

Supporting MSME Innovation

An Adviser's Manual Developed for the Philippine
Department of Science and Technology

Practical guide for advisors driving MSME growth through innovation



The Asian Productivity Organization (APO) is an intergovernmental organization that promotes productivity as a key enabler for socioeconomic development and organizational and enterprise growth. It promotes productivity improvement tools, techniques, and methodologies; supports the National Productivity Organizations of its members; conducts research on productivity trends; and disseminates productivity information, analyses, and data. The APO was established in 1961 and comprises 21 members.

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SUPPORTING MSME INNOVATION

**An Adviser's Manual Developed for the Philippine
Department of Science and Technology**

Supporting MSME Innovation: An Adviser's Manual Developed for the Philippine
Department of Science and Technology

Dr. Eva Diedrichs and Claus Diedrichs served as the volume editors.

This manual is intended for the sole use of officers from the Philippine Department
of Science and Technology as a professional reference. It is not designed for direct
distribution to MSMEs.

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FOREWORD

In today's increasingly complex global economy, effective innovation management is a key enabler of productivity, competitiveness, and sustainable growth. This is particularly relevant for micro, small, and medium enterprises (MSMEs) across APO member economies. As drivers of employment, value creation, and inclusive development, MSMEs must adapt to technological change and evolving sustainability requirements to remain resilient and competitive.

The Asian Productivity Organization (APO) is committed to strengthening innovation capability, advancing digital and green transformation, and reinforcing the institutional systems that support sustained productivity growth. Achieving these objectives requires innovation to be managed systematically, with measurable outcomes, and embedded within enterprise operations as well as the advisory mechanisms that support enterprise upgrading.

In this context, the APO, in collaboration with the Department of Science and Technology (DOST) of the Philippines and Eva Diedrichs – Innovation Management Consulting, Germany, developed this manual to strengthen innovation management support for MSMEs under the Small Enterprise Technology Upgrading Program (SETUP).

Anchored in the ISO 56000 series on Innovation Management Systems, the manual translates internationally recognized principles into structured frameworks and practical tools tailored to MSMEs. It provides DOST innovation advisors with a step-by-step, practitioner-oriented approach covering innovation strategy, processes, capability development, and the organizational culture that drives innovation management. By applying this guidance, advisers can effectively design and implement productivity-enhancing innovation interventions, enabling enterprises to translate new ideas into measurable results and sustainable business outcomes.

The manual supports national development priorities and reinforces the APO's broader objective of embedding innovation management as a continuous, value-creating capability within MSMEs. By integrating considerations of digital enablement, environmental responsibility, and inclusive growth, it aligns with the guiding principles of the APO's Vision 2030.

The APO acknowledges the collaboration of DOST and the team of expert consultants from Eva Diedrichs – Innovation Management Consulting for their commitment to developing this practical and

forward-looking guide. It is expected that this publication will strengthen institutional capability, enhance advisory professionalism, and support innovation-driven productivity growth in the Philippines and across the APO member economies.

Dr. Indra Pradana Singawinata
Secretary-General
Asian Productivity Organization
Tokyo, Japan

MESSAGE FROM THE DOST SECRETARY

Micro, small, and medium enterprises (MSMEs) remain at the heart of the Philippine economy. They generate employment, invigorate local industries, and anchor inclusive growth across our islands. Yet, as global markets shift and emerging technologies continuously redefine the business landscape, sustaining enterprise competitiveness demands more than routine adaptation. It requires cultivating a resilient innovation mindset—one grounded in strategic thinking, continuous learning, and the relentless drive to transform ideas into market value.

For over two decades, the Department of Science and Technology (DOST) has stood alongside our local entrepreneurs. Since 2002, our flagship Small Enterprise Technology Upgrading Program (SETUP) has empowered thousands of MSMEs to boost productivity, refine product quality, and optimize operational efficiency through science, technology, and innovation (STI) interventions.

Our deliberate focus on enterprise innovation management started between November 2021 and January 2022, when DOST-MIMAROPA participated in the Asian Productivity Organization’s Research on Needs Assessment on Innovation Management. This critical engagement laid the groundwork for developing practical, institutionalized tools designed to build long-term innovation capacity within our local business sector.

As the realities of business evolve, SETUP must transform alongside them. Today, the program is expanding beyond traditional technology upgrading to embed innovation management as a core, institutional capability for sustainable growth. Innovation management enables MSMEs to systematically spot opportunities, solve complex operational challenges, mitigate risks, and design superior products and processes. More importantly, it shifts innovation from an occasional, ad-hoc effort into an everyday business discipline integrated into routine decision-making.

This manual, *Supporting MSME Innovation: An Adviser’s Manual Developed for the Philippine Department of Science and Technology*, equips our DOST Innovation Advisors with a structured, standards-based, and practical framework for enterprise mentoring. By standardizing advisory services across SETUP nationwide, this guide empowers our Regional Offices and Provincial Science and Technology Offices to move beyond service delivery—positioning them as true strategic partners in enterprise development.

This mission lies at the core of *Agham na Ramdam*—science that delivers tangible, felt results where they matter most. By guiding MSMEs to innovate boldly, operate efficiently, and scale sustainably, DOST translates scientific research and technological progress into concrete economic opportunities for workers, families, and communities.

May this manual serve as an empowering resource for our DOST teams as we elevate our innovation advisory services, amplify the impact of SETUP, and inspire Filipino enterprises to turn bold ideas into measurable business value.

Together, let us build an innovation-driven economy where local enterprises thrive, communities prosper, and science and technology forge lasting value for the nation.

Renato U. Solidum, Jr.
Secretary

MESSAGE FROM THE DOST UNDERSECRETARY

Across the country, the Department of Science and Technology's Regional Offices and Provincial Science and Technology Offices (PSTOs) serve as the Department's closest link to Filipino enterprises. Through their close engagement with micro, small, and medium enterprises (MSMEs), they witness firsthand the realities faced by businesses, including their aspirations, challenges, and the opportunities where science, technology, and innovation can create lasting impact.

For many years, the Small Enterprise Technology Upgrading Program (SETUP) has helped enterprises become more productive and competitive through technology-based interventions. As our economy continues to evolve, we are now called to help enterprises develop the capacity to innovate continuously.

The work that led to this Innovation Management Manual traces its beginnings to 2021, when DOST, in partnership with the Asian Productivity Organization (APO) and the Development Academy of the Philippines (DAP), began building capacity and formulating policies to support innovation among MSMEs. Through the leadership of DOST-MIMAROPA, the Philippines participated in the APO Research on Needs Assessment on Innovation Management from November 2021 to January 2022, which helped establish the foundation for a more structured approach to innovation management support. Since then, this initiative has progressed through assessment, capability building, pilot testing, and refinement, with the goal of developing a practical tool that can be used by DOST personnel in guiding MSMEs across the regions.

This Innovation Management Manual reflects that continuing evolution. It represents a shared commitment to strengthening how DOST delivers enterprise development services throughout the country. It provides innovation advisors with a practical framework for mentoring MSMEs, from understanding their business context and innovation ambitions to supporting the planning, implementation, and evaluation of innovation initiatives.

Importantly, this manual transforms the role of Regional Offices and PSTOs from that of merely implementing programs or facilitating technology assistance to that of mentoring enterprises, partnering with them, and serving as catalysts for innovation. Every engagement with an enterprise presents an opportunity to nurture a stronger innovation culture

within our MSMEs. As frontliners, our regional and provincial personnel are uniquely positioned to provide guidance that responds to local realities while ensuring that innovation management becomes an integral part of every SETUP intervention.

Ultimately, the success of innovation management will be reflected in enterprises that become more confident in making decisions, more capable of managing change, and more committed to continuous improvement. This is the kind of transformation that DOST seeks to foster in every region.

I commend DOST-MIMAROPA for its initiative and sustained leadership in advancing this undertaking, together with the APO, our partner experts, and the DOST teams whose dedication made this publication possible. May this manual empower our regional offices, PSTOs, and innovation advisors to continue leading MSMEs toward innovation-driven growth and reinforce DOST's commitment to building stronger enterprises and more resilient regional economies.

Sancho A. Mabborang
Undersecretary, Regional Operations, Department of Science and
Technology

PREFACE

This manual for innovation management support of the Department of Science and Technology (DOST), Philippines is structured along the support process of the Small Enterprise Technology Upgrading Program (SETUP), from assessing the need for innovation management support of the Micro-, Small and Medium-sized enterprises' (MSMEs) to identifying, implementing, and evaluating the most effective innovation solutions and their impact on sustainable growth.

The manual is designed to provide DOST innovation advisors with practical tools to nurture innovation and support innovation management within MSMEs and their communities. It brings together foundational concepts, proven frameworks, and actionable strategies tailored to the unique economic, entrepreneurial, and cultural requirements of MSMEs in the Philippines.

The development of this manual has been an innovation management journey in itself. It involved engaging stakeholders to understand their requirements and expectations, deriving a concept from these insights, and developing it into a manual that is easy to use and effective for innovation advisors under SETUP in day-to-day operations. The cooperation and support of DOST innovation advisors, especially the DOST MIMAROPA team, as well as the interviews with MSMEs across the Philippines, were essential to the success of this journey.

We acknowledge the support of the Asian Productivity Organization (APO) and its trust in our efforts. The commitment of DOST and its innovation advisors ensured that this manual reflects practical realities across regions, industries, and strategic ambitions. The success of innovation management builds trust through collaboration and the shared pursuit of new opportunities.

We expect that this manual will support innovation advisors in guiding MSMEs toward a sustainable, innovation-driven growth path.

