Consequently, individuals within these clusters are more inclined to engage in information sharing (Abdullah et al., 2014). According to a study conducted by Nilsson & Mattes (2015), face-to-face communication has been found to improve comprehension and empathy among individuals, thereby reinforcing trust. Regular and straightforward communication fosters an environment conducive to the exchange of ideas and emotions, hence reducing the occurrence of misinterpretations and fostering the development of reciprocal confidence (Nilsson & Mattes, 2015). This information can take the form of

informal knowledge (Kamath, 2020) or tacit knowledge (Vestal & Danneels, 2018), both of which are valuable assets for promoting behavioral innovation.

The results of this study also show that the relationship between affect-based trust and behavioral innovativeness is also moderated by period (time) in regional cluster. In addition to the fact that closeness and frequent meetings help strengthen mutual understanding and build trust (Holdt Christensen & Pedersen, 2018), time also helps strengthen trust through repetition and confirmation of relatedness tradition of trustworthy behavior (Vanneste, Puranam & Kretschmer, 2014), thereby making it easier to share ideas, as well as influence the way people in the organization think, make decisions, cooperate, and promote behavioral innovation (von Hippel & Cann, 2021). This result can be considered an extension of Pecze's (2020) study, where Pecze states that when a firm first enters a cluster, it may be considered an outsider and may face challenges in gaining the trust and respect of other members. However, if the company can demonstrate its value and establish itself as a trustworthy partner, trust can gradually increase and enhance its innovation potential (Pecze, 2020).

The third result of the study is that the longer period (time) in regional cluster, the stronger the impact of affect-based trust on process innovation. This can be explained by the fact that an individual or organization that has been in the cluster for a long time will often have a deep understanding of the organization's current processes, they will also have a better understanding of the nature of the organization, including organizational structure, organizational culture and relationships between departments (Wiewiora, Chang & Smidt, 2020). The knowledge accumulated over time helps them propose process innovation options suitable for specific conditions, minimize risks and increase acceptance from other departments (Menhas & Siddiqui, 2021). Additionally, in a closely linked cluster, where firms have a dense history of interaction, there are more opportunities for cluster members to judge whether a person or organization is trustworthy or not (Pecze, 2020). Thus, in the context of regional clusters, a long enough engagement period will help strengthen the influence of affect-based trust on process innovation.

Finally, contrary to the hypothesis, there are 5 remaining moderation relationships that were not confirmed (H_{2a} , H_{2c} , H_{2d} , H_{3a} , H_{3c}), of which 2 relationships are related to product innovativeness (H_{2a} , H_{3a}) and strategic innovativeness (H_{2c} , H_{3c}). Thus, the research results indicate that network strength does not have a moderating role in the relationship between affect-based trust and product innovativeness. However, based on a previous study by Najafi-Tavani et al. (2018) on Iran's high and medium-tech manufacturing industries, networks are a factor that directly impacts product innovation when it has "absorptive capacity". The above research suggests that collaboration with research organizations and competitors can only enhance an organization's innovation capabilities, if the

managers of the focal firm intentionally develop their seek and absorb external knowledge capabilities, thereby influencing product innovation (Najafi-Tavani et al., 2018). On the other hand, although affect-based trust has been shown to have a positive impact on strategic innovativeness, no research in history has confirmed or denied the moderating role of network strength on this above relationship. Hypothesis H_{2d} was also not confirmed, thus the research results indicate that the frequency of interaction in the cluster does not have a moderating role in the relationship between affect-based trust and process innovation. Another survey with a larger sample size, or in a different research context, could be considered to retest the above hypotheses. Thus, it can be concluded that network strength does not have a full moderating role in the relationship between affect-based trust and organizational innovativeness, but this moderation only appears in individual relationships of "timing" or "frequency" to each sub-factor (behavioral, process) in organizational innovation.

6. CONTRIBUTIONS, LIMITS AND FUTURE RESEARCH

6.1 Theoretical contributions

This thesis, based on fundamental theories of social capital, social exchange theory and cluster theory, investigates the impact between affect-based trust and organizational innovation, as well as the moderating effect of network strength in regional cluster. First, in light of the social exchange theory, this thesis clarifies that affect-based trust indeed have an impact on organizational innovativeness, in all four aspects: product innovativeness, behavioral innovativeness, strategic innovativeness, and process innovativeness. This conclusion strengthens the credibility of previous research by Krot and Lewicka (2011), Golipour et al. (2011) when the above two authors mentioned other aspects of trust. The natural development of affect-based trust within the regional cluster is actually the connecting factor between the advantages outside the organization and the efforts within the organization to increase innovation. Secondly, with the extension of social capital theory and cluster theory, this study explores the moderating effect of network strength (frequency, period) in regional cluster. Previous studies show that central to social capital is the role of trust and the norms of reciprocity within networks (Bhandari and Yasunobu, 2009), and the characteristics of regional clusters create advantages for cluster members in cooperation (Pecze, 2020), knowledge sharing (Kantor and Whalley, 2014), sharing patents (Liu, 2013), so this thesis is a hyphen to connect the above two theories together. Network strength discovered by this thesis is a new factor in regulating relationships between affect-based trust and organizational innovation. There are three confirmed moderation relationships, increasing the frequency of interactions and increasing the time spent in the regional cluster will lead to an increasing influence of affect-based trust on behavioral innovation. On the other hand, the longer the time in the regional cluster

also makes the impact of affect-based trust on process innovation stronger. It should be noted that this moderating effect was not investigated in any other experiment.

