

# **How can innovations, especially customer-centric innovations, be measured and what are methods for implementing customer-centric innovations in SMEs?**

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## Introduction

The following report is a continuation of the information gathered so far, regarding innovations in general in European SMEs as well as customer centric innovations in SMEs. This report is prepared within the framework of the EU Program *Erasmus + Key Action 2: Cooperation for innovation and the exchange of Good Practices* funded project "**Digital methods, toolbox and trainings for increasing customer innovation in SMEs**".

To begin with, this continued report shall provide insights on how innovations in SMEs, as well as in larger companies, can be measured.

Innovation has been the driving force behind growth of businesses for centuries. As the global marketplace becomes increasingly competitive, innovation has become more important than ever. Businesses, both large and small, are constantly seeking ways to differentiate themselves from their competitors, and one of the most effective ways to do so is through customer-centric innovation.

There are quite a few methods on how innovation in companies can be measured. Therefore, this report will look at certain degrees of innovation, amongst other things. The main focus of the first section will be the use of Artificial Intelligence, especially in SMEs, and how AI is going to help SMEs to improve. One affordable and easily accessible solution is Chat GPT, which small and medium sized enterprises can profit from. In addition, strengths and success rates in SMEs will be looked at with focus on so called "Hidden Champions".

Further, this report deals with customer-centric innovations in SMEs in precise and how exactly it can be measured. Customer-centric innovation involves designing products, services, and experiences that are tailored to meet the specific needs and preferences of customers. It requires a deep understanding of the customer's pain points, desires, and expectations. By focusing on the customer, businesses can create different products and services that are more likely to resonate with their target market, leading to higher customer satisfaction, loyalty, and ultimately, revenue. Therefore, the report will look at degrees of customer-centric innovations, certain indicators as well as the patents of SMEs and strengths and successes within those SMEs.

However, measuring the success of customer-centric innovations can be challenging. Unlike traditional metrics such as sales and revenue, the impact of customer-centric innovation is often

less tangible and harder to quantify. Businesses need to develop metrics that capture the impact of customer-centric innovations on customer satisfaction, loyalty and retention.

One way to measure the impact of customer-centric innovation is through customer-feedback. This and other measurement methods will be addressed in the second chapter of this report.

Lastly, this report will give insights on different tools and methods that can implement customer-centric innovations in SMEs. Thereby, different methods, like co-creating innovations with customers and the general integrating of customers in the working process, will be part of this report section. Implementing customer-centric innovations in small and medium-sized enterprises can be challenging, especially given their limited resources and expertise. However, there are several methods SMEs can use to successfully implement customer-centric innovations, which will be addressed in the last part of this report. The primary focus, and therefore the key method for implementing customer-centric innovations in SMEs, will be the so-called SCAMPER-Method that will be looked at in detail.

The report will be supported by data and statistics of different SMEs in European countries, that show how innovation in those SMEs is measured and what kind of innovation progresses already have been made, especially in customer related innovations.

## I Innovation in SMEs and large companies

### 1 How can innovation in SMEs as well as in large companies be measured? –

#### Different degrees of innovation

“Innovation is the lifeblood of any small business.” (*Richard Branson, 2012*)<sup>1</sup>.

Innovation is a key driver of economic growth and competitiveness and is critical for the long-term success of businesses of all sizes. While innovation can take many different forms, including new products, processes, and business models, it is often difficult to measure and quantify. In this response, we will explore how innovation is measured in SMEs as well as in larger companies. Thereby we will look at the different degrees of innovation and the indicators used for measuring innovation in SMEs and large companies.

When it comes to SMEs, innovation can be measured in similar ways to larger companies, but there are some differences in terms of the degree and impact of innovation. SMEs typically have limited resources and capabilities compared to larger companies, which can affect their ability to innovate in their own way, particularly in niche markets and through leveraging their agility and flexibility.

Innovation is a complex and multifaceted concept, and measuring it requires a nuanced approach that considers the specific context and industry. While there are many ways to measure innovation, some of the most used indicators include patents, R&D investments, new product development, customer satisfaction, and employee engagement.

Patents are a commonly used indicator of innovation<sup>2</sup>, particularly for companies that focus on R&D and have a strong IP strategy. The number of patents filed and granted can be used to track a company’s innovation output over time and can be compared to competitors in the same industry. However, it is important to note that not all innovations are patentable, and that patents can be a lagging indicator of innovation, as the process of obtaining a patent can take several years.

R&D investments are another common indicator of innovation and can be used to measure the amount of money and resources that a company is dedicating to research and development

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<sup>1</sup> Cf. iMindq 2014.

<sup>2</sup> Cf. Czarnitzki/Glänzel/Hussinger 2007.

activities. R&D investments can include internal R&D activities, as well as collaborations with external partners, universities, and research institutes<sup>3</sup>. However, R&D investments can be difficult to compare between companies, as different industries have different R&D requirements and cost structures.

New product development is a clear sign of innovation and can be measured by tracking the number of new products or services launched over a certain period of time, as well as their impact on the market. However, not all new products are successful, and it can be difficult to differentiate between incremental and radical innovations<sup>4</sup>.

Customer satisfaction and feedback is another indicator of innovation, as it can provide insight into how well a company is meeting its customers’ needs and expectations. Surveys, focus groups, and other forms of customer feedback can be used to measure customer satisfaction, but it is important to note that customer satisfaction is not always a direct measure of innovation. Customer participation as an indicator will be looked at in detail in the continuation of this report.

Employee engagement and innovation culture can also be an indicator of a company’s innovation capabilities, as a highly engaged and innovative workforce can drive innovation within the organisation. Employee engagement can be measured through surveys and other feedback mechanisms, but it can be difficult to differentiate between engagement and actual innovation output.

Innovation can take many forms, from incremental improvements to existing products and processes, to radical new products and business models that fundamentally change the market. Some of the different degrees of innovation include:

Incremental Innovation	This type of innovation involves making small improvements to already existing products or processes <sup>5</sup> . Incremental innovations are often focused on improving efficiency, reducing costs, or enhancing the user experience.
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<sup>3</sup> Cf. Frenkel/Hindi 2022, pp. 4.

