Asian Journal of
Science, Technology, Engineering, and Art

e-ISSN : 3025-4507
p-ISSN : 3025-5287
Index : Harvard, Boston, Sydney University, Dimensions, Lens, Scilit, Semantic, Google, etc

https://doi.org/10.58578/AJSTEA.v2i2.2805

INNOVATION IN SMALL AND MEDIUM ENTERPRISES IN VIETNAM

Trang Mai Tran[1] & Ngoc Minh Thi Vu[2]
[1]Vietnam Institutes of Economics, Vietnam
[2]National Academy of Public Administration, Vietnam
tranmaitrang610@gmail.com; vuminhngoc11@gmail.com

Article Info:

Submitted:	Revised:	Accepted:	Published:
Mar 2, 2024	Mar 17, 2024	Mar 21, 2024	Mar 25, 2024

Abstract

In a rapidly evolving market context, innovation plays a crucial role in the success of Small and Medium Enterprises (SMEs) in Vietnam. This study delves into the significance of business innovation, particularly in light of the need for SMEs to cultivate new competitive advantages amidst a growing number of similar competitors. For Vietnamese companies, innovation is not merely an option but a necessity for sustainable growth. This article focuses on exploring the advantages, disadvantages, opportunities, and risks associated with innovation in Vietnamese SMEs

Keywords: Innovation, Small and Medium Enterprises (SMEs), Vietnam, Business Growth, Competitive Advantages, Market Context

AJSTEA Journal is licensed under a Creative Commons Attribution-NonCommercial-ShareAlike 4.0 International License

INTRODUCTION

In a constantly changing market context, business innovation becomes extremely important, especially when businesses must create new competitive advantages to counterbalance the continuous rise of similar competitors. Innovation is turning an idea or invention into a good or service that creates value, or customers will pay for that good/service. According to Article 3 of Vietnam's 2013 Law on Science and Technology, Innovation is the creation and application of achievements, technical solutions, technology, and management solutions to improve economic development efficiency and society, productivity, quality, and added value of products and goods. Innovation refers to developing research activities, technological inventions, and inventions associated with the role of research centers, training facilities, inventions, inventions, and human resources. Innovation is the process of using, interacting, and implementing technological innovations in practice associated with the role of businesses and institutions surrounding the operation of companies, including the system policy systems, financial institutions, educational and communication infrastructure, and market conditions.

Innovation is a critical factor that helps businesses operate sustainably and be ready to face uncertainties in the current market. Innovation helps companies increase revenue and profits, reduce costs, increase satisfaction, and meet the needs of customers and consumers (Carlson & Wilmot, 2006). Innovation helps businesses gain competitive advantage, create new markets, attract funding from partners, effectively use resources, reduce waste, and improve reputation. Regularly implementing innovation activities in businesses is a new way to implement strategic goals to ensure long-term, prosperous existence effectively.

Businesses must build a culture of innovation, encouraging different approaches to deploy innovation in their production activities. It is necessary to regularly evaluate innovation activities in enterprises to enhance the ability to learn, manage, and develop knowledge. Implementing and evaluating innovation activities in businesses will help businesses proactively manage and promote necessary change. From here, it helps businesses have a more extended vision to fulfill their development goals. This is also considered the foundation for growth with high profits, helping businesses gain advantages and perform better business activities. However, innovation in Vietnamese small and medium enterprises still needs to overcome many difficulties and challenges. This study will

analyze the strengths (S), weaknesses (W), opportunities (O), and challenges (T) of Vietnamese enterprises when implementing innovation.