Dr. Eva Diedrichs
Founder
Eva Diedrichs Innovation Management Consulting
Neuss, Germany

EXECUTIVE SUMMARY

This manual provides structured guidance for supporting Micro, Small, and Medium Enterprises (MSMEs) under the Small Enterprise Technology Upgrading Program (SETUP) of the Department of Science and Technology (DOST) of the Philippines.

Successful technology upgrading is central to SETUP. This often requires MSMEs to innovate processes, organizational structures, IT systems, and business models, and manage these innovations for sustainable growth. This manual translates internationally recognized innovation management principles into a practical six-step advisory process tailored to the Philippine context.

The six-step process promotes consistency in advisory delivery by integrating diagnostic assessment, feasibility evaluation, structured monitoring, and results validation into a coherent approach. It strengthens accountability in the use of public resources while reinforcing enterprise-level innovation capability.

The manual has the following main objectives:

1. To support DOST in positioning SETUP as an effective mechanism for equipping MSMEs with state-of-the-art technologies and adequate innovation management capabilities for future growth.
2. To provide a common and pragmatic approach enabling DOST innovation advisors to support MSMEs through clearly defined steps and measurable outcomes.
3. To measure the impact of each step during and after the innovation management support process.
4. To align DOST advisory practices with international standards on innovation management systems.
5. To contribute to the institutionalization of harmonized and high-impact advisory services on innovation management across regions.
6. To provide practical, hands-on guidance grounded in field experience.

Under this manual, innovation success is defined through three interdependent dimensions:

1. **Value creation:** Measurable improvements in productivity, competitiveness, profitability, or sustainable growth resulting from supported innovation initiatives.
2. **Capability development:** Strengthening the enterprise's ability to manage innovation systematically, including leadership commitment, a clear innovation strategy for growth,

structured processes, effective organizational setup and business models, and continuous improvement practices.

3. **Responsible stewardship:** Governance in project implementation, including transparent monitoring, compliance with SETUP requirements, and responsible management of public resources.

By consolidating structured advisory practices while preserving professional judgment, this manual supports DOST in ensuring that innovation assistance translates into measurable enterprise impact and sustained development outcomes.

CHAPTER 1

PURPOSE, SCOPE, AND USE OF THIS MANUAL

Purpose and Scope

This manual is designed for the Department of Science and Technology (DOST) of the Philippines, particularly for DOST innovation advisors supporting Micro, Small, and Medium Enterprises (MSMEs) under the Small Enterprise Technology Upgrading Program (SETUP) in strengthening their innovation management capabilities.

It provides a simple, easy-to-follow guideline for supporting, monitoring, and assessing innovation projects awarded to MSMEs through the SETUP assistance program. In this manual, a successful project is defined as one that creates measurable value for the enterprise, is implemented in a disciplined and timely manner, and fulfills financial and governance obligations under SETUP.

This manual does not introduce new policies or mandatory procedures. It complements existing SETUP regulations and approval mechanisms by strengthening the managerial and advisory dimensions of innovation support through practical guidance and professional judgement.

The manual focuses on the commercial and management aspects of SETUP. By combining technology support with sound innovation management practices, SETUP interventions are expected to generate greater value for beneficiaries by improving productivity, competitiveness, profitability, and sustainable enterprise development.

Structure of the Manual

The Manual consists of two main parts. The first part provides an overview of innovation management concepts, including Innovation Management Systems as described in ISO 56002:2024 and related international standards.

The second part describes six process steps that define the innovation journey, from understanding the MSME's ambition and readiness to innovate, to supporting implementation, and monitoring results.

Each step follows a consistent format to clarify:

- Key objectives of each step
- Sub-steps or activities required
- Valuable tools and techniques to be applied

- Relevant impact measures
- Potential risks and pitfalls
- Key results to be achieved before moving to the next step

The sequential progression of the six steps supports disciplined project management while allowing flexibility in application. Although certain activities may overlap in practice, moving systematically through each step contributes to clearer decision-making and more effective project management.

The approach described in this manual applies to various types of innovation and can be used across enterprises of different sizes and maturity levels.

Intended Use and Application

The manual is intended for the sole use of DOST innovation advisors. It is not designed for direct distribution to MSMEs, as its level of detail and considerations may not be appropriate for all enterprises, particularly for micro and small businesses.

The manual serves as a professional reference to guide DOST innovation advisors in applying the six-step process to help businesses successfully manage SETUP-supported projects. It is not a rigid checklist but a practical resource from which relevant tools and methods can be selected based on the specific context of each enterprise.

Each project differs in terms of business maturity, management characteristics, industry conditions, regional environment, market competition, and strategic ambitions. Therefore, the manual remains generic in nature to cover a broad range of potential situations. DOST innovation advisors are expected to apply the tools and guidance as appropriate to each case. To ensure disciplined project management, it is recommended that all six steps be completed.

Beneficiaries and Expected Benefits

The primary beneficiaries of this manual are DOST innovation advisors. Both DOST and SETUP benefit from more consistent and disciplined innovation support practices, while MSMEs benefit indirectly through improved advisory engagement.

Benefits for DOST Innovation Advisors

- Strengthened knowledge and capacity in innovation management.
- Practical tools and methods to appraise and monitor SETUP projects, enabling early intervention to identify risks and challenges.
- Effective implementation and successful completion of SETUP projects, including timely repayment of assistance.

Benefits for DOST and SETUP

- Strengthened positioning in supporting innovation management in MSMEs.

- Reduction in project failures and unpaid assistance.
- Improved reputation as a policymaker in innovation support.

Benefits for MSMEs

- Clearer guidance from DOST innovation advisors through structured management of innovation projects, helping enterprises generate measurable value from SETUP support.
- Improved understanding and capability in internal innovation management.
- Successful completion of SETUP-supported projects, including fulfillment of repayment obligations.

CHAPTER 2

INNOVATION MANAGEMENT CONCEPTS AND PRACTICAL CONSIDERATIONS

Introduction

Introducing innovation management to MSMEs requires a clear understanding of innovation and the key success factors for transforming them into innovation-driven, growth-oriented organizations. Innovation management focuses not only on generating ideas but also on guiding enterprises to identify, implement, and manage innovation initiatives in a disciplined, economically viable manner.

Innovation and Innovation Management

Innovation is defined as a “new or changed entity, realizing or redistributing value” (ISO, 2024a). For MSMEs, it may be understood as a successfully commercialized new idea. An innovation may be new to the enterprise, new to the market, or new to the world. Innovation is often distinguished from invention, which refers to a new idea that has not yet been developed into a new product, service, process, business model, or new organizational structure.

Innovation Management “can include establishing an innovation policy, innovation vision, innovation strategy, and innovation objectives, and organizational structures and innovation processes to achieve those objectives through planning, support, operations, performance evaluation, and improvement” (ISO, 2024a). More specifically, it is “the systematic planning, management, and control of innovations in companies. It steers and promotes innovation activities in order to make innovation processes efficient and effective. The aim of innovation management is to develop new ideas, products, processes, services, or business models in order to secure long-term competitive advantages and the success of the company” (Fraunhofer IESE, n.d.).

Innovation management integrates elements such as strategic direction, organizational culture, structured processes, and supporting systems to transform opportunities into outcomes that create value for the enterprise and its stakeholders.

For MSMEs, the innovation journey may begin with the owner’s intention to grow the business, or may be triggered by changing customer demand, evolving market conditions, or new technologies. These factors may lead MSMEs to innovate their offerings, processes, organizational structures, and access to (new) markets. Once a direction for growth is defined, the implementation of the new technologies, products, services, processes, or organizational structures must be planned and implemented to achieve the desired outcome.

“Innovation is the creation or modification of an entity that either adds new value or shares existing value in a new way.” (ISO, 2024b).

Types of Innovation

Innovation in enterprises can take several forms depending on how new ideas are applied to create value. International innovation literature, including OECD Oslo Manual, commonly distinguishes the following types of innovation:

- **Product innovation:** Development of a new or significantly improved product
- **Service innovation:** Introduction of new or enhanced services
- **Process innovation:** Improvements in production or operational processes
- **Marketing innovation:** New approaches to promote or distribute products or services, such as digital sales channels or online platforms
- **Business model innovation:** New ways of creating, delivering, or capturing value
- **Organizational innovation:** Changes in internal structures, management, or workflows
- **Grassroots innovation:** Ideas initiated by employees or operational teams within the organization

The concept of 'new' may refer to innovations that are new to the enterprise, the market, or the world. When an innovation is 'New to the world', it is considered radical innovation. However, for MSMEs, a new process triggered by new equipment may be perceived by managers and teams as radical, even if the same equipment is already widely used in other companies and considered standard practice.

Organizational innovation creates value through changes in organizational structures and processes. Grassroots innovation refers to bottom-up, community-driven solutions developed by local people, activists, and practitioners to address specific social or environmental needs. These initiatives are often informal, frugal, and collaborative, arising outside formal institutional or market structures to create sustainable, locally relevant, and inclusive outcomes.

The impact of innovation depends on the MSME's capacity to absorb new solutions and adapt to the market environment in which it operates. The key criterion is value creation through innovation. Value may be defined in different ways, for example:

- Increase in profit
- Increase in revenues
- Increase in sales, market share, or customer base
- Increase in productivity
- Increase in employment

Role of the DOST Innovation Advisor in Supporting MSME

The DOST innovation advisor typically engages with MSMEs in the context of SETUP. The program is designed to support MSMEs in adopting technological innovations to improve operations, boost

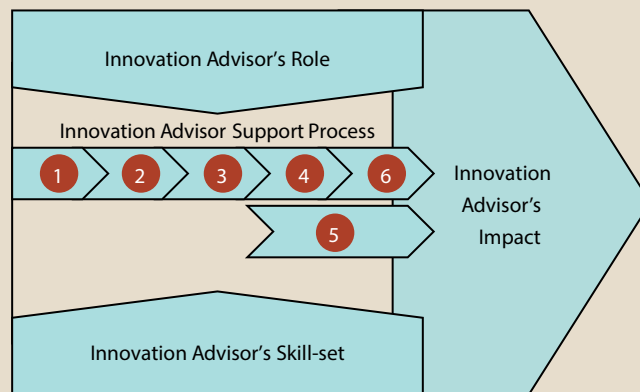
productivity, and enhance competitiveness. The role of the innovation advisor is to assist MSMEs in assessing their needs, identifying suitable technological interventions, and guiding the implementation of innovation initiatives. This may include advisory support related to technology adoption, digital readiness, smart production practices, and data-driven operations, consistent with the objectives of SETUP and related digital transformation initiatives (DOST-NCR, n.d.).