<sup>4</sup> Cf. Behl/Rajagapol 2020, pp. 4.

<sup>5</sup> Cf. Colombo/Franzoni/Veugelers 2015, pp. 664.

Disruptive Innovation	Disruptive innovation involves creating new products or services that disrupt the existing market and create a new market. Disruptive innovations can be radical or incremental and can lead to the creation of entirely new industries <sup>6</sup> .
Open Innovation	Open innovation involves collaborating with external partners, such as customers, suppliers, and research institutions, to develop new products and services. This form of innovation can be a way for companies to access new ideas and resources and can lead to the development of more innovative products and services <sup>7</sup> .

In terms of measuring innovation in SMEs, some specific indicators to consider include:

Speed of Innovation	SMEs may be able to innovate faster than larger companies due to their size and flexibility. This can be measured by tracking the time it takes to launch new products or services <sup>8</sup> .
Customer Adoption	SMEs may be more focused on meeting the specific needs of their customers, which can lead to higher adoption rates of their innovations <sup>9</sup> .
Collaboration	SMEs may collaborate more with external partners, such as suppliers and customers, to drive innovation <sup>10</sup> . This can be

<sup>6</sup> Cf. Christensen/Raynor/McDonald 2013, pp. 4 et seq.

<sup>7</sup> Cf. Gassmann/Enkel 2016, pp. 132 et seq.

<sup>8</sup> Cf. Van de Vandre, et al. 2009, pp. 434.

<sup>9</sup> Ibid. pp. 425.

<sup>10</sup> Cf. Van de Vandre, et al. 2009, pp. 426 et seq.

	measured by tracking the number and impact of collaborations.
Employee Engagement	SMEs may have a more engaged and entrepreneurial workforce, which can drive innovation. This can be measured by tracking employee satisfaction and involvement in innovation activities <sup>11</sup> .

## 2 Strengths and Successes - Hidden Champions

In terms of successes of innovation in SMEs, there are many examples of so called “Hidden Champions” – relatively unknown companies that have become market leaders through their focus on innovation and niche markets. Hermann Simon, a German management consultant, has written extensively about hidden champions and their success factors. Simon has studied and profiled hundreds of SMEs that have achieved remarkable success through a combination of innovation, market focus, and operational excellence. His research has shown that SMEs can be just as innovative and successful as large companies, and that a focus on niche markets and customer needs can be a key driver of innovation and growth<sup>12</sup>. Some examples of hidden champions include:

Wieland-Werke	A German company that produces copper and copper alloys. They have a strong focus on R&D and have developed innovative products such as lead-free brass alloys <sup>13</sup> .
Gripple	A UK-based company that produces wire rope suspension systems. They have developed a range of innovative products that have disrupted the market and won numerous awards for their innovation <sup>14</sup> .

<sup>11</sup> Ibid. pp. 424 et seq.

<sup>12</sup> Cf. Simon, H. 2020.

<sup>13</sup> Wieland, <https://www.wieland.com/de/>.

<sup>14</sup> Gripple, <https://www.gripple.com/de-de/ueber-gripple/>.

