Chapter 10
Innovation and Creativity Used by Private Sector Firms in a Resources–Constrained Environment

Hoang Thanh Nguyen
Capella University, USA

Scott A. Hipsher
Webster University, Thailand

ABSTRACT

While innovation has become a popular topic when advocating for technology advancement and enhancing innovative processes in firms in both developed and developing economies, innovation in the context of micro-enterprises in emerging economies, such as Vietnam is not well understood nor has the topic been examined thoroughly. This chapter, in addition to looking at innovation within a micro-entrepreneurial context, includes a review of the academic literature on innovation, entrepreneurship, creativity, competitive advantages, and knowledge as some of the main drivers for social and economic development. Based on the field observations and interviews, it appears business owners of micro-enterprises in Vietnam might often use innovation by depending on their own individual adaptability and creativity to advance business opportunities by building upon existing knowledge as opposed to creating an entirely new business model or concept. Awareness of the nature of innovation within micro-enterprises could be helpful in designing governmental policies which are intended to create conditions which foster innovation and reduce poverty throughout all levels of society and could have a role in reducing poverty.

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THE USE OF THE TERM INNOVATION

The term innovation has become a frequently used term found in studies of business and economics, yet the meaning of this term, as used in the literature, is often very broad and abstract. Therefore, in practical terms, the term is often used as a near meaningless buzzword having a positive connotation and implying some vague level of originality which everyone can agree is something desirable. Scholars generally acknowledge language and word choices influence how individuals frame, analyze, and process information (e.g., Imai, Kanero, & Masuda, 2016; Ronda-Pupo & Guerras-Martin, 2012; Tamariz & Kirby, 2016); therefore, to understand a word with such a broad and abstract meaning as innovation when applied in a specific context, one should try to understand how the term is being used in that specific application.

Specific words or phrases are located on different steps of the ladder of abstraction. The meaning of a word or phrase can be at a very general and abstract level higher up on the ladder of abstraction, or one can use a more exact and precise phrase while aimed at a more specific meaning as we move farther down the ladder (Hayakawa, 1952). Both academics and practitioners often travel up the ladder to identify general theories and find comparability between cases; but also move down the ladder to look for real-world application within a specific context (Buhr & Frankenberger, 2014). “Traveling the ladder of abstraction reveals significant opportunities to develop theories, establish constructs, and test hypotheses” (Reynolds, 2003, p. 376). The higher one goes up on the ladder of abstraction the more inclusivity is implied while moving downwards creates more exclusivity. The term innovation is a very inclusive term which is located far up in the ladder of abstract and can be applied to a nearly endless range of specific actions and applications. But we often have to move down the ladder and specify the type of innovation being considered in order to be able to effectively exam or encourage innovation in a real world context.

This chapter will attempt to look at innovation as applied in a very specific context, in micro-enterprises in a developing economy, Vietnam.

ENTREPRENEURSHIP, INNOVATION, CREATIVITY, COMPETITIVE ADVANTAGES, AND KNOWLEDGE

The concept of innovation has found to be an important factor in economic performance at the national, firm, and individual levels by many experts worldwide. The roles of innovation and entrepreneurship have often been called the cornerstones of social and economic development. At the macroeconomic level, the early work of Schumpeter (1934) recognized entrepreneurship and innovation as the key factors in driving economic development and growth. The recent exploration of innovative
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