The role of an innovation advisor in facilitating and supporting innovation within MSMEs includes the following key aspects:

- Introducing MSME to innovation management concepts and opportunities for sustainable business development.
- Assisting MSMEs in identifying and prioritizing innovation opportunities aligned with their strategic objectives.
- Supporting stakeholder mapping and engagement.
- Guiding MSMEs in implementing innovation management projects.
- Facilitating the transformation of an MSME into a sustainable, innovation-driven, growth-oriented enterprise.
- Contributing to the skill development within MSMEs in areas such as:
 - Value creation and sustainable growth
 - Innovation management
 - Project management
 - General management
 - Development and implementation of growth opportunities and strategies
 - Organizational development
- Contributing to the economic development of MSMEs and their role as employers

Given the important role of an innovation advisor in driving innovation projects, they must possess a diverse range of skills, including:

- Strong background in financial risk evaluation
- Innovation management expertise to assess MSME competitiveness and development potential
- Interpersonal, coaching, and facilitation skills
- Technology scouting expertise

FIGURE 1**INNOVATION ADVISOR SUPPORT PROCESS: ROLES, SKILL SETS, AND IMPACT.**

Source: Eva Diedrichs and Claus Diedrichs for this manual.

- Strategic planning skills

The success of the innovation advisor can be assessed:

- In the short term, by the successful implementation of the new technology and the innovation project
- In the medium- and long-term, by the sustainable growth of MSMEs
- By the impact of this growth on employment and economic development in the industries or regions in which MSMEs operate
- By the timely repayment of SETUP assistance by MSMEs

The Importance of Innovation Management in MSMEs

Like all enterprises, MSMEs will only survive in their markets in the long term if they operate profitably. However, increasing competition, evolving customer expectations, and rapid technological developments create constant pressure for MSMEs to adapt. Innovation offers MSMEs opportunities to respond to these challenges by developing new or improved solutions and offerings that create value for customers. MSMEs must therefore view innovation as a continuous opportunity and obligation to maintain and, where possible, grow their businesses.

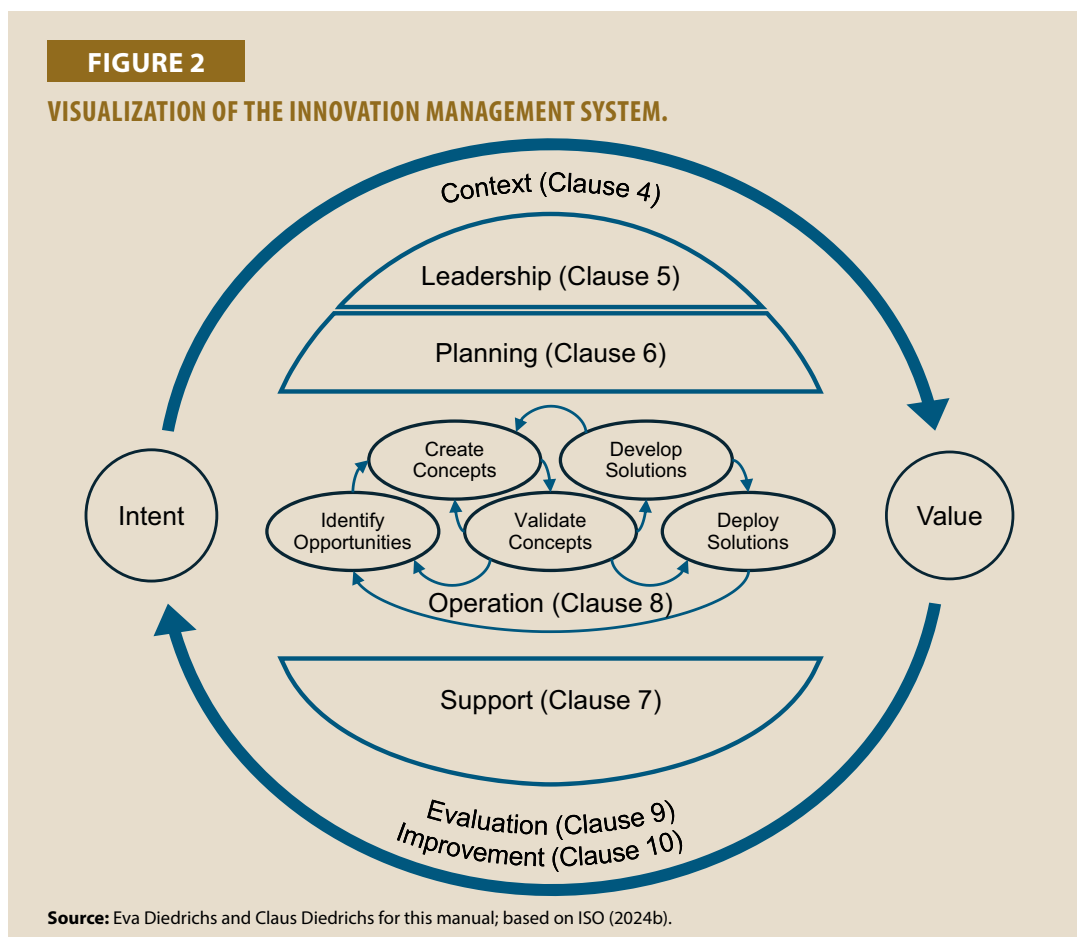
While adoption of new technologies can support improvements, technology alone does not guarantee successful innovation. Enterprises must also develop managerial practices that enable them to identify opportunities, evaluate potential solutions, and implement innovation initiatives in a disciplined and effective manner. Innovation management, therefore, plays an important role in helping MSMEs translate ideas and technological opportunities into innovative solutions that are new to the MSME and create value for customers, thereby driving MSME productivity, competitiveness, and innovation-driven growth.

Key Elements of Innovation Management

The international standard Innovation Management System – Requirements (ISO 56001:2024) describes the elements essential to creating value through systematic innovation management. MSMEs operate within specific markets and competitive environments. The MSME manager can view these conditions as a threat or an opportunity to grow the business by developing innovative solutions that create value for the MSME, its customers, and other stakeholders. This requires leadership with ambition, capability, and planning skills to drive innovation. Each innovation project needs to clearly define its intended results and how they contribute to MSMEs’ strategic objectives and sustainable growth.

An innovation creates value for the MSME, including growth opportunities, income security for owners and their families, and job security within the community. It also creates value for customers through improved products or services, for staff members through job security and opportunities to gain experience and develop new skills, and for business partners through enhanced collaboration. An innovation can take the form of a new product, service, business model, process, or organizational structure. If no value is generated, it may indicate that the initiative was not an innovation or that the innovation project was unsuccessful. The evaluation of each innovation project provides lessons to better define the intent and expected value of future innovation initiatives.

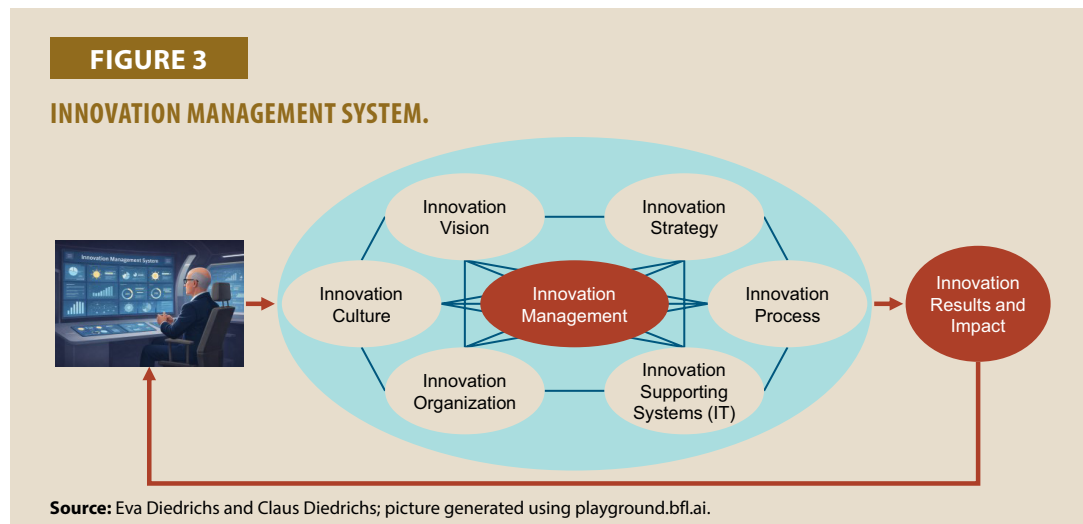
FIGURE 2
VISUALIZATION OF THE INNOVATION MANAGEMENT SYSTEM.



Each innovation project requires support from enterprise leadership, engagement from the MSME team, and, in some cases, guidance from external innovation advisors. Appropriate financial and technical resources, as well as external infrastructure, are required for facilitating the development and implementation of innovation projects.

For MSMEs, this means having a clear vision of how the organization should evolve over the next two, five, or ten years, supported by a strategy to achieve that vision. At the operational level, this requires a culture and organizational environment that fosters the development and testing of new ideas, regardless of their origin within the enterprise. Promising ideas can then be developed into innovative solutions.