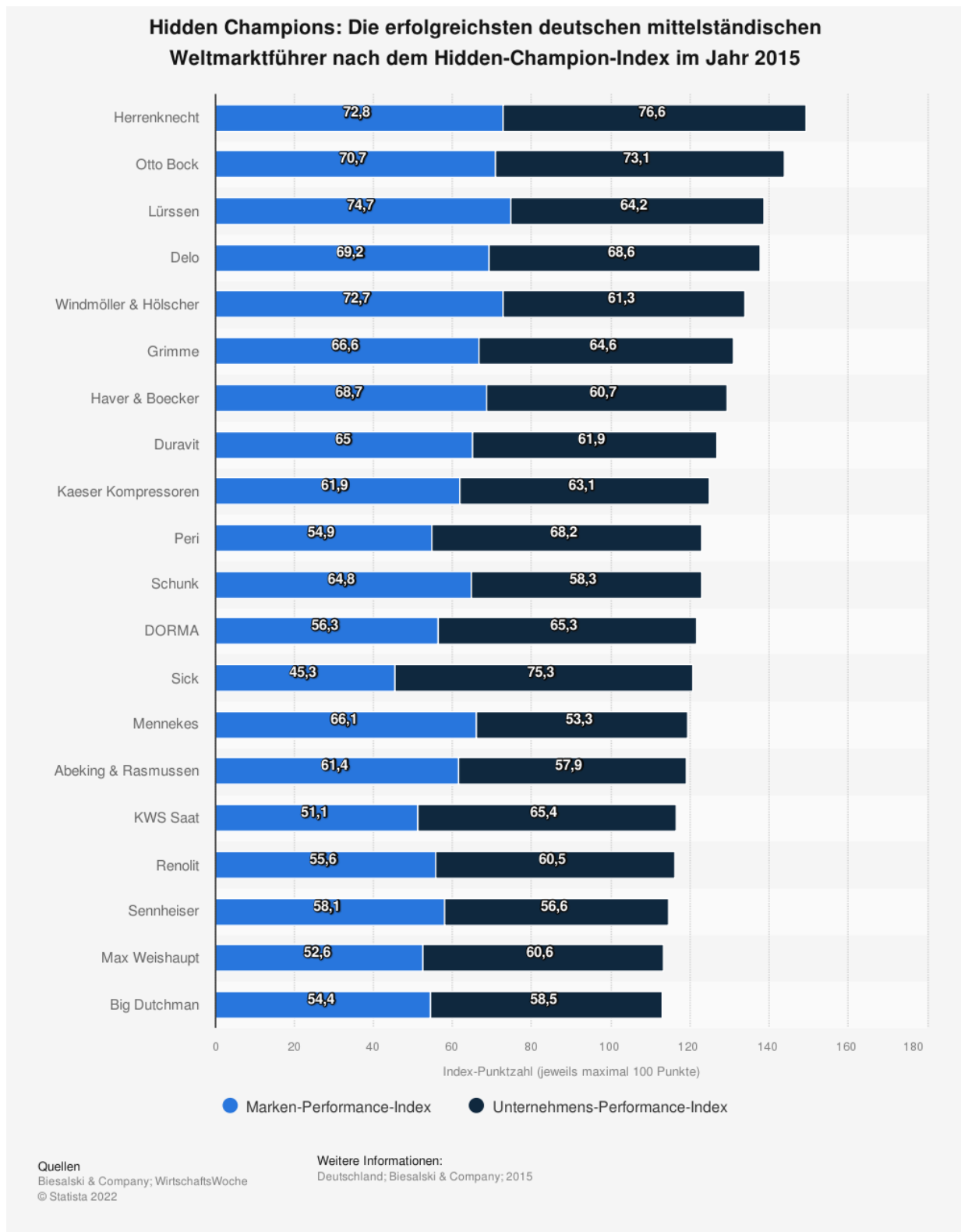


Mekitec	A Finnish company that produces x-ray inspection systems for the food industry. They have developed a unique technology that provides high-quality inspection while reducing costs and improving efficiency <sup>15</sup> .
Würth	A German company that produces and distributes fastening and assembly materials. Despite being relatively unknown outside of its industry, Würth has grown into a multi-billion-dollar company with operations in over 80 countries <sup>16</sup> .

**Hidden Champions – The most successful German medium-sized world market leaders according to the Hidden-Champion-Index in 2015:**

<sup>15</sup> Mekitec, <https://www.mekitec.com/de/rontgen-kontrollsysteme/>.

<sup>16</sup> Würth, [https://www.wuerth.de/web/de/awkg/unternehmen/ueber\\_wuerth/ueber-wuerth.php](https://www.wuerth.de/web/de/awkg/unternehmen/ueber_wuerth/ueber-wuerth.php).



(Source: Statista (2022) Biersalski & Company: WirtschaftsWoche, 2015)

### 3 Digitalization in SMEs

The term “digitalization” refers to the use of digital technologies to transform business processes, to create new products and services and to improve the overall efficiency and effectiveness of a company. In recent years, digitalization has become an increasingly important trend in the business world and has the potential to drive innovation and growth in SMEs.

One way that digitalization can lead to innovation in SMEs is by enabling new business models and revenue streams. For example, an SME in the retail industry might use digital technologies to create an online shop, which can expand its reach and customer base beyond its local market. Similarly, an SME in the manufacturing industry might use digital technologies to create a “digital twin”<sup>17</sup> of its products, which can improve the design as well as the manufacturing process as such.

Digitalization can also lead to innovation by improving operational efficiency and reducing costs<sup>18</sup>. For example, an SME might use digital technologies to automate certain tasks, such as inventory management or customer service, which can free up resources and enable the company to focus more on value-added activities.

In the following statistics, 480 Austrian small- and medium-sized enterprises have been interviewed about their progress in digitalization within their company. Here is an overview on what kind of digitalization measures already have been introduced within those companies:

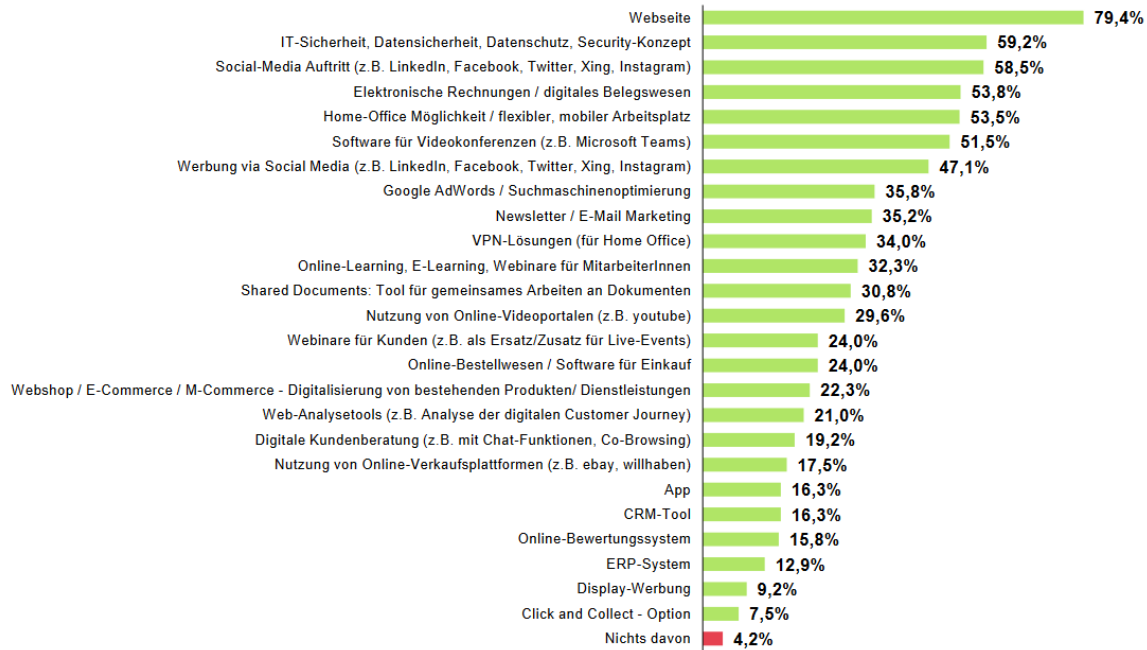
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<sup>17</sup> Cf. Ramahandry et. al. 2021, pp. 78.

<sup>18</sup> Cf. Slimane/Coeurderoy/Mhenni 2022, pp. 105.