Literature Review

Schumpeter and Nichol (1934) believe that innovation is a process in which business owners bring new combinations to the market. It could be introducing a new product, applying a new production or sales method, opening a new market, using a new source of input materials, or forming a new structure. Later definitions of innovation inherit the above main ideas of Schumpeter but with adjustments to suit the goals of each specific study. In current applied research, the most commonly used version of the concept of OECD/Eurostat (1992, 1997, 2005) is " collecting and interpreting technological innovation data to measure science, technology, and innovation activities." According to Manual (2005), innovation is introducing a new product or process, a new marketing method, a new organizational method, or a significant improvement in production and business activities. These organizations also believe that the minimum requirement for determining product, process, marketing, or organizational innovation must be new or significantly improved. Based on this concept, these organizations classify innovation at the enterprise into four types: (i) product innovation, (ii) Process innovation, (iii) Innovative marketing, and (iv) Organizational innovation.

The innovation capacity of an enterprise is defined as the ability to organize resources to carry out certain innovation activities, specifically (Daronco et al., 2023). It is the ability to continuously transform knowledge and ideas into new products and production processes, open new markets, and new ways of organizing to help businesses and their members benefit (Lawson & Samson, 2001). To express the above concept in measurable activities, in the essential step, we can look at innovation capabilities as a set of input factors of the business (Albaladejo & Romijn, 2000). Specifically, the innovation capacity of an enterprise is formed from many sources inside and outside the enterprise. Internal sources include the knowledge base of the business owner or manager, the skills of the staff, and the investment effort in R&D. External sources include the frequency of external relationships, the depth of external relationships, and the degree of receiving external support.

According to Pino and Ortega (2018), a regional innovation system is derived from the concept of a national innovation system focusing on a specific territory. A regional

innovation system can be considered an institutional infrastructure that supports innovation activities in the production structure of a region. The concept of a regional innovation system was developed as a tool for regional and national policymakers to encourage innovation activities (Asheim & Coenen, 2005) because market mechanisms seem insufficient to create a consistent, smooth, and rapid change in the development of a region.

According to Pino & Ortega (2018), regional innovation can be classified to five approaches: (i) Organizational approach, in which emphasizes the aspects of organizations and businesses participating in the regional innovation system; (ii) Institutional approach, focusing on regional innovation system organizations and how these institutions influence actors and their interactions in the regional innovation system; (iii) Capacity approach, which seeks to understand the regional innovation system from the perspective of regional capacities and strengths; (iv) National approach, in which scholars focus on explaining the national innovation system by considering innovation systems within the regional innovation system; and (v) Evaluation approach, in which focus on how to measure the performance of regional innovation systems and the appropriate metrics when revising their success.

Chesbrough(2003) argues that businesses increasingly have to reshape the fundamental ways of creating and bringing ideas to market and capturing new ideas from outside to promote research and development (R&D) within their organization. Chesbrough (2003) also mentioned that traditionally, enterprises manage their R&D activities as an internal process, mainly based on capabilities and their internal capabilities. However, in the current context of solid globalization, such a closed and closed-minded approach to innovation will no longer be sustainable.

The operating mechanism of open innovation is considered through 3 standard cycles: 1-line cycle knowledge flows from the outside to the inside (inbound). This is a method for business organizations to deeply integrate with external partners to enhance the creativity of organizations and businesses. Cycle 2 (outbound) - the inside-out innovation mechanism is when companies bring unused and underutilized ideas outside the organization. The flow of knowledge is translated from inside to outside, which can also be understood as ideas, technology, or inventions through the sale and transfer of intellectual

property from one's business organization to partners. Cycle 3 (Coupled activities) combines cycles 1 and 2 through building strategic partners and alliances.

Researching the impact of external knowledge on business performance, Moretti and Biancardi (2020) identified three main aspects: economic efficiency (expressed as total revenue), financial efficiency of the enterprise (measured by market share), and human resource efficiency (measured by number of employees). These studies have shown that developing knowledge resources within an enterprise and absorbing external knowledge flows have a positive and meaningful impact on the economic performance of enterprises. (2013) recognized open innovation through external mechanisms, especially connecting external resources to enterprises to promote business efficiency. Oltra et al., (2018) analyzed 244 small and medium-sized enterprises in the technology industry in Spain. They showed the effectiveness of open innovation activities related to coordination with partners. External collaboration on internal R&D activities will increase the impact on enterprise performance. Hung and Chou (2013) focused on 176 high-tech manufacturing enterprises in Taiwan by analyzing the impact of knowledge acquisition and exploitation of external technology on the performance of enterprises. The authors have confirmed that the acquisition of technology from outside positively impacts the performance of businesses.