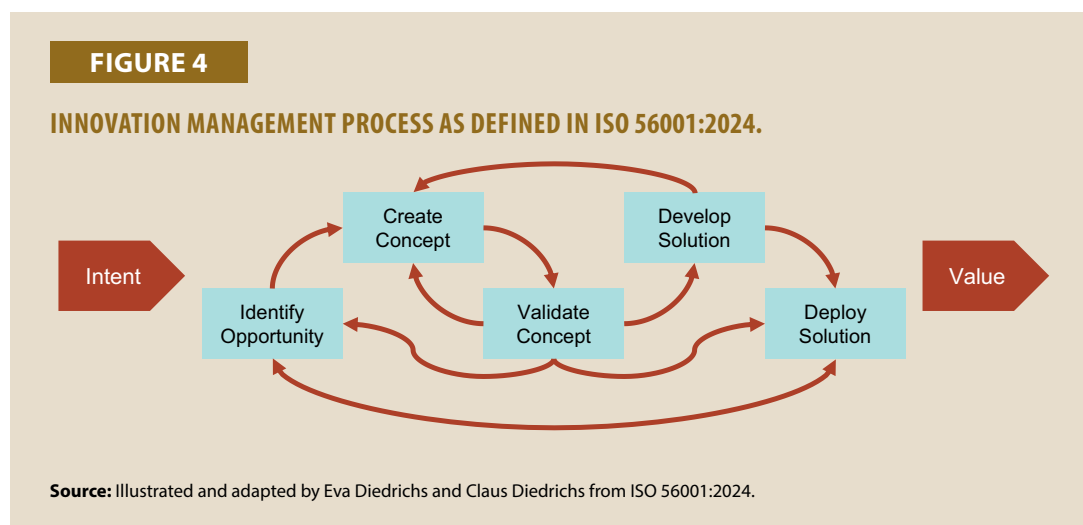
These innovation processes are often not linear, and iterative approaches are part of the culture. Supporting systems, such as IT, management, and reward systems, help ensure innovation outcomes contribute to MSMEs' sustainable growth and impact.



The Innovation Process

The innovation process translates the MSME's innovation intent into action. It is not linear and is typically triggered by the company's intent to innovate, which is linked to its vision and ambition for growth and development. Ideally, this intent to innovate is communicated to and understood by all members of the MSME. Overall, innovation is a team effort, not the sole responsibility of the MSME manager.

Opportunities for innovation may arise from various sources, including customer feedback, such as comments, suggestions, or complaints. They may also originate from ideas developed by a staff member or from new technologies, materials, or processes that increase value for customers and the company.



The success of the innovation process is measured by the value it creates for the organization. This is measured, among other things, by profit, productivity, and increased sales of higher-value products or customers.

The Key Success Factors of Innovation Management

The effective coordination of key elements of innovation management for sustainable profitable growth is based on the following key success factors:

1. The MSME manager's willingness and ability to achieve sustainable growth through innovation
2. Focus on innovation life-cycle management
3. Future-focused risk management

These success factors are interrelated.

The MSME Manager as Key Driver of Innovation

In MSMEs, it is generally the owner or manager who determines whether the company will grow sustainably through innovation. The MSME manager plays a central role in translating this vision into action.

In SETUP, the following innovation leadership principles should guide managerial roles:

1. **Strategic vision and alignment:** Managers must define and communicate a clear vision for innovation, particularly focusing on driving MSMEs toward digital transformation and effective adoption of, e.g., Industry 4.0 technologies.
2. **Collaboration and empowerment:** Leaders are expected to create a culture where knowledge-sharing and cross-office collaboration are standard, enabling MSMEs to experiment and innovate with confidence.
3. **Data-driven decision-making:** Managers should promote an environment where data and digital tools are routinely used for program improvement and strategic decision-making, thereby supporting smart production and analytics-based strategies in line with SETUP 4.0.
4. **Capacity building:** Leadership must prioritize upskilling and mentoring both internal teams and MSME partners to secure sustained innovation capabilities across the ecosystem.
5. **Agility and resilience:** Managers need to build flexible systems and processes so that MSMEs can quickly adapt to new challenges, absorb market uncertainties, and maintain business continuity.
6. **Focus and persistence:** Leadership is responsible for developing and implementing a strategy to realize the innovation vision, building a culture that fosters innovation, rewarding risk-taking, and addressing resistance to change. The manager should foster a culture that perceives failure as an opportunity for learning and promotes cross-functional collaboration.

The MSME manager is expected to support organizational changes that shift the culture and mindset from “not invented here”, “why change”, “do not bother me”, “everything is fine as it is” to a mindset that supports innovation and growth, where new ideas are encouraged. In such a culture, experimenting, risk-taking, and exploring beyond the company’s current offerings, markets, customers, competitors, and boundaries become part of normal operations.

The manager should establish processes to move from identified problems, challenges, and opportunities to innovative solutions that create value for customers. Changes in processes might also require:

- Changes in the MSME’s organizational structures and set-up
- Training for staff members in new skills and approaches to support system upgrading, including IT systems
- Development toward an innovation-driven organization
- Improved integration of processes
- Collection and use of relevant data

The MSME manager should establish processes and procedures to mitigate risk and assess the impact of innovation management on the MSME’s business. The MSME manager should lead the transformation into an innovation-oriented company and communicate a clear vision of how the organization will grow through innovation, how it should transform to facilitate innovation activities, and how it will benefit from innovation success, and celebrate it.

Overall, the manager is responsible for aligning the strategic focus, organizational structure, skill sets, processes, and systems with the company’s current business and future strategic objectives. The person should also assess the impact of innovation projects, including the return on investments in specific projects, such as new machines, market segments, technologies, or staff training.

The MSME manager should demonstrate clear objectives, relevant skills, and commitment to leveraging the innovation project to enhance the MSME’s competitiveness and achieve sustainable growth.

Given that many managers are also business owners, often responsible for generating income for their families, they may adopt a risk-averse approach. Innovation inherently involves risks that must be managed. At the same time, many MSME managers have demonstrated a strong capacity for risk-taking in establishing or investing in their businesses. Access to the SETUP reduces the risk of investing in state-of-the-art technology to bring the company to the next level. The innovation advisor needs to ensure the business can repay the funds on time.

The Innovation Advisor as Change Agent for the MSME

MSMEs often lack systematic innovation management. Therefore, the innovation advisor should act as a change agent, supporting the MSME manager in developing the enterprise into an organization where innovation is the new normal. This includes:

- Maintaining continuous interaction with the MSME manager and the team.

- Assessing cultural barriers that may affect the success of the innovation project and applying appropriate measures to address them, including sharing learnings from successful MSMEs, explaining the rationale for change, and recognizing team efforts to support the innovation project.
- Applying leadership skills to guide the MSME manager and the team in developing capabilities in innovation management, effective communication, and managing resistance.
- Applying project management practices to define clear and measurable objectives, encourage and support the team in achieving them, identify and mitigate risks on time, and recognize the achievement of the team.

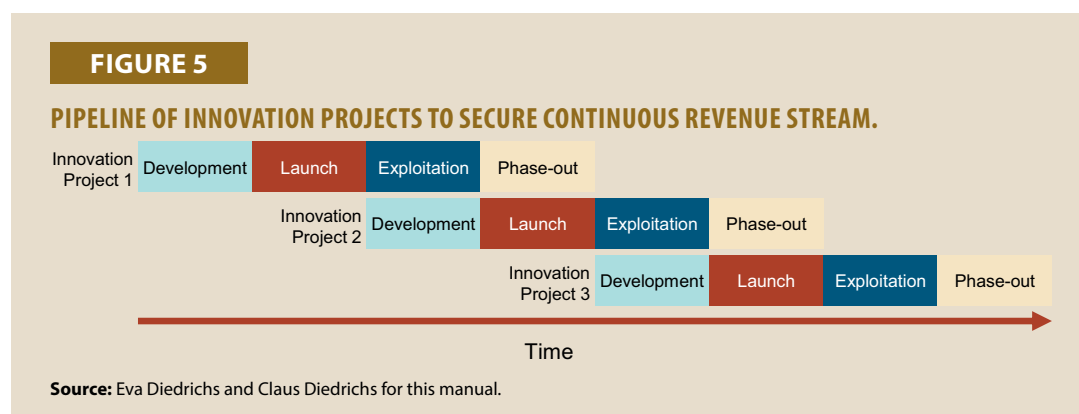
By adopting the role of change agent and coach, the innovation advisor should support the success of the innovation project, strengthen the MSME's capabilities, enabling them to move to the next level, and position SETUP not only as a funding mechanism under favorable conditions but also as a support for the sustainable development of MSMEs to grow and transform into innovation "champions".

The Deep-Rooted Innovation Lifecycle Management

Well-managed companies recognize the need for innovation life-cycle management. They define clear criteria to define when the next generation of innovations should be developed and introduced. These criteria may include:

- Competitive pressures
- Product profitability
- Sales volume
- Age of product or service
- Inefficiencies in processes requiring process innovation or organizational innovation
- New and affordable technologies

Innovation lifecycle management helps MSMEs proactively maintain and grow their business through innovation. Products, services, processes, systems, and business models become outdated over time. Organizational structures or internal processes and procedures may also become inefficient due to company growth or advances in technology and IT systems.



Indicators of the decline of an innovation may include price pressure, decline in volume, reduced quality, inefficiencies, or redundancies in processes or procedures. For example, a bakery providing toasted bread to one customer segment at a low margin may identify an opportunity to supply the same product to hotels for breakfast at a higher margin.