**Digitalization measures already taken:**

**Bereits getroffene Digitalisierungsmaßnahmen**

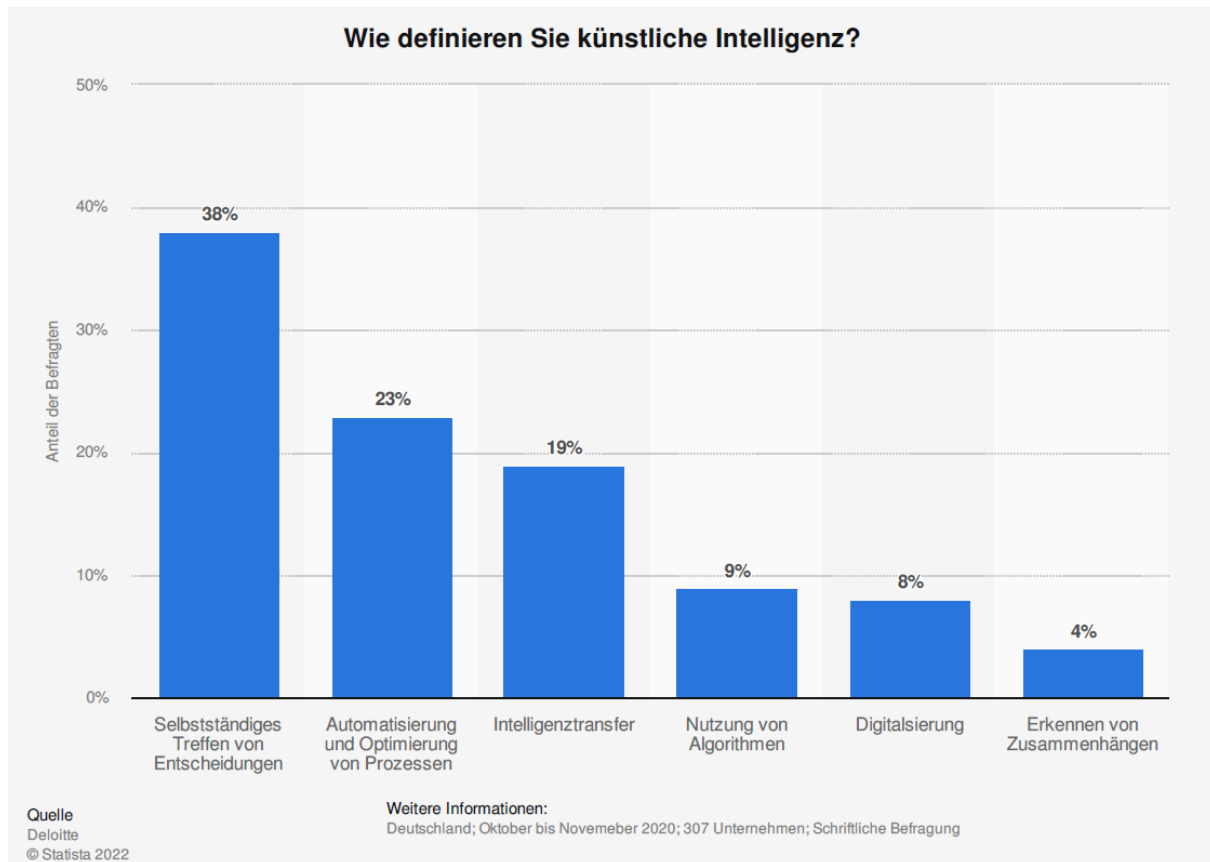


(Source: Statista (2021) MedienManager & Marketagent: Digitalisierung in Unternehmen, 2021.)

**4 The use of Artificial Intelligence in SMEs**

Building on digitalization, another important driver of innovation in SMEs as well as in large companies, is the use of artificial intelligence. The use of AI is getting more and more popular and has almost become indispensable in those modern times. While initially used primarily in larger companies with extensive resources, AI is increasingly being adopted by small- and medium-sized companies looking to gain a competitive edge in their industries. But how exactly is artificial intelligence defined? Therefore 307 German SMEs were interviewed about their definition of AI. 38% of those companies agreed, that the use of AI means to independently make choices. Some other interpretations were the automation and optimization of processes, the transfer of intelligence, the use of algorithms, digitalization as such and finally the recognition of connections:

### How would you define Artificial Intelligence?

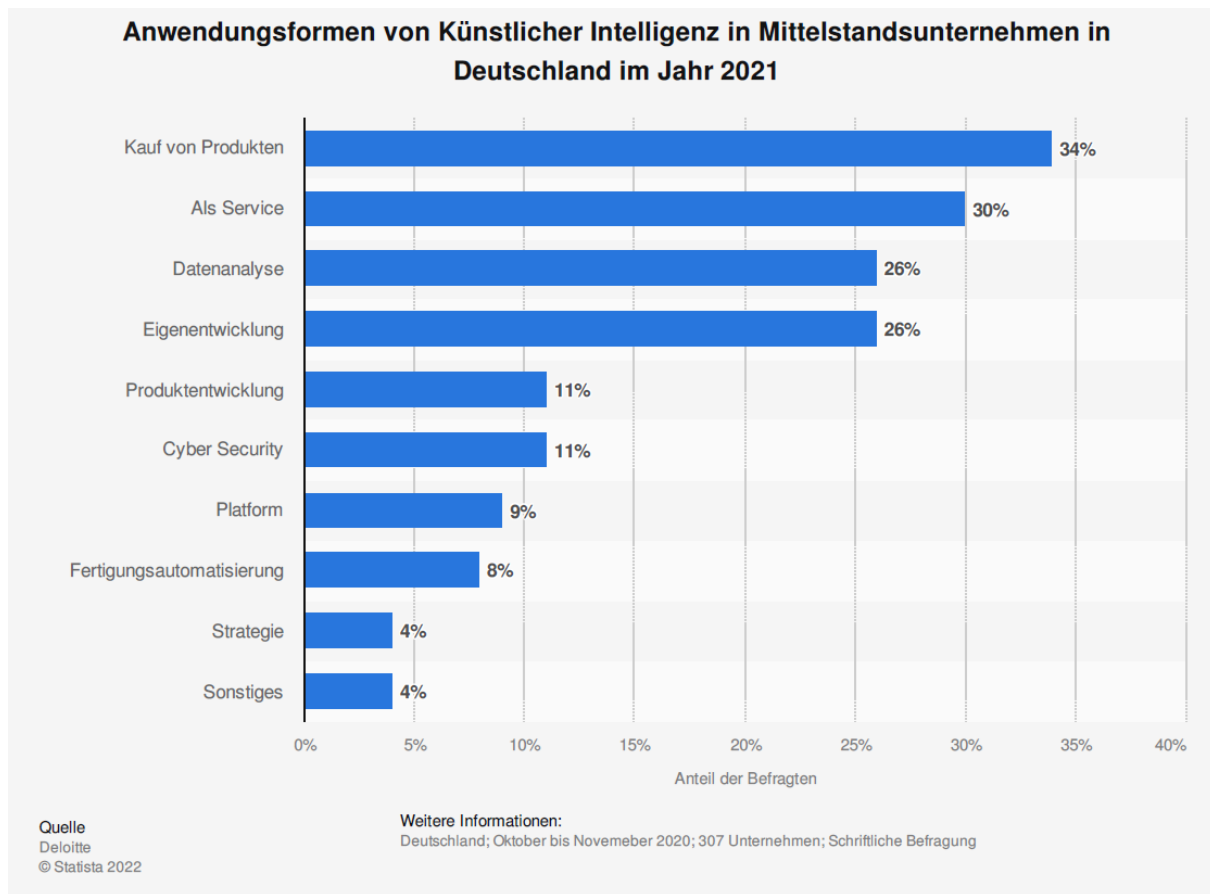


(Source: Statista (2022) Deloitte: Künstliche Intelligenz im Mittelstand, S. 13, 2021.)

The following statistic from 2021 shows, in what ways different German SMEs use AI. Therefore 307 German SMEs were interviewed on how and for what they use AI in their industry. Most commonly, AI is used for buying products, as customer service, for data analysis or for in-house-development. Other, less common, ways of using artificial intelligence are for product development, cyber security, for the company’s platform, manufacturing, and lastly for the company’s strategies:

### Application forms of Artificial Intelligence in German medium-sized-enterprises in 2021:





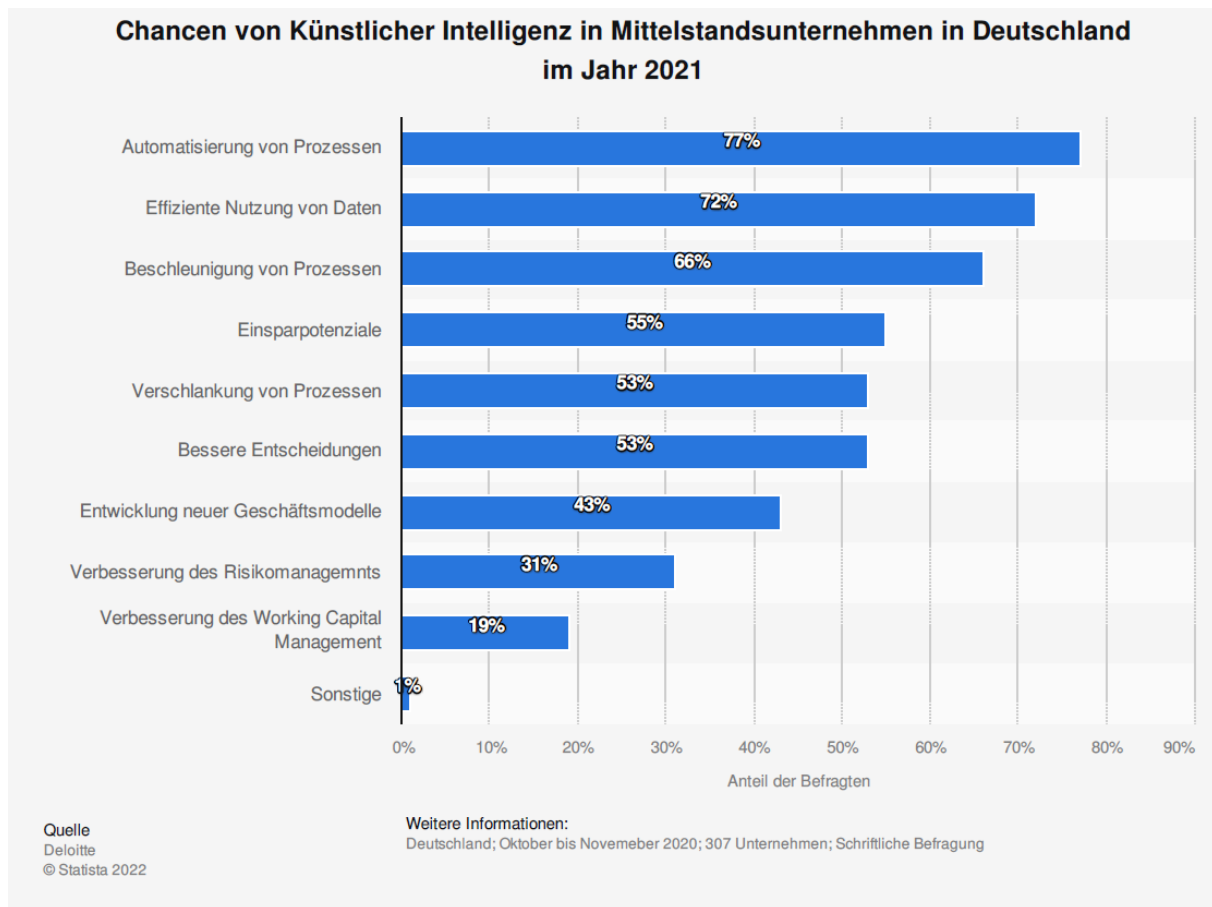
(Source: Statista (2022) Deloitte: Künstliche Intelligenz im Mittelstand, S. 26, 2021.)