In summary, many studies have been on innovation in small and medium enterprises. However, there needs to be an analysis of the current state of innovation and a SWOT analysis for small and medium enterprises in Vietnam. What research is done? Therefore, this study will perform a SWOT analysis based on the current situation of innovation of Vietnamese SMEs and provide some policy suggestions for Vietnam.

RESULTS

Current status of innovation in small and medium-sized enterprises in Vietnam

In Vietnam, the innovative startup ecosystem in general and innovative startup activities in particular have developed strongly and achieved many impressive results in recent years. With the central role of the ecosystem, innovative startups have had breakthroughs and strong growth, contributing to socio-economic development. Especially in the context of the recent COVID-19 pandemic, new requirements have been placed on startup and innovation activities. In that context, innovative initiatives, solutions, projects,

and creative startups increasingly demonstrate their pioneering role in solving socio-economic problems. According to the Vietnam Association of SMEs, Vietnam has about 800,000 businesses, which account for about 98% of the total number of businesses operating in Vietnam, contributing up to 45% of GDP and 31% of total budget revenue and attracting more than 5 million workers. Although the number of SMEs is large, the scale of small and micro enterprises accounts for a substantial proportion. Medium-sized enterprises account for only 1.6% of the total SMEs (Tran, 2022). In recent years, the SME sector has affirmed its role as an essential driving force for local economic development. The development of SMEs has created jobs, improved people's lives, and ensured security, contributing increasingly to the socio-economic development of localities in particular and the country in general. Every year, SMEs pay about 30% of the state budget, contribute 33% of industrial output and 30% of export goods, and attract nearly 60% of workers. In the past two years, the COVID-19 epidemic has significantly impacted businesses, especially SMEs. The industries most heavily affected are tourism, services, transportation, and manufacturing enterprises in industrial parks. Statistics in 2021 show that more than 100,000 businesses have had to close or dissolve.

Based on data from the World Bank Enterprise Survey (WBES)(Adian et al., 2020), Vietnam's SMEs seem to fully participate in innovation activities, especially compared to businesses in the same industry in other ASEAN countries. About 22.7% of Vietnamese SMEs (enterprises with 10-249 employees) carry out R&D, according to WBES, with an average investment of 100 million VND, compared to 43.1% of large companies (more than 250 employees) with an average investment of 500 million VND. In addition, about 53% of SMEs have applied at least one type of innovation. This rate is relatively similar to that of large companies (65%). The proportion of businesses with "product innovation" or "new to market" product innovation is exceptionally high among Vietnam's SMEs, at 33% and 22% of the total number of SMEs, respectively. Process innovation is also popular among Vietnamese SMEs. 34% of Vietnam's SMEs have applied new production processes, the second highest value in the ASEAN region after the Philippines.

The innovation activities of Vietnamese SMEs mainly focus on improving products/services, developing new products/services, improving production processes, and applying new technology and knowledge management. Table 1 presents some common innovation activities of Vietnamese small and medium enterprises. Each business's specific

innovation activities will differ depending on each field of activity, capacity, and business resources.

