

# Chapter 7

## Innovation Management Landscape for Digital Economy Transformation Through Innovation Resilience in Ethiopia

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### ABSTRACT

*This chapter explores the role that innovation resilience techniques play as a mediator in the link that exists between Ethiopia's digital economy's transformational potential and the innovation management environment. A survey was conducted with 400 participants, comprising digital economy specialists, innovation ecosystem players, and technology entrepreneurs. To find the underlying dimensions, exploratory factor analysis (EFA) and confirmatory factor analysis (CFA) were used. The data's appropriateness for factor analysis was evaluated using Bartlett's test of sphericity and the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy. The mediating function of innovation resilience methods was then investigated using structural*

DOI: 10.4018/979-8-3693-8357-5.ch007

*equation modeling (SEM). The study's conclusions provide direction for Ethiopian players in the digital economy about how to best take advantage of the connections between innovation resilience, innovation management, and the transformative potential of the sector to promote sustainable development.*

## **INTRODUCTION**

The digital economy is significantly shaped by the innovation management environment, especially in creating countries such as Ethiopia. Like in developed economies like in Italy, Germany where industrial revolution started in early 1990s. It's becoming more and more important to comprehend how innovation management may spark revolutionary potential as the world economy shifts toward digitalization (Endalamaw & Darr, 2021). But in Ethiopia, a country setting out on an delayed ambitious route toward fiscal modernization, this chapter examines the complex interplay between innovation resilience tactics and their mediating influence on the transformational potential of the digital economy (Wang et al., 2024). The notion of innovation management originated in the early 1900s, when industrial management ideas gave way to a more comprehensive comprehension of how companies may cultivate an innovative culture (Birhane et al., 2024). The relevance of this subject has increased globally especially in postmodern economies like Japan, Israel and India because to the advent of digital technology, which has given organizations the opportunity to use innovative methods to improve their competitiveness and flexibility. But a new economy like Ethiopia needs a innovation base to grow and survive. Innovation management is not simply a theoretical concept but also a practical requirement for negotiating the complexity of a quickly evolving digital ecosystem in Ethiopia, where the economy is experiencing significant transition (Ferede et al., 2024).

The crucial role that innovation resilience plays in promoting fiscal creation and adaptation is highlighted by empirical literature. Research indicates that companies that foster resilience are more equipped to handle shifts in the market and technological upheavals. But much of the study that has been done so far has been on industrialized economies, which leaves a vacuum in our knowledge of how these ideas may be successfully implemented in Ethiopia. Ethiopia's distinct sociofiscal problems—such as its inadequate infrastructure, restricted access to technology, and disparate educational attainment—present real-world obstacles that call for specialized innovative approaches (Benfica et al., 2023). There are still large research gaps in the digital economy, despite the growing interest in it. The exact ways in which innovation resilience techniques moderate the link between innovation management and digital fiscal transformation in Ethiopia are not well

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