While the upfront costs of implementing AI may be higher for SMEs compared to larger companies, the long-term benefits of increased efficiency, improved customer satisfaction, and innovation can make it a worthwhile investment for SMEs looking to stay competitive in their industries. Furthermore, AI is becoming increasingly accessible and affordable, with cloud-based AI solutions<sup>19</sup> that can be tailored to specific SME needs. AI is expected to continue to play an increasingly important role in SME innovation and growth in the coming years.

Lastly, the following statistic shows the extent to which SMEs can benefit from the use of artificial intelligence:

### Opportunities of Artificial Intelligence in German medium-sized-enterprises in 2021:

<sup>19</sup> Cf. Hansen/Bogh 2020, pp. 3.



(Source: Statista (2022) Deloitte: Künstliche Intelligenz im Mittelstand, S. 17, 2021.)

The most important opportunities that AI offers SMEs, is the automation of processes, the efficient use of data, as well as the acceleration of different processes.

## II Customer-Centric Innovations in SMEs and larger companies

### 1 How can customer-centric innovations in SMEs be measured? – Different indicators of customer-centric innovation

Customer-centric innovation refers to the process of developing products, services or experiences that meet the needs and preferences of customers. This approach puts the customer at the centre of the innovation process, with the goal of creating products that are more desirable, valuable and relevant to customers<sup>20</sup>. In both SMEs and large companies, customer-centric innovation can be a powerful tool for driving growth, increasing customer loyalty and differentiating oneself from competitors.

Measuring customer-centric innovation in SMEs and large companies can be challenging but there are several indicators and approaches that can be used. Some of those include:

Customer feedback	One of the most important indicators of customer-centric innovation is customer feedback <sup>21</sup> . This can be gathered through surveys, focus groups and other methods. By analysing the feedback, companies can gain insights into what customers want and need and use this information to drive innovation.
Market share	Another indicator is market share. A successful company can increase its market share by delivering innovative products and services that meet customer needs.
Sales growth	Sales growth is also an indicator for customer-centric innovation. A company is successful, if they can increase sales by developing products that meet the customer’s needs.

<sup>20</sup> Cf. Ulwick, A. 2002.

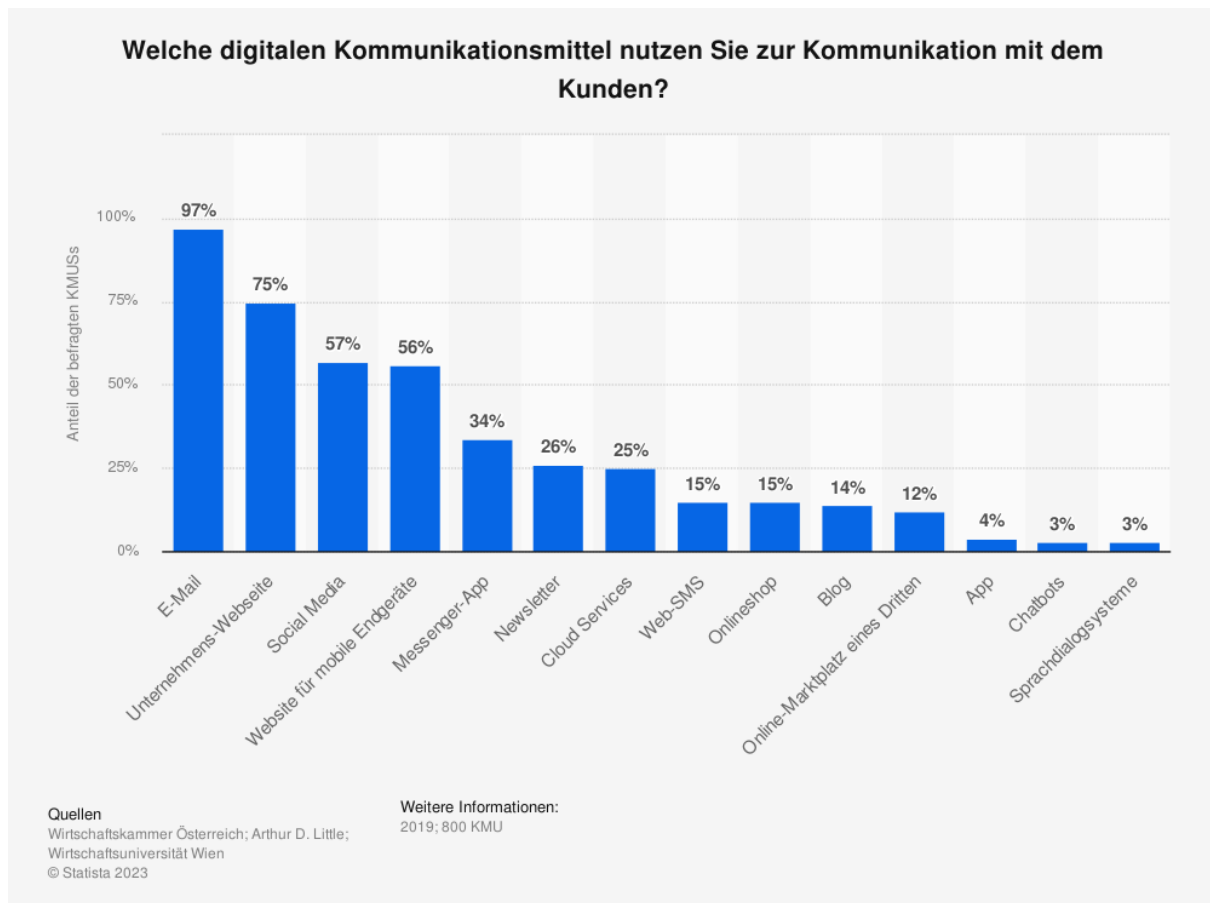
<sup>21</sup> Cf. Carmichael et al., 2000, pp. 246.



Number of patents	The number of patents filed or acquired by a company can also be an important indicator of customer-centric innovation. Patents that are based on customer feedback or that are designed to address specific customer needs can demonstrate a commitment to customer-centric innovation.
Customer retention	Companies that can retain customers by consistently delivering products that meet their needs are likely to be successful in innovation.