Table 1: Statistics describing innovation activities of Vietnamese small and medium enterprises

Category	Description	Examples
Product/Service Improvement	Upgrading existing products or services to better meet market demands.	-Improving product features or functionality. - Enhancing product quality or durability. -Developing new product variations.
New Product/Service Development	Creating entirely new products or services to address new market needs or opportunities.	-Researching and developing innovative products. -Launching new service offerings. -Entering new markets with unique products or services.
Production Process Improvement	Implementing methods to increase efficiency, reduce waste, or enhance production quality.	-Automating production processes. -Introducing new technologies for manufacturing. -Streamlining workflows for better efficiency.
Technology Adoption	Integrating new technologies like AI, IoT, or Big Data to improve operations or product offerings.	-Using AI for data analysis and customer insights. -Implementing IoT sensors for real-time production monitoring. -Utilizing Big Data for targeted marketing campaigns.
Knowledge Management	Capturing, storing, and utilizing knowledge within the SME to foster innovation.	-Implementing knowledge-sharing platforms. - Establishing innovation teams or research & development departments. -Encouraging employee knowledge exchange and collaboration.
Collaboration for Innovation	Partnering with other organizations, universities, or research institutions to leverage expertise and resources for innovation.	-Participating in innovation clusters or incubators. -Collaborating with universities on research projects. -Partnering with other companies for joint development of new technologies.

Sources: Author's summary

From 2020 to 2022, the investment capital in creative startups has reached nearly 2 billion USD. This shows that creative startup activities in Vietnam are increasingly attracting the attention of international and regional investors. As of March 2023, Vietnam also has the appearance of more than 3,000 startups nationwide in most fields of technology and business, serving as a basis for large companies and corporations to connect and take advantage of this external creative resource. Vietnam has 20 private creative startup investment funds established under Decree No. 38/2019/ND-CP of 2019 of the Government with a total charter capital of more than 100 billion VND. Institutional quality and capacity to develop policies for the fourth industrial revolution are highly appreciated internationally.

Recently, the National Innovation Center (NIC), a unit under the Ministry of Planning and Investment with the function of supporting and developing Vietnam's innovation and startup ecosystem, has implemented programs program to help businesses innovate and create a national innovation ecosystem through typical activities such as: organizing programs, workshops to connect, apply, transfer technology, transfer change number; connect and support information for innovative businesses and startups to access financial resources; Collaborate with the United States Agency for International Development (USAID) to promote innovation support for more than 200 businesses and develop human resources for Innovation and Startup Ecosystem; Promote cooperation with many institutes - schools and significant investment funds at home and abroad; Operate the Vietnam Innovation Network in 20 countries/territories. The critical task is connecting and developing an innovation ecosystem, supporting and incubating creative startups, and training and creating high-quality technological human resources.t

The report "Assessing the Innovation Capacity of Vietnamese Small and Medium Enterprises" conducted by the Vietnam Chamber of Commerce and Industry (VCCI) in 2020 shows that the rate of SMEs participating in innovation is higher in the regions. Processing and manufacturing industries (34%) and services (21.7%) compared to other sectors. In addition, there are significant differences in the proportion of SMEs participating in innovation between regions:

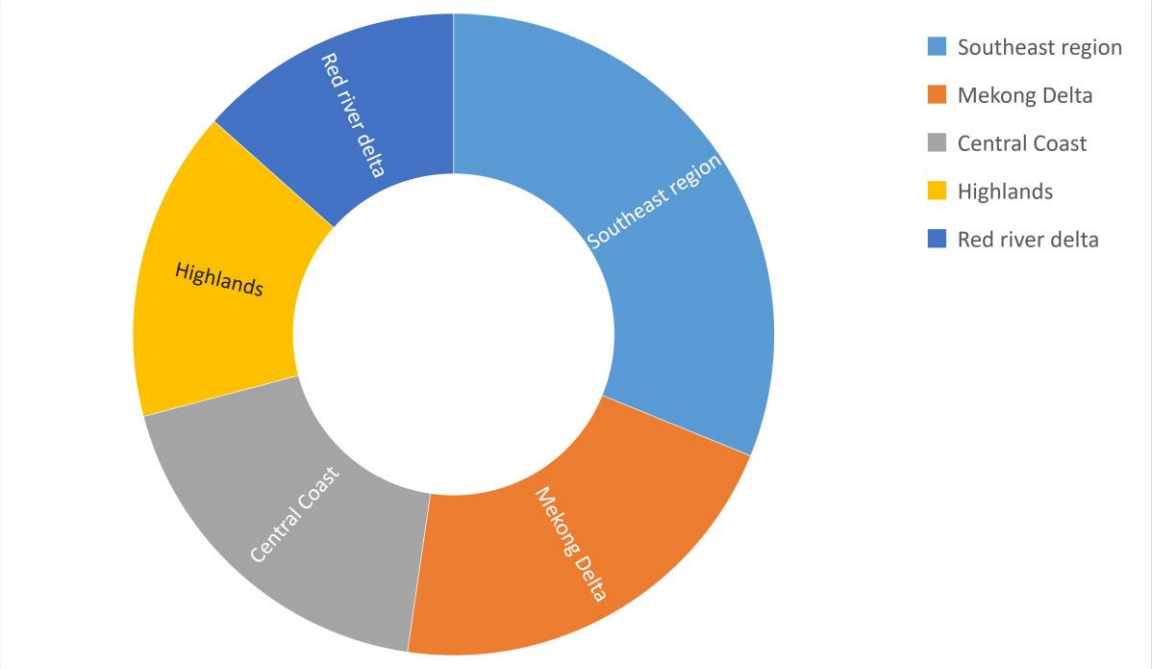


Figure 1: The rate of SMEs participating in innovation in the regions

SMEs understand the need for innovation, especially innovation activities with high technology content, creating surplus and core competitive values for businesses. However, most SMEs need to learn how to manage and implement innovation activities. Due to limited resources, even though they want to, SMEs need more resources to establish specialized departments for innovation management or technology management. SMEs need more information, data, and appropriate human resources to evaluate, plan, and implement innovation activities. Therefore, SMEs urgently need support in improving their capacity to assess and diagnose their enterprises' current state of innovation, avoiding cases where investment in innovation is spread out or ineffective.

SWOT analysis of the innovation process of businesses

Strengths (S)

The innovation ecosystem is developing rapidly: Vietnam has made significant progress in improving innovation indicators, quickly catching up with countries in the region and the world. The online payment infrastructure is increasingly improving and expanding rapidly to meet the needs of people from urban to rural areas. The rate of users of technology products is increasing rapidly because the education system focuses on STEM subjects. The startup movement associated with innovation is substantial. In

particular, the startup trend is blooming in fields related to finance, commerce, and supporting industries. According to the 2023 Vietnam Innovation and Technology Investment Report of the National Innovation Center (Ministry of Planning and Investment), Vietnam's digital economy is forecast to have the fastest growth rate globally. ASEAN region is at 3.1% in the period 2022-2025. In a recent report by the World Bank (WB), Vietnam has created 1.6 million new jobs in the supporting industry in the past three years. The rate of employment growth is equivalent to the rate of output growth. Among manufacturing and processing industries, jobs were primarily created in export-oriented sectors, including textiles and electronics. According to the World Bank's assessment, the industries mentioned above have attracted agricultural labor, contributing to the net movement out of agriculture, restructuring, and rearranging labor to higher productivity. The country currently has about 5,000 enterprises supporting industrial production, but nearly 90% are SMEs.

Adaptability: SMEs are often nimble and can adapt quickly to changing market demands and technological advancements.

Lower Labor Costs: Compared to developed economies, Vietnamese SMEs benefit from lower labor costs, allowing for potentially more investment in R&D.

Government Support: The Vietnamese government is increasingly implementing policies and programs to encourage and support SME innovation.