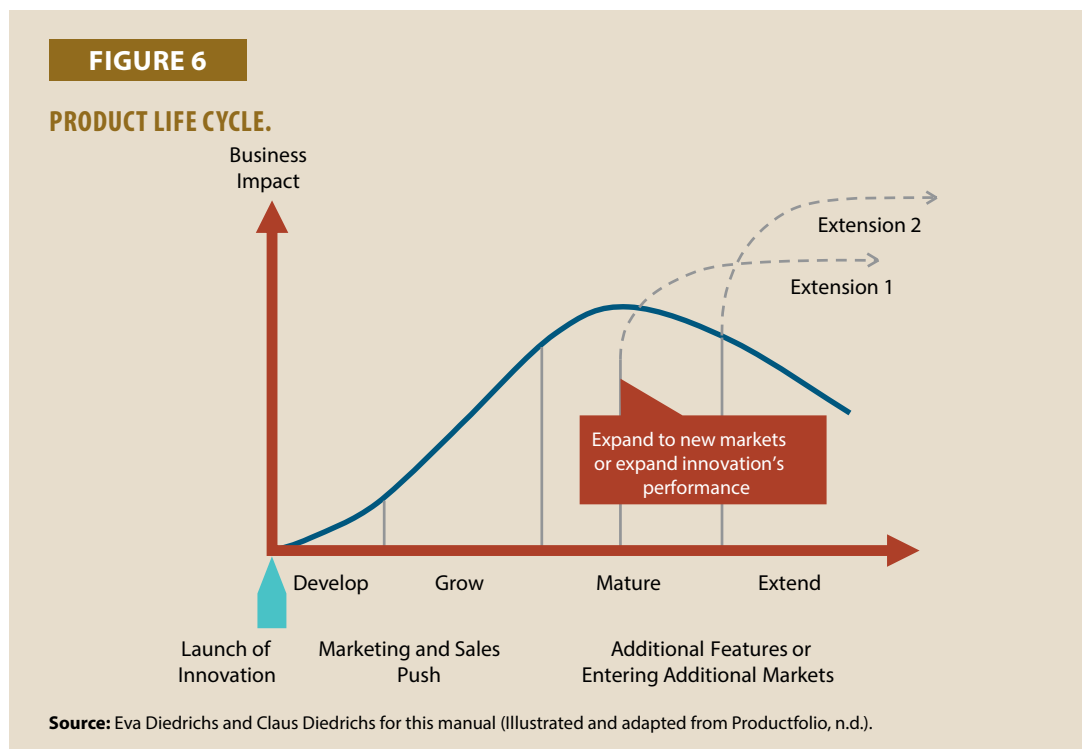
Ideally, the MSME manager should initiate the next innovation project while the previous one is being implemented and generating value for the enterprise. The timing of the next innovation project depends on the duration of its development phase and the value generated by the previous innovation project. MSMEs in the food industry may introduce new product variants to sustain their markets. For example, a company providing dried mango may innovate by offering pickled mango.

Well-managed MSMEs recognize that profitable growth depends on actively managing the lifecycle of past innovations. For example, when a company in the agro-industry successfully installs an irrigation system, it may extend the lifecycle of this innovation by:

- Increasing its energy efficiency through innovative solutions
- Increasing its effectiveness through proactive use of weather data

Innovation lifecycle management helps the MSME proactively maintain and grow their business through innovation, by:

- Understanding when the next innovative idea should be developed and introduced in the market
- Timing the next innovation project based on the availability of financial and human resources
- Developing a pipeline of innovation projects



The MSME should plan to initiate the next innovation project before the current one reaches the end of its lifecycle. Depending on the estimated time-to-market or time-to-profit for the next innovation project, it should be launched promptly, before business performance begins to decline.

Ideally, the MSME maintains a set of ideas to support the development of an innovation pipeline, resulting in a consistent stream of innovations that contribute to sustainable business growth. These innovations may include process, organizational, or business-model innovations triggered by new technologies, as well as product or service innovations.

Future-Focused Risk Management

Each innovation initiative should include clearly defined performance criteria that MSMEs can use to measure progress. This enables the company to transparently assess whether the innovation project is successful. When providing innovation management support to MSMEs, the innovation advisor should be aware of the risks associated with the project. Major risks include financial, organizational, and management risks.

Financial risks may arise from underestimating the duration and cost of the project, from a high financial burden associated with the investment in innovation, or from overestimating the expected financial contribution from the innovation project.

Organizational risks in MSMEs may arise from limited skill sets, staff's unwillingness to change, or outdated IT and reporting systems.

Managerial risks often result from time constraints, the manager's lack of strategic planning skills and understanding of industry and market trends, and their implications for the MSME's business, or from business discontinuity in case of the illness or death of the owner or key personnel.

Therefore, each innovation project needs a future-focused risk management approach. The innovation advisor should support MSMEs in establishing adequate risk management practices for both the innovation project and the enterprise's profitability growth through innovation. The innovation advisor should also support efforts to reduce the number of MSMEs unable to repay SETUP funds.

From Time-to-Market to Time-to-Profit

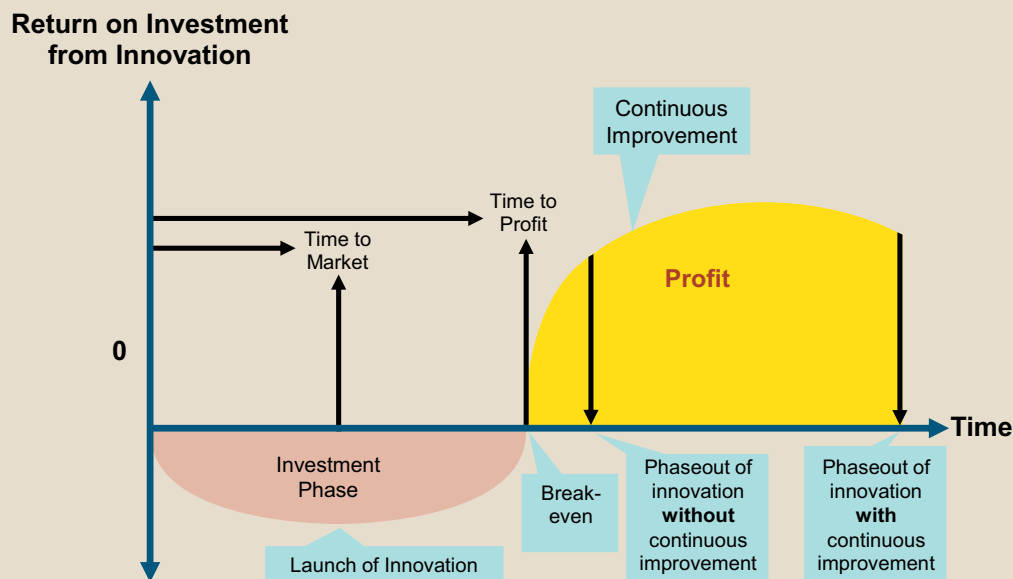
During the innovation process, from developing and selecting the appropriate idea or technology to the launch of the innovation, the MSME has to invest. The longer this phase is, the higher the investment will be. Return on the investment begins only after the innovation is launched. However, the break-even point is reached at a later stage, when the MSME has recovered its investment in the innovation project and begins to generate profit.

Therefore, the innovation advisor should focus on achieving a short time-to-market and a short time-to-profit. This can be achieved by:

- Developing and testing a Minimum Viable Product (MVP) rather than investing immediately in the development of the final solution.
- Conducting a careful analysis of market demand.

FIGURE 7

CALIBRATING INVESTMENT FOR VALUE CAPTURING IN INNOVATION MANAGEMENT.



Source: Eva Diedrichs and Claus Diedrichs for this manual (adapted from Kearney IMP³ROVE).

- Allocating a realistic budget for the launch of the innovation at the outset of the project to enable scaling as quickly as possible. This may also include funds for training staff in new technologies, equipment, or processes. MSMEs often invest most of their funds during the development phase and may lack resources for implementation, marketing, and sales.
- Understanding the implications of new technologies (machines) on necessary investment, such as buildings, storage space for packaging material, or power supply using solar panels, etc.

Speed in Innovation Management as the Competitive Edge

Apart from the focus on reducing the time-to-market and the time-to-profit, speed may become the key differentiator for MSMEs developing more radical innovations that create new markets or significantly change the rules of the game in existing markets. For example, Uber disrupted the traditional taxi business by introducing technology-enabled service models.

Advances in IT and digital technologies enable start-ups and smaller companies to challenge even large, established firms. Today, many IT-driven companies focus on developing platforms that enable other businesses or consumers to build services on top of them, such as financial technology solutions serving MSMEs or e-commerce marketplaces.

Illustrative Case Example of an Innovation Process as Defined in ISO 56001:2024

The following example illustrates how an MSME may progress through the stages of an innovation process, from identifying an opportunity to developing and implementing a solution. It also demonstrates how an innovation advisor can support an enterprise in evaluating options, assessing feasibility, and implementing an innovation initiative in a structured manner.

The intent to innovate: A small bakery currently supplying Nutribuns to schools may seek to grow its business by at least 20% over the next one to two years. The key question is how the business can be developed to achieve this growth.

Identify opportunities: Together with the innovation advisor, the bakery manager may explore possible options to achieve the intended growth. These may include expanding the product range, entering new market segments, or acquiring another bakery.

Each option must be assessed for feasibility, viability, and associated risks. To support decision-making, the innovation advisor should help the manager develop a simple evaluation matrix.

TABLE 1

ILLUSTRATIVE SIMPLE EVALUATION MATRIX.

