



Measuring digital innovation capabilities and impact for SMEs

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Digital innovation is essential for an SME's sustainable development, competitiveness and growth. In the latest session of the INSMEAcademy, Dr. Martin Ruppert, Managing Director at IMP³rove – European Innovation Management Academy, highlighted some major trends and challenges related to digital innovation and presented a tool that can support companies in overcoming them.

Dr. Ruppert opened the session by defining digital innovation as a successful commercialization of a new or enhanced - digital and/or connected - offering (product, service, or business model) or process, supporting companies in generating revenues, reducing costs and differentiating from the clients' perspective.

The findings of a pilot study involving more than 200 firms carried out by IMP³rove in Slovenia, highlighted that only one out of four companies has a digital strategy. On top of that only in a third of the cases, companies have a digital strategy based on a robust analysis of digitalization trends determining how the company could best use these trends in its favour.

To fill this gap, IMP³rove developed a benchmarking and assessment tool, the Digital Innovation Quotient, answering the following questions a company can have on its digital innovation capabilities:

- a) what are the digital innovation trends a company should be looking at;
- b) what are the opportunities related to data and analytics;
- c) to what extent a company's processes use digital opportunities;
- d) how digital innovation shall look like;
- e) what other firms invest in with regard to digital innovation.

In particular to understand to what degree digital innovation contributes to a firm's business performance and value creation, the tool analyzes five main dimensions of excellence in digital innovation capabilities:

1. the digital innovation strategy;
2. the digital business model;
3. the digital processes;

4. the digital ecosystem and culture;
5. the enablers of digital innovation.

The output of the tool is a final report that not only analyzes how the company is performing in terms of digital innovation but also shares information on what digital innovation “champions” are doing, their best practices and lessons learned, to support the company in getting inspired throughout its journey towards an increased competitiveness.

Dr. Ruppert shared an example of a construction company, Schielicke Bau GmbH from Germany, that took the most out of digital innovation. Firstly the firm identified data-driven process optimization and process integration with partners as digital innovation trends. Based on this, the firm set three main digital innovation goals:

- higher transparency on resource usage;
- higher speed in reacting to damages;
- reduction of transportation costs.

To achieve these objectives the firm developed a new digital board whose data are stored on the cloud and accessible on mobile devices by all workers and digitized the process for reporting of damages and nonconformities of the machines. These changes of course led to new capability requirements such as data capture and data processing, as well as new partner requirements as the firm had to collaborate with an IT Consulting & Software developing company for digitizing the company’s traditional system for assignment of resources to the different projects. The impact of digital innovation on this firm was undeniable:

- return on investment readily after one year;
- better management of resources and optimization of their usage;
- reduction of machine transportation costs.

To inspire the SME’s journey towards increased competitiveness driven by higher digital innovation performance, IMP³rove has also initiated the collection of best practices in a digital use case library showcasing digital innovation successes in various industries – from construction to IT.

For any further information about the tool and the case library, please visit [this link](#).