Opportunities (O)

Legal foundation and complete orientation: A series of important policies supporting innovation activities have been issued, creating a strong driving force for the development of SMEs in Vietnam. Specifically, after Decision No. 844/QD-TTg dated May 18, 2016, of the Prime Minister approving the Project "Supporting the National Innovation Startup Ecosystem until 2025", many policies continue to be promulgated to direct and promote innovation activities in SMEs. Important policies can be mentioned, such as Resolution No. 50-NQ/TW dated August 20, 2019, of the Politburo on orientations to perfect institutions and policies and improve the quality and effectiveness of investment cooperation. Abroad by 2030, Resolution No. 52-NQ/TW on several guidelines and policies to proactively participate in the Fourth Industrial Revolution, Law on Support for SMEs in 2017, Investment Law in 2020, Decree No. 38/2018/ND-CP dated March 11, 2018, of the Government detailing investment for innovative start-up SMEs, Decree No.

80/2021/ND-CP dated August 26, 2021, of the Government detailing and guiding the implementation of several articles of the Law on Support for SMEs, Decision No. 2889/QD-TTg dated December 31, 2020, of the Prime Minister on the National Strategy on the Fourth Industrial Revolution, Decision No. 749/QD-TTg dated June 3, 2020 of the Government approving the "National digital transformation program to 2025, orientation to 2030". With such a legal foundation and complete orientation, innovative startup activities in Vietnam have begun to change significantly. In 2021, investment in innovative startups in Vietnam will reach 1.4 billion USD, a new record in a difficult context and a positive sign in mobilizing and attracting investment capital for Innovative startups in Vietnam. The start-up momentum continues to be strong. In 2022, the whole country will have 208.3 thousand newly registered businesses and return to operation, an increase of 30.3% compared to the previous year. On average, 17.4 thousand freshly established enterprises return to operation each month.

Technological Advancements: New technologies like AI and Big Data create opportunities for SMEs to improve efficiency and develop innovative products and services.

Integration with Global Value Chains: Participating in global value chains can expose SMEs to international best practices and collaboration opportunities.

Weaknesses (W)

The World Bank (WB) report on Innovation published at the end of 2021 shows that 90% of Vietnamese businesses are small and medium-sized enterprises with limited potential, so investing in innovation Technology and innovation still faces many difficulties and barriers. Challenges in machinery and equipment are also the main obstacles. For a business established over 60 years, machinery and equipment originate from many countries and times. Therefore, in innovation, companies must find technological solutions to create architectures that integrate technology platforms and devices.

Vietnam's innovation capacity and readiness for the 4th Industrial Revolution still need to improve. In 2022, Vietnam's Global Innovation Index (GII) ranked 48/132. However, in the global rankings of innovation activities, Vietnam is still far behind the leading group, including Japan, Singapore, Korea, and Malaysia, and significantly lower than China, Indonesia, and India. , Philippines, Thailand. Therefore, much work must be done to improve this index, such as enhancing groups of indicators on the business environment, capital market and investment, and technology application.

The number of innovative start-up SMEs still needs to grow. The capacity of Vietnamese enterprises to develop new ideas, whether new products to meet market needs or new production processes to increase productivity. Although the Vietnamese Government's support level in promoting innovation activities is higher than that of Thailand and Malaysia, SME spending on R&D in Vietnam still needs to be higher. SMEs are not the center of the innovation system, and not many technology products have been commercialized. Currently, Vietnamese goods consumed domestically or exported are still complex to compete with because of their different characteristics, mainly in price. The number of newly established businesses is relatively large, but only 23.9% are based in science and technology, and only some are considered innovative startups. A large part of Vietnamese SMEs are conscious and make efforts to innovate, but they need the necessary cooperation and support from universities and research institutes.

Threats

Innovation activities of SMEs in Vietnam need more financial support from the private sector: Currently, financial sources for innovation activities mainly come from large private corporations and are limited. This clearly shows the underestimation of the lack of attention paid to private corporations' in-depth, methodical, and long-term investment activities in Vietnam. Only Vingroup has an in-depth investment policy in innovation to create new long-term motivation for sustainable development. In 2022, Vietnam's Global Innovation Index (GII) ranked 48/132. However, in the global rankings of innovation activities, Vietnam is still far behind the leading group of Japan, Singapore, Korea, and Malaysia and significantly lower than China, Indonesia, India, Philippines, and Thailand. Therefore, much work must be done to improve this index, such as enhancing groups of indicators on the business environment, capital market and investment, and technology application.