Option	Growth potential	Feasibility	Viability	Risks	Total score
1. Expanding product range to existing customers	Low, as the bakery provides the Nutribuns to schools, and the relevant department for school nutrition has not published a call for tender	Good, as the bakery still has the capacity to increase its production	Low, as the school authorities will not increase the amount of food provided per child	Medium to high, as there seems to be no demand on the customer side (school authority)	
Score	Low: 1	Medium: 2	Low: 1	Medium: -2	2
2. Expanding into new customer segments	High, as there is demand for bakery products from other public institutions like the Department of Defense	Good, as the bakery already has experience supplying the public sector	High, as the bakery has the capacity to increase its output	Medium, as other public institutions will procure bakery products based on a call for tender, and competitors might win the contract	
Score	High: 3	Medium: 2	High: 3	Medium: -2	6
3. Acquiring a bakery	Medium, as acquiring an existing bakery could expand production capacity and customer base	Currently low, as there is no bakery for sale in town	Low, if there is currently no bakery for sale	High, as it is not foreseeable when a bakery will be available for sale on the market	
Score	Medium: 2	Low: 1	Low: 1	High: -3	1

Scoring logic: High: 3; Medium: 2; Low: 1

Source: Eva Diedrichs and Claus Diedrichs for this manual.

Based on the analysis, option 2 appears to offer the most promising opportunity and requires further investigation.

Create a concept: To supply products to a new institutional customer, such as the Department of Defense, the bakery should first assess the relevant regulatory requirements. These requirements may partially overlap with those of existing institutional clients, such as the Department of Education, but also include additional specifications related to packaging quality, labeling standards, and product traceability.

At this stage, the manager should address several key questions:

- Can the company comply with all relevant regulatory and contractual requirements, and at what cost?
- Will the company need to develop new products or modify existing products and packaging to meet the specifications?
- Is it economically viable for the company to supply products to the Department of Defense?

Validating the economic viability of becoming a supplier to the Department of Defense requires a structured assessment that may include the following elements:

- **Lead time to become a registered supplier and make money**
 - Provision of required permits, certificates, and licenses
 - Award of the first contract to supply products
 - Date of first delivery
 - Date of the payment for the first delivery
- **Expected investment in becoming a supplier for the Department of Defense**
 - Investment required for supplier registration
 - Investment in adapting recipes for the planned deliveries
 - Investment in additional equipment, if required
 - Investment in hiring and training additional staff, if required
 - Investment in packaging, documentation, and tracking systems
 - Investment in logistics, including trucks, drivers, maintenance, and additional management resources

- **Calculation of expected demand**
 - Expected size, volume, and duration of the contract
 - Assessment of delivery cycles and current production capacity
 - Cost associated with different delivery cycles
- **Calculation of expected cost to meet demand**
 - Assessment of cost to increase or upgrade production capacity, including testing, training, packaging design, pilot production, and development of standard operating procedures
 - Assessment of production costs
 - Cost related to bidding, site inspections, and documentation
- **Calculation of profitability**
 - Cost for ingredients, labor, packaging, logistics, overhead, and waste
 - Expected minimum margin required to achieve the desired level of profitability
 - Target pricing of products
 - Comparison with tender specification, including pricing and payment terms

Validate concept: The assessment may lead to multiple scenarios for the enterprise to evaluate. The management may need to decide, for example, whether rapid market entry is more important than contract volume, or whether higher-value products should be prioritized over commodity products. This depends on the manager's strategic intent, such as leveraging existing spare production capacity or diversifying the customer base.

It is also important to assess the implications for the existing business. Potential synergies should be identified, while possible negative effects, such as operational strain or resource diversion, should also be considered.

Concept validation should also consider the timeline of public procurement processes. This includes the time required to meet compliance requirements, conduct pilot production, perform quality control and testing, train staff, complete administrative procedures, and secure the contract. This might take considerable time before the contract is signed, followed by additional time before the first payment is received from the Department of Defense.

Develop solution: Once the contract is secured, the enterprise should prepare for implementation, including procurement, training staff, production planning, and sales and administrative arrangements. This may require purchasing or upgrading equipment, recruiting and training personnel, securing reliable suppliers for ingredients, and sourcing appropriate packaging materials.

These adjustments imply investment. Maintaining a financial reserve is advisable to address potential unforeseen costs during implementation.

Deploy solution: Once the contract has been signed, delivery arrangements should be confirmed. This includes defining product specifications, packaging requirements, delivery quantities, destination, and delivery schedules. As production testing is typically completed during the bidding process, production can begin once the contract is signed and the first order is received. Given the long payment cycles in public procurement, invoices should be issued immediately after product delivery to maintain healthy cash flow. During solution deployment, the bakery may also identify opportunities to improve internal processes or packaging based on customer feedback.

Keep the team informed: Such projects place additional operational and administrative demands on both the manager and the team. Therefore, the manager should keep staff informed and involved in the process from the beginning. The team should be aware of plans to bid for the Department of Defense contract and understand the potential implications for the organization.

Employees should be informed about how the project may affect their roles, what operational changes may occur, and what support and training will be provided to help them adapt. Production staff may need to adapt to new recipes, processes, or procedures, while administrative staff may need to follow new documentation and reporting requirements defined by the Department of Defense.

The manager should encourage team members to share ideas on how the project can help improve operations and working conditions within the company. Communication should be continuous throughout the innovation project. This includes updating the staff on project progress, prioritizing day-to-day operations alongside project tasks, coordinating recruitment and training of new staff, and managing potential conflicts.

Managers should allocate sufficient time for communication, training, and coordination. When milestones are achieved or the project is completed successfully, the manager should recognize the team's efforts and celebrate the success together.

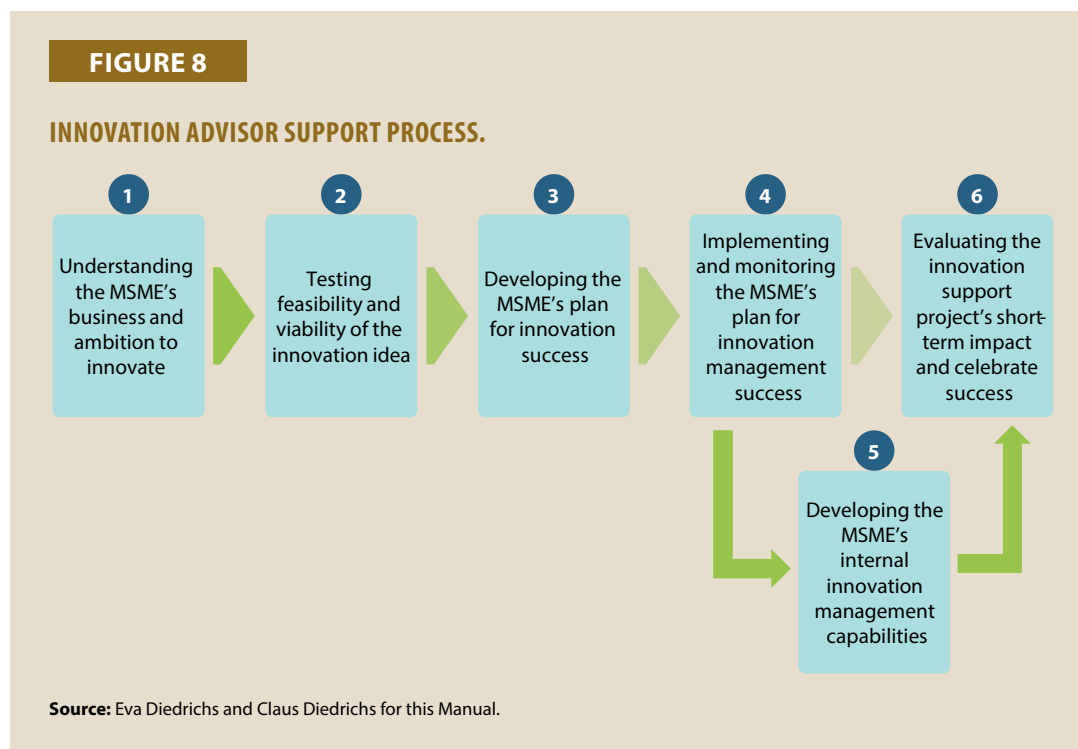
CHAPTER 3

THE INNOVATION ADVISOR'S SUPPORT PROCESS

Introduction

Supporting innovation in MSMEs requires a structured advisory approach. While enterprises operate in different market environments and organizational contexts, innovation advisors benefit from a clear process that guides the analysis, planning, and implementation of innovation initiatives.

This manual introduces a six-step innovation advisor support process. The process provides practical guidance for supporting MSMEs throughout the lifecycle of innovation projects implemented under SETUP. It enables innovation advisors and MSMEs to move systematically from understanding the enterprise's innovation ambition to implementing innovation initiatives and evaluating results. Innovation advisors can support MSMEs in assessing opportunities, planning innovation projects, managing risks, and achieving sustainable business improvements.



Structure of the Innovation Advisor Support Process

The process begins with developing a comprehensive understanding of the MSME's business situation and its ambition to innovate (**Step 1**). This helps focus the innovation effort and increases

the effectiveness of the project. This understanding provides the foundation for the feasibility and viability assessment of the innovation idea (**Step 2**).

Once a promising idea is identified based on a positive feasibility and viability assessment, a structured plan is developed (**Step 3**) to guide the innovation project. This defines the implementation and monitoring of the MSME's innovation plan (**Step 4**).

In parallel with **Step 4**, and continuing through **Step 6**, the MSME's innovation management capabilities are developed (**Step 5**). In some cases, **Step 5** might begin earlier, alongside **Step 2**. Finally, the short-term impact of the project is evaluated (**Step 6**).

Although the six steps are presented sequentially, certain activities may overlap in practice depending on the circumstances of the MSME and the nature of the innovation initiative. Illustrative case examples may be included in relevant sections, when available.