The following statistic shows what kind of digital communication tools Austrian SMEs use in order to communicate with costumers. The most common communication tool is via email with 97% followed by the company’s websites and social media. The communication tool that is used the least by only 3% of those SMEs are chatbots and voice dialog systems.

**What kind of communication tool are you using in order to communicate with costumers?**



(Source: Statista (2019) Little, A. Wirtschaftskammer Österreich: Digitale Transformation von KMUs in Österreich, S. 38, 2019.)

## 2 Strengths and Successes

Customer-centric innovation can have many benefits for SMEs, including increased customer loyalty, improved customer satisfaction and enhanced brand reputation. By focusing on the needs and preferences of their customers, SMEs can develop products and services that are better suited to the market, leading to increased sales and profitability.

One strength of customer-centric innovation in SMEs is the ability to be agile and respond quickly to changing customer needs and market trends. SMEs are often more flexible and adaptable than larger companies, allowing them to make changes to their products more quickly.

However, here are some examples of successful companies that include customers for their innovation process: First, Amazon who “allows third party merchants its own tools to create

Amazon web pages”<sup>22</sup> and creates an overall “consistent shopping experience”<sup>23</sup> for costumers. Another great example is Airbnb with their user-generated reviews. By allowing users to review their experiences, with hosts, Airbnb has built a reputation for providing high-quality and personalized accommodations that meet customer needs<sup>24</sup>. Tesla is also successful with customer-centric innovation. Tesla’s electric vehicles are designed with the needs of environmentally conscious customers in mind and have been praised for their innovation and performance. Another good example is Patagonia with their sustainable clothing. Patagonia’s clothing is designed with sustainability in mind, reflecting the values of its environmentally conscious customer base.

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<sup>22</sup> Chesbrough, H. 2011, pp. 30.

<sup>23</sup> Ibid. pp. 30.

<sup>24</sup> Cf. Fradkin/Holtz. 2023.

### III Tools and methods for implementing customer-centric innovations in SMEs

#### 1 Co-creating innovation with users

Implementing customer-centric innovation is a critical success factor for SMEs in today’s highly competitive business environment. To do so, SMEs can utilize a variety of tools and methods to gain insights into customer needs and expectations and develop products, services and experiences that are tailored to meet these needs. Here are some examples on different tools and methods for implementing customer-centric innovations in SMEs:

Customer surveys and feedback	To understand customer needs and pain points, SMEs can conduct surveys, interviews or focus groups. Surveys can be conducted in different ways, including online surveys, phone interviews or in-person-surveys <sup>25</sup> . Feedback can be collected through various channels, such as email or social media. It is important to analyze the feedback and use it to make changes and improvements.
Customer journey mapping	Customer journey mapping involves understanding the various touchpoints and interactions that customers have with the company. By mapping the journey, SMEs can “identify ways of understanding citizens’ experiences” <sup>26</sup> and therefore are able to improve it. This can be done by interviewing customers, observing their behaviour and analyzing data on their interactions with the company.

<sup>25</sup> Cf. Sawhney, M. et. al. 2005, pp. 5 et seq.

<sup>26</sup> Croiser/Handford. 2012, pp. 67.

<p>Design thinking</p>	<p>This problem-solving approach emphasizes empathy<sup>27</sup>, experimentation<sup>28</sup> and iteration. SMEs can use design thinking to create innovative products, services and experiences that meet the needs of customers. This involves engaging customers in the design process<sup>29</sup>, prototyping, testing and making adjustments based on feedback<sup>30</sup>.</p>
<p>Minimum viable product (MVP)</p>	<p>This involves creating a product with only the essential features needed to satisfy early adopters and gather feedback. SMEs can use MVPs to test market demand and make changes based on customer feedback before investing too much time and resources<sup>31</sup>.</p>
<p>Co-creation</p>	<p>SMEs can involve customers in the innovation process by soliciting their ideas, feedback and participation in the design and development of products and services<sup>32</sup>. This can be done through workshops, online communities or other collaborative tools<sup>33</sup>.</p>
<p>Net Promoter Score (NPS)</p>	<p>NPS is a customer loyalty metric that measures the likelihood of customers to recommend a company to others. SMEs can use NPS to measure customer satisfaction, identify areas for improvement and track changes over time. NPS can be collected through surveys and the data then can be used to improve the customer’s experience<sup>34</sup>.</p>

<sup>27</sup> Cf. Tschimmel, K. 2012, pp. 12.

<sup>28</sup> Ibid. pp. 14.

<sup>29</sup> Ibid. pp. 4.

<sup>30</sup> Ibid. pp. 4 et seq.

<sup>31</sup> Cf. Moogk, D. 2012, pp. 23.

<sup>32</sup> Cf. Weber, M. E. 2012, pp. 1 et seq.

<sup>33</sup> Ibid. pp. 5.

<sup>34</sup> Cf. Baquero, A. 2022, pp. 1 et seq.

Customer lifetime value (CLV)	CLV is a metric that calculates the total value a customer brings to the company over their lifetime. SMEs can use CLV to identify high-value customers and tailor their offerings and marketing efforts accordingly. By understanding the value of each customer, SMEs can invest in retaining them and increasing their loyalty <sup>35</sup> .
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As can be seen, companies can use a variety of tools to implement customer-centric innovation. The key is to involve customers in the process, continuously gather feedback and iterate based on customer needs and expectations. By doing so, SMEs can create a competitive advantage and build long-term customer loyalty.

## 2 Seven methods of customer-integration

The following shows some more methods that make customer-integration easy for companies, especially in an early innovation stage. Those insights are provided by *Tucatap*<sup>36</sup>.

The first method is the concept of so called “idea competitions”. Therefore, companies give customers the chance to submit topic-related contributions which will then be evaluated by expert groups. This gives customers the opportunity to widen their point of view and idea scope and contribute to the company’s innovation process.

The second method is the Lead-User method. This special tool is for strengthening the bond between the customer and the company. Therefore, companies offer a variety of workshops for customers to contribute where they can collectively work on ideas and innovation concepts.