Rapid Technological Change: The pace of technological change can be overwhelming for SMEs, making it challenging to keep up with the latest advancements.

Intellectual Property Challenges: Protecting intellectual property can be challenging, potentially discouraging innovation efforts.

Economic Fluctuations: Economic downturns can negatively impact SME finances and limit their ability to invest in innovation.

CONCLUSION

To promote innovation activities in Vietnamese SMEs in the coming time, it is necessary to have "breakthrough" mechanisms institutionalized in laws on science and technology, which unify state management of science and technology, technology and innovation, Complete the legal framework and state management of innovation, promote development and improve the operational efficiency of the national innovation system, regional and sectoral innovation systems. , an innovative startup ecosystem suitable for Vietnam's actual conditions:

Following the Science and Technology Development Strategy for the period 2011 - 2020, the Prime Minister issued Decision No. 569/QD-TTg, dated May 11, 2022, on "Science and Technology Development Strategy and Innovation to 2030", which sets the goal of enhancing the contribution of science and technology and innovation to economic growth through scientific research and technological development activities of research institutes and universities, technological innovation activities, and improving enterprise management and organizational capacity. Total factor productivity (TFG) to economic growth is over 50%. The goal is that by 2030, the number of enterprises meeting the criteria of science and technology enterprises and the number of innovative enterprises will increase twice compared to 2020. The proportion of enterprises with innovation activities and investment in science and technology development reached 40% of the total number of enterprises. The Global Innovation Index is constantly improving, among the top 40 countries in the world.

In Vietnam, there are many programs to support innovation in science and technology, such as the Vietnam Innovation Support Program, the program to support research on the food value chain in the Red River Delta, and the Program to promote food value chains in the Red River Delta promoting innovation through science and technology research, the Low-Income Innovation Project (and the National Innovation Center (NIC), has funded about 190 million USD for technology innovation companies in Vietnam. Therefore, this is the right time to develop a system to help SMEs improve technology, especially startups, to benefit from technology and capital improvements while connecting stakeholders in the same area and creating synergy to support SMEs.

Foreign investment is still expected to be one of the main drivers of technology transfer. The weak supporting industry capacity makes it difficult for Vietnamese SMEs to

participate in the supply chain (vertical integration) with foreign investors. The participation of domestic enterprises in the global value chain is limited, marketing efficiency could be higher, and the level of authorization within enterprises could be higher. The R&D investment rate of agricultural SMEs still needs to be higher (only 1.6% of total revenue is spent on R&D, which is too low compared to ASEAN countries). The industries that spend the most on technological innovation and R&D are all in the low-growth group (pharmaceutical chemistry, electrical equipment, specialized machinery, or coffee processing). Meanwhile, industries with high growth (40% or more) have the lowest or zero R&D and technological innovation costs (food processing, electronics, textiles).

Vietnam is an attractive country for FDI capital flows, especially in the electronics industry. In recent years, tens of billions of dollars of investment from multinational corporations such as Samsung, Intel, LG, and Microsoft have been poured into the economy. Still, very few domestic SMEs can receive new technology through linkages with businesses FDI. Promote the startup movement by focusing on creativity with new ideas, so policy measures must encourage R&D activities and investment to improve the level and ability to apply science and technology in industries. This is an effective way to reinforce innovation and promote rapid growth based on new ideas and initiatives since the nature of startups is to aim for fast growth. Currently, in the context of applying the achievements of the Fourth Industrial Revolution increasingly firmly, good ideas are associated with favorable conditions, and startups can quickly squeeze in and get ahead thanks to their speed. Rapid growth comes with high creativity to become a large SME with global reach. With such a reality, policy solutions at the macro level are necessary, but more is needed. Policies need to be linked to specific solutions at the micro level, targeting specific population groups so that individuals can freely come up with creative ideas. At the same time, society must have a more open view to encourage those innovative ideas, regardless of whether they become reality.