The Six Steps of the Innovation Advisor Support Process

The innovation advisor support process includes the following six steps:

Step 1: Understanding the MSME's business and ambition to innovate

Develop a clear understanding of the MSME's business model, operational environment, and motivation for innovation.

Step 2: Testing the feasibility and viability of innovation ideas

Evaluate innovation opportunities in terms of technical feasibility, market potential, and economic sustainability.

Step 3: Developing the MSME's plan for innovation success

Define the activities, responsibilities, resources, and timeline required to implement the innovation project.

Step 4: Implementing and monitoring the innovation plan

Support the MSME during project implementation and monitor progress toward defined objectives.

Step 5: Developing the MSME's internal innovation management capabilities

Strengthen the enterprise's ability to manage innovation activities and adopt new technologies, processes, or business models.

Step 6: Evaluating impact and capturing lessons learned

Assess the outcomes of the innovation initiative and identify lessons to support future innovation activities.

This chapter introduces the innovation advisor support process and outlines the six steps that guide advisory engagement with MSMEs. The following chapter provides detailed operational guidance for each step, including objectives, key activities, tools and techniques, potential risks, and pitfalls, and expected results before proceeding to the next step.

CHAPTER 4

APPLYING THE SIX STEPS OF THE INNOVATION ADVISOR SUPPORT PROCESS

Introduction

This chapter provides detailed operational guidance for applying the six steps of the innovation advisor support process introduced in the previous chapter. Each step follows a consistent structure to support practical application. For every step, the following aspects are described:

- Key objectives of the step
- Sub-steps or activities required
- Tools and techniques to be applied
- Relevant impact measures
- Potential risks and pitfalls
- Key results to be achieved before proceeding to the next step

While the steps are presented sequentially, certain activities may overlap in practice depending on the circumstances of the enterprise and the nature of the innovation initiative. Innovation advisors should apply the process with professional judgement while maintaining the overall discipline of the six-step structure.

Step 1: Understanding the MSME's Business and Ambition to Innovate

MSMEs differ significantly in size, industry, capabilities, and management experience. In smaller enterprises with fewer than five employees, many responsibilities for innovation initiatives rest with the MSME owner or manager. Therefore, the owner's or manager's skills, availability, motivation, and willingness to commit resources play a decisive role in the success of the innovation project.

Objectives of Step 1

When introducing new technologies and related innovation management practices to MSMEs, the innovation advisor should assess the manager's willingness and capability to achieve profitable growth through innovation. Hence, the innovation advisor and the MSME should develop a common understanding of the company's business, its ambition and rationale for innovation, and the likelihood of success of the publicly funded project.

This step should also establish the foundation for a professional, trust-based relationship between the MSME manager and the innovation advisor.

Before engaging in the key activities of Step 1, the following issues should be explored:

Issue	Expected Insights (non-exhaustive examples)	Expected Impact (non-exhaustive examples)
Understanding the history of the MSME	• Relevant industry sectors • Age and performance of the company • Financial performance and past financial challenges, and how they were addressed • Business model of the MSME • Major customer groups (B2B or B2C) • The extent to which the MSME can meet current demand • Business performance over time • Major challenges faced by the MSME • Qualifications and skills of the MSME manager and staff • Position in the value chain • Location of the MSME • Experience with previous publicly funded projects	• Relevance of the publicly funded project for the MSME • Initial assessment of the potential business impact of the public funding on the MSME • Unmet demand as a growth opportunity for the MSME • Financial health of the company
Establishing a working relationship between the innovation advisor and the MSME	• Understanding the MSME's level of ambition for growth, current approaches to achieving business goals, existing constraints, and the skills required to address them • Sharing industry insights relevant to the MSME	• Assessment of the MSME's capabilities to successfully implement an innovation project, including available space for a machine and materials, such as packaging materials

To better understand the manager's ability to grow the enterprise through innovation, the innovation advisor may consider asking the following key questions:

Key Questions for the MSME Manager (non-exhaustive examples)	Expected Insights (non-exhaustive examples)
What has been your personal success in managing this company?	... the manager's entrepreneurial focus
What is your motivation to engage in a long-term project and commitment?	... the reasons for engaging in the project
What have been your most challenging experiences in managing this company?	... the level of risk as perceived by the manager
What have been your most successful approaches or strategies for managing risk?	... experience in risk management
What are the major objectives of implementing this innovation project?	... expectations regarding business impact, competitive positioning, strategic direction, market access, and location-related constraints
How does this project contribute to the company's overall sustainable development?	... the manager's growth ambition, perception of market opportunities and threats, and aspiration to grow and develop the company

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Key Questions for the MSME Manager (non-exhaustive examples)	Expected Insights (non-exhaustive examples)
What are your major concerns regarding this innovation project?	... the manager's readiness and ambition to innovate, and understanding of the project's potential challenges
What has been the major financial challenge in the past, and how was it managed?	...the manager's financial management capabilities and access to financial resources

Other potential questions to engage an MSME manager in understanding the business include:

- What motivated you to establish this company?
- What is the major challenge the company is currently facing?
- How do you see the company evolve over the next five to ten years?
- What are the short-, medium-, and long-term goals for the enterprise?
- How do you plan to position the company in the market over the next five years?
- How do you plan to expand products, services, or markets?
- How do you plan to increase the company's revenues?
- Are you familiar with the concept of innovation, and how do you see it influencing the company's performance?
- Can you provide an example of a recent improvement or a new solution that had a positive impact on the company's performance?
- What does the business currently do differently or better than the competitors?
- After completing the proposed innovation project, how do you expect the company to be different from or better than the competitors?
- Have you developed a financial plan for the proposed innovation initiative, and what does it indicate?
- What measures would you take if the project does not deliver the expected results?
- How would your company manage repayment of SETUP assistance within three years if financial resources are insufficient?

Key Activities in Step 1

- Conduct an interview with the MSME manager to understand the company's past development and future objectives.

- Assess the financial performance of the MSME and its capacity to absorb the planned innovation project successfully.
- Conduct a walkthrough of the MSME's facility, for example, from the entry of raw materials to the exit of finished products and their mode of delivery to customers.
- Assess the planned technology to be implemented, including space requirements, regulatory requirements such as food processing, safety, and security, and its utilization.
- Identify key assets of the MSME that can be leveraged for the success of the innovation project, such as competitive offerings, position in the value chain, relationship with customers, well-established business partners, and management capability.
- Understand the MSME's sources of value creation and core competencies. For example, in a printing shop, the core competence may lie in design and product quality of the boxes the company produces, rather than printing itself.
- Analyze the MSME's markets, customer base, key business partners, internal skill sets, and workload to evaluate the probability of the successful implementation of the innovation management project.
- Identify key challenges faced by the MSME, such as the reliability of staff members.

Risk Map

Based on the analysis of the MSME's business, risks should be identified and classified by impact, likelihood, and effect on the business or the innovation project. Measures to mitigate the identified risks should be developed jointly with the MSME management.

Typical questions include:

- What could go wrong during the project implementation?
- How likely is it that things will go wrong?
- What is the potential impact?
- What would be the effect?
- What measures can be taken to prevent or mitigate these risks?

To ensure cross-office consistency in SETUP, risk classification forms and guidelines should include key risks commonly encountered in technology-upgrading projects for MSMEs. These risks generally cover the following categories:

Project Risk Categories

- **Technical risks:** Delays or failures in technology adoption, equipment malfunction, or system integration issues.

- **Financial risks:** Budget overruns, funding shortfalls, delayed disbursements, or cash flow constraints at the MSME level.
- **Operational risks:** Disruptions to business operations during technology implementation, lack of skilled personnel, resistance to change, or inadequate training.
- **Market risks:** Changes in market demand, inability to compete post-upgrade, shifts in customer preferences, or supply chain interruptions.
- **Compliance or legal risks:** Non-adherence to regulatory requirements, data privacy issues, or intellectual property concerns.
- **Environmental or safety risks:** Hazards related to new processes or equipment, improper waste management, and occupational health risks.
- **Digital or cybersecurity risks:** Data breaches, cyberattacks, reliability of digital infrastructure, and lack of digital literacy as SETUP 4.0 expands into Industry 4.0 Technologies.

General Risk Categories

- **Management and leadership risks:** Unavailability of management or key personnel due to accidents, age, illness, retirement, absence, leave, or other factors.
- **Economic and political risks:** Changes in national policies, taxation, regulations, trade relations, or tariffs.
- **Natural disaster risks:** Vulnerability due to events such as typhoons, flooding, tsunamis, earthquakes, or volcanic activities.