6.2 Practical contributions

Finding and examining the positive role of affect-based trust in organizational innovativeness is an important finding of this thesis. Besides, the results of testing each sub-hypothesis about the moderation role of network strength also give practitioners many suggestions about its application. This thesis has practical value at both 2 levels: organizational level and cluster (inter-organizational) level.

At the organizational level, this thesis highlights that affect-based trust is a factor that organizational leaders and members need to pay special attention to if they want to promote innovation in their organizations. Leaders and managers need to understand that when creating a strong affect-based trust in the organization, employees will be more motivated to develop new products, thereby flexible and maintain the company's competitiveness in the market. Building a trusting environment within an organization, where people can feel comfortable sharing knowledge and ideas, while reducing fear of failure, will contribute to process and strategy innovation. This can be done through facilitating trust-building activities, such as training programs (both formal knowledge and tacit knowledge), group activities, and events that engage the community, not just within the organization, but also links between many organizations. Understanding the role of time will help managers not to be impatient, but patiently wait for the time to be ripe for process innovation. At the cluster (inter-organizational) level, understanding the role of network strength in supporting affect-based trust can help managers recognize the importance of investing in relationships and networks. Organizations can evaluate and develop their existing network of relationships, focusing on strengthening the linkages that positively influence innovation, especially process and behavior innovation. For policymakers, this thesis also provides a suggestion for policymakers to pay more attention to network building. For example, policies may include facilitating network building through increased contact and collaboration between organizations, or training and developing network development capacity for organizations, or organizational leaders, thereby gaining more confidence and innovation capabilities for the organizations and regional clusters themselves.

6.3 Limitation of research and future research

This thesis also has limitations stated below, and future studies can build upon the foundation laid by this thesis to enhance our understanding of trust and innovation in organizational settings. First, this thesis has the typical limitations of "cross-sectional research", which is that it only collects data at one point in time (2023) and only focuses on organizations working in regional clusters in one country

(Vietnam). Therefore, in future studies, it is possible to conduct surveys in two time periods for comparison, or collect more research samples in different cultures, because the building trust between individuals or organizations are greatly influenced by national perspectives and culture. Second, this thesis has limitations related to the limitations of "survey research". These are survey samples that may have specific characteristics of high-tech industry clusters and are not representative of all other regional clusters. Finally, the scale used in this study is derived from something that has been created and used relatively classically. In fact, since COVID-19, many organizations have gradually shifted to combined forms of online-offline interaction, and the development of social networks has also created many forms of connection and knowledge sharing within regional clusters.

7. CONCLUSION

Regional clustering is a topic of interest to scholars and policymakers because of its many benefits in enhancing competitiveness (Pecze, 2020; Porter, 1998) as well as innovation (Turkina et al., 2019), which enables companies to remain competitive and adapt to market changes (Dereli, 2015). However, studies at the micro perspective in clusters is a research gap that needs more scholars' attention. Through developing the basic concepts of social capital theory, social exchange theory and cluster theory, this study explores and hypothesizes the positive impact relationship between affect-based trust and organizational innovativeness, as well as the moderating role of network strength. The questionnaire was built based on previous scholars' scales, to serve as a resource for a two-step quantitative research. At the first stage, a pilot study was conducted with selected respondents and regional cluster experts; then the second phase was carried out with 408 accepted answers and put into quantitative processing with the PLS-SEM model.

Research results show that in regional clusters, affect-based trust has positive impact on organizational innovation in all four aspects: product, behavior, strategy and process. Network strength also plays a moderating role in this relationship although the role mentioned above is not too strong. Empirical evidence concludes that increasing the frequency of interactions, increasing the time spent in the regional cluster will lead to an increasing influence of affect-based trust on behavioral innovation; At the same time, the longer the duration of existence in the regional cluster, the stronger the impact of affect-based trust on process innovation. Practically, the thesis emphasizes the importance of building affect-based trust within organizations to foster innovation, suggesting that leaders facilitate trust-building activities and create an environment conducive to knowledge sharing and reduced fear of failure. At the cluster level, it underscores the value of investing in relationships and networks to support innovation, recommending that policymakers develop initiatives to enhance inter-organizational collaboration and network

development. Overall, the study provides insights for both organizational leaders and policymakers on leveraging trust and network strength to drive innovation./.

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- [2] **Viet-Anh, H.**, Long, N.L.H & Huong, N.T.T (2020). Conceptual view of the relation between regional innovation cluster and its innovative outcomes: The moderating role of knowledge sharing. *Proceedings of 6th International Conference on Finance and Economics 2020.* (indexed in ISI).
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Ho Viet Anh, Ph.D.

Impact of affect-based trust on organizational innovativeness: the moderating role of network strength in regional clusters

Dopad důvěry založené na vlivu na organizační inovativnost: zmírňující role síly sítě v regionálních uskupeních

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