Promote links between universities, research agencies, and businesses. To improve the nation's innovation capacity, it is necessary to strengthen links between SME universities and research institutes in a business-centered orientation. Universities are research subjects and consider research a mandatory task. The Government needs to pay attention to investing in building key laboratories and forming strong research universities. Innovation must come primarily from accessible market sources. State investment should only be for innovative public sector solutions or as an initial foundation to guide the private sector's

participation. Technological innovation is only part of innovation, and many businesses can significantly increase production and business efficiency thanks to small innovations. Countries cannot focus technological innovation resources only on high technology. Low-level technology is also critical because it helps promote large-scale production and business activities, creating the necessary foundation before developing and applying higher technology.

Promote innovation culture in businesses: Creativity appears in every enterprise member. The role of the leader is to enable and create an environment that nurtures that creativity. Innovation can come from small actions, from changing the way we meet and the way we sell. SMEs should connect with the startup ecosystem, connecting resources from investors, advisors, and funds to invest and, simultaneously, change their thinking to open up thinking. If SMEs want to develop and survive, they cannot be creative. Therefore, SMEs must create a good working environment, encouraging all employees to think innovatively. Accordingly, business leaders must always pay attention to subordinate employees to enable them to contribute.

REFERENCES

Adian, I., Doumbia, D., Gregory, N., Ragoussis, A., Reddy, A., & Timmis, J. (2020). *Small and medium enterprises in the pandemic: Impact, responses and the role of development finance*. https://openknowledge.worldbank.org/handle/10986/34552

Albaladejo, M., & Romijn, H. A. (2000). *Determinants of innovation capability in small UK firms: An empirical analysis*.

Asheim, B. T., & Coenen, L. (2005). Knowledge bases and regional innovation systems: Comparing Nordic clusters. *Research Policy*, *34*(8), 1173–1190.

Carlson, C. R., & Wilmot, W. W. (2006). *Innovation: The five disciplines for creating what customers want*. Currency.

Chesbrough, H. W. (2003). *Open innovation: The new imperative for creating and profiting from technology*. Harvard Business Press.

Daronco, E. L., Silva, D. S., Seibel, M. K., & Cortimiglia, M. N. (2023). A new framework of firm-level innovation capability: A propensity–ability perspective. *European Management Journal*, *41*(2), 236–250.

Lawson, B., & Samson, D. (2001). DEVELOPING INNOVATION CAPABILITY IN ORGANISATIONS: A DYNAMIC CAPABILITIES APPROACH. *International Journal of Innovation Management*, *05*(03), 377–400. https://doi.org/10.1142/S1363919601000427

Moretti, F., & Biancardi, D. (2020). Inbound open innovation and firm performance. *Journal of Innovation & Knowledge*, *5*(1), 1–19.

Oltra, M. J., Flor, M. L., & Alfaro, J. A. (2018). Open innovation and firm performance: The role of organizational mechanisms. *Business Process Management Journal*, *24*(3), 814–836.

Pino, R. M., & Ortega, A. M. (2018). Regional innovation systems: Systematic literature review and recommendations for future research. *Cogent Business & Management*, *5*(1), 1463606. https://doi.org/10.1080/23311975.2018.1463606

Schumpeter, J. A., & Nichol, A. J. (1934). Robinson's Economics of Imperfect Competition. *Journal of Political Economy*, *42*(2), 249–259. https://doi.org/10.1086/254595

Sisodiya, S. R., Johnson, J. L., & Grégoire, Y. (2013). Inbound open innovation for enhanced performance: Enablers and opportunities. *Industrial Marketing Management*, *42*(5), 836–849.

Tran, T. M. (2022). Investigate the factors affecting the competitiveness of Vietnam's small and medium businesses (SMEs). *Journal of Management, Economics, & Industrial Organization (JOMEINO)*, *6*(2).