Impact of Risk

- 1 – Minimal impact on continuity of operations
- 2 – Low risk, will disturb operations
- 3 – High risk, will seriously obstruct operations
- 4 – Serious risk, will disrupt operations
- 5 – Existential risk, threatening business continuity

Probability or Likelihood of Risk

- 0 – 20% Very low or unlikely
- 20 – 40% Low or possible
- 40 – 60% Medium or likely

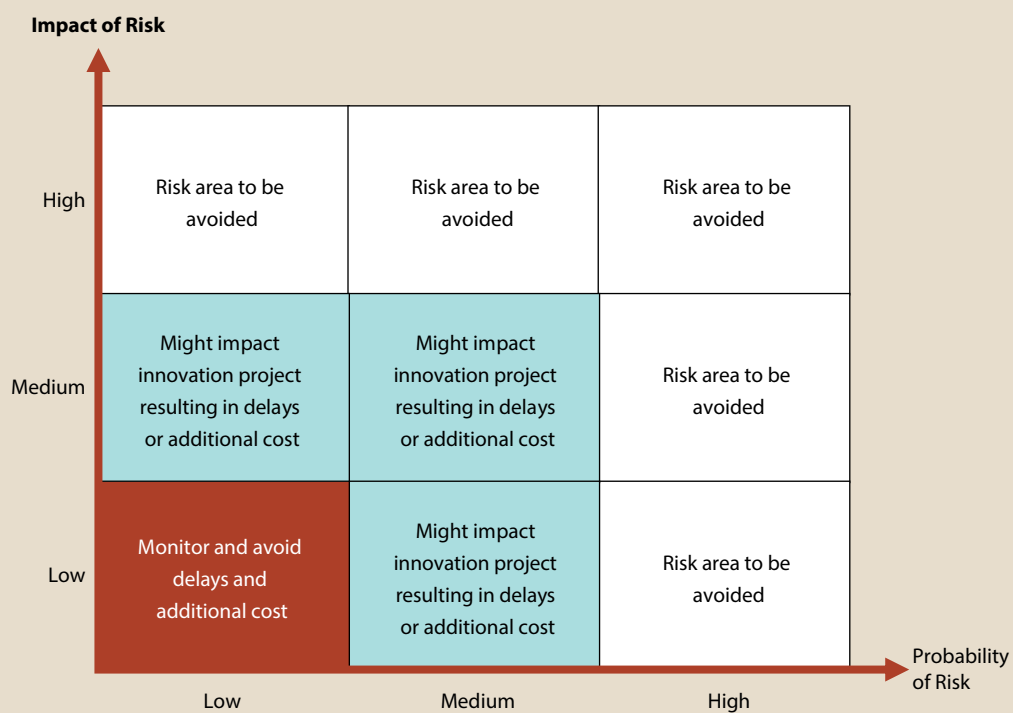
60 – 80%	High or quite likely
80 – 100%	Very high or most likely

FIGURE 9**RISK DESCRIPTION.**

Type of Risk	Description of Risk	Impact of Risk	Probability of Risk	Effect on Business	Measures to Mitigate Risk

Source: Eva Diedrichs and Claus Diedrichs for this manual.

“Prepare for the worst and hope for the best.”

FIGURE 10**RISK MAP (ILLUSTRATIVE).**

Source: Eva Diedrichs and Claus Diedrichs for this manual.

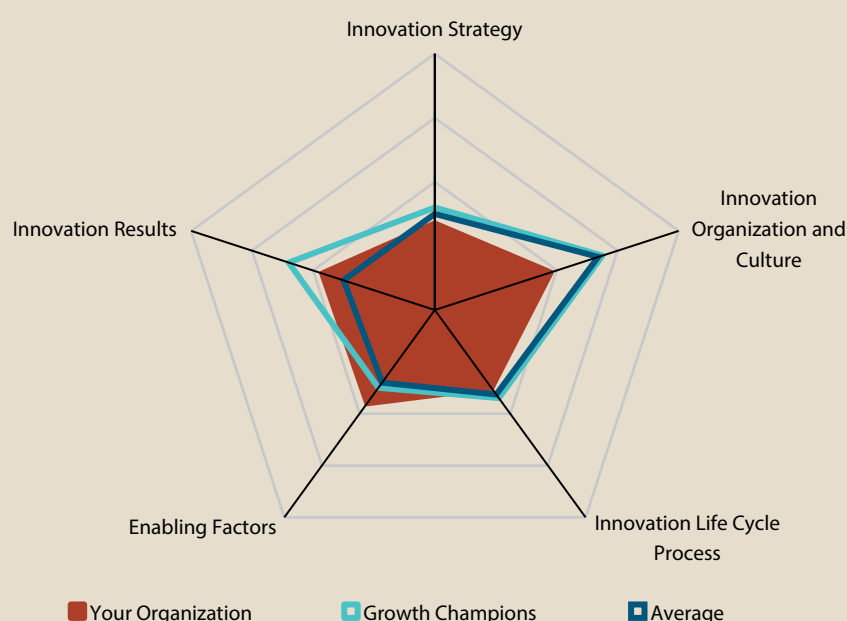
Valuable Tools and Techniques in Step 1 (Examples)

The following non-exhaustive selection of tools and techniques to understand the MSME's business and ambition to innovate may be used with care and adapted to the specific requirements in an MSME context:

- Innovation management assessment tools provide a structured analysis of an MSME's current innovation management performance. These tools should be used at the beginning of a SETUP project to establish a baseline of the MSME's innovation practices. When benchmarking tools such as the IMP³rove Innovation Management Assessments are used, comparisons with other MSMEs in the same industry are possible (IMP³rove Academy, n.d.).

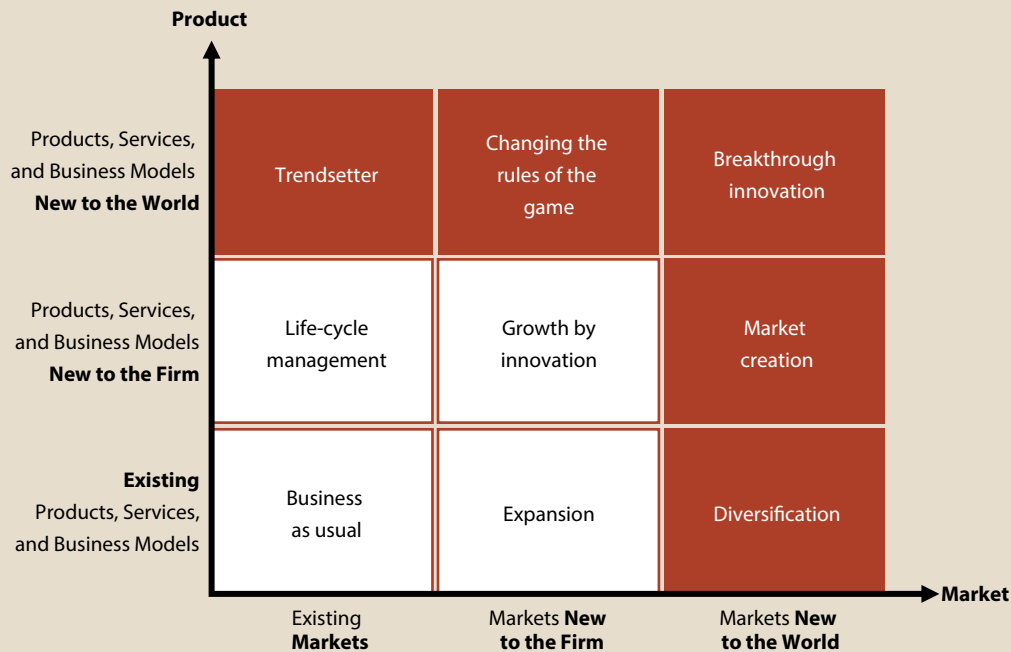
FIGURE 11

INNOVATION MANAGEMENT BENCHMARKING REPORT.



Source: Illustrated and adapted by Eva Diedrichs and Claus Diedrichs for this manual from IMP³rove EMEA Benchmarking Report (n.d.) IMP³rove Academy.

- Assessing the MSME's innovation management should provide insights into its innovation strategy, culture and organization, innovation processes and procedures, systems to support innovation management, and overall innovation management performance contributing to sustainable growth. The assessment also provides insights into the MSME's capacity to absorb and effectively leverage new technologies introduced as part of the SETUP project. This is essential to the project's success and to SETUP's overall impact and market perception.
- The Ansoff matrix (Ansoff, 1957 & 1965) helps understand the MSME's growth ambition through innovation, whether through new offerings, business models, processes, or organizational models in existing markets or with existing offerings, business models, processes, organizational models in new markets, or with new offerings, business models, processes, organizational models in new markets (radical innovation).

FIGURE 12**ANSOFF MATRIX.**

Source: Illustrated and adapted by Eva Diedrichs and Claus Diedrichs for this manual from Igor Ansoff (1957 & 1965).

- It helps identify the MSME manager's ambition to grow, whether by introducing new or improved products in existing markets for current customers, or offering existing products or services to new customers, or taking a radical step by offering new products or services to new customers. Depending on the strategic direction pursued, the support provided under the SETUP project should ensure that market conditions, the MSME's capabilities, financial resources, and risk management allow successful implementation. MSMEs may begin by testing ideas in one quadrant before expanding to the next. Market analysis should be based on reliable data derived from customer insights and market trend analysis. The opportunities provided by the SETUP project should align with the MSME's expected short- to mid-term business development rather than with the perceived favorable conditions the project might offer. This will ensure the MSME can repay its loan.
- **Customer and stakeholders feedback analysis:** Well-managed MSMEs maintain an understanding of feedback from customers, suppliers, and investors regarding the quality of their products, the ease of doing business with them, and their overall reliability as business partners.
- **Market research, technology, and trend analysis:** Regular market research, technology assessment, and trend analysis help MSMEs to react to changes in their markets proactively. These may include increasing price pressure, commoditization of the MSME's product, and challenges in recruiting staff with the required skills to support the growth expected from the SETUP project. MSMEs may gain insights from customer feedback, trade shows, industry publications, and sector-specific trade events.

- **Critical success factor analysis:** Before conducting a critical success factor analysis, the MSME should have a clear understanding of its mission, vision, and objectives. For MSMEs, which often operate with limited resources, this analysis helps focus on key drivers of success, avoid distractions, and optimize effort.

Critical success factors may include strong and sustained leadership, strong customer relationships and after-sales services, product and process quality, and financial performance supported by effective cash flow management, pricing strategy, and strong human resources through continuous training and workforce continuity. For manufacturing MSMEs, product quality and on-time delivery are essential, while in retail, customer satisfaction and inventory management may be critical.

To maintain effectiveness and efficiency, the number of critical success factors should be kept to a minimum. Factors with the highest expected impact should be selected, their performance assessed, and actions for improvements defined and prioritized.

- **Identifying market needs and opportunities:** As part of the SETUP project, a structured assessment of market needs and opportunities should be conducted to ensure the MSME can effectively leverage investment in new equipment