The third method is a community-based innovation approach. This approach offers online communities to contribute ideas that are systematically analysed and made usable for the company’s innovation process.

<sup>35</sup> Cf. Caldwell, A. 2022, <https://www.netsuite.com/portal/resource/articles/ecommerce/customer-lifetime-value-clv.shtml>.

<sup>36</sup> Tucatap, 2020, <https://tucatap.com/7-methoden-der-kundeninteraktion-im-fruehen-innovationsprozess/>.

The fourth method are so called “focus groups” which have already been addressed in the previous chapter. Focus groups include groups of 6-12 costumers with the goal of generating opinions, judgements and ideas that arise under dynamic group influences. A few large companies, like Coca-Cola, already use the concept of focus groups.

The fifth method is the “Quality Function Development” concept. This concept assumes that the company already has an innovation idea which now must be developed to a prototype that adapts on customers needs. The first step involves the questioning of customers on their requirements and needs concerning the innovation idea. Eventually the customer requirements are transformed into technical specifications or measurable product parameters.

The sixth method is the concept of complaint management. The complaint management can serve as an information source that gathers complaints of costumers e.g., dissatisfaction with a certain product, and therefore translates this information into information on the costumer’s needs and wishes.

Lastly there is the concept of open innovation and social software. A so called “social software” helps with integrating costumers and other stakeholders in the innovation process. Examples are blogging-tools, social media and wikis. Those technologies help companies to gain costumer knowledge and facilitate communication with costumers.

### 3 The SCAMPER-Method

The SCAMPER method is a simple yet effective technique that encourages individuals to think outside the box and approach problems in a new way. It can be used in a variety of settings, from brainstorming settings to product development meetings. The method can be applied to any industry, from manufacturing to healthcare and can be used by individuals or teams. The acronym SCAMPER stands for substitute, combine, adapt, modify, put to another use, eliminate and reverse. Here are some examples on how the SCAMPER method can be used and what the individual segments stand for. The following information is provided by *Designorate*<sup>37</sup>.

Substitute	This technique involves substituting one component or feature of a product, service or
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<sup>37</sup> Elmansy, R. 2015, <https://www.designorate.com/a-guide-to-the-scamper-technique-for-creative-thinking/>.

	process with another to create something new. For example, substituting the gasoline engine of a car with an electric motor to create an electric car.
Combine	This technique involves combining two or more existing products, services or processes to create something new. For example, combining a fitness tracker and a music player to create a smartwatch.
Adapt	This technique involves adapting an existing product or service to a new situation or environment. For example, adapting a weather-resistant material used for outdoor clothing to create a waterproof phone case.
Modify	This technique involves modifying an existing product to improve it. For example, modifying the design of a smartphone to have a larger screen.
Put to another use	With this technique, an existing product or service will get a new purpose for it. For example, using a 3D printer to create custom prosthetics.
Eliminate	This technique involves eliminating or removing a component or feature of an existing product or service to create something new. For example, removing the cord from a vacuum cleaner to create a cordless vacuum.
Reverse	This technique involves reversing the order or process of an existing product to create something new. For example, reversing the traditional gender roles in advertising by



	featuring boys playing with dolls and girls playing with trucks.
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When applying the SCAMPER method, it is important to ask open-ended questions that encourage exploration and modification of the original idea. Some examples of questions that can be used for each technique include:

**Substitute:** What other materials or technologies can be used instead?

**Combine:** What other products or services can be combined with this one?

**Adapt:** How can this product or service be adapted to a different environment or situation?

**Modify:** How can this product or service be improved or made more efficient?

**Put to another use:** What other applications can this product or service have?

**Eliminate:** What can be removed or simplified to create a new product or service?

**Reverse:** What if we did the opposite of what we usually do?

As already mentioned, the SCAMPER method can be used in various industries and settings, such as product development, marketing and problem-solving. By using this technique, individuals and teams can approach challenges from a new perspective and generate innovative ideas that can lead to competitive advantage and growth.

## IV Conclusion

Innovation is a vital component for the growth and success of both SMEs and large companies. While the measurement of innovation can be challenging, there are several indicators that can be used to assess the degree and impact of innovation. These indicators include R&D investments, new product development, customer satisfaction and employee engagement.

SMEs face unique challenges when it comes to innovation due to their limited resources and capabilities. However, they can still measure innovation using indicators such as the speed of innovation, customer adoption rates or collaboration with external partners. By focusing on niche markets, customer needs, and leveraging their agility, SMEs can achieve remarkable success and become hidden champions in their respective industries.

Digitalization and artificial intelligence play a crucial role in driving innovation in SMEs. It enables new business models, improves operational efficiency and opens up opportunities for growth. The adoption of digital technologies can help SMEs expand their reach, automate tasks and make better use of data. Furthermore, the use of artificial intelligence is becoming increasingly popular among SMEs, offering opportunities for automation, data analysis and process optimization.

Customer-centric innovation is a powerful approach for both SMEs and large companies to drive growth and differentiate themselves from competitors. Measuring customer-centric innovation can be done through indicators such as customer feedback, market share, sales growth, number of patents and customer retention. By understanding and meeting customer needs, SMEs can increase customer loyalty, improve satisfaction and ultimately achieve success.

Implementing customer-centric innovation requires the use of various tools and methods. SMEs can co-create innovations with customers by conducting surveys, collecting feedback, mapping customer journeys and employing design thinking approaches. These methods help SMEs gain insights into customer needs and preferences, enabling them to develop products, services and experiences that align with customer expectations.

In conclusion, innovation is essential for the long-term success of businesses of all sizes. By measuring and fostering innovation, businesses can drive economic growth, enhance competitiveness and meet evolving needs of customers. Whether through digitalization, the use

of AI or customer-centric approaches, SMEs have the potential to achieve remarkable success and become market leaders in their industries. With the right strategies, tools and a focus on customer needs, SMEs can thrive in today’s rapidly changing business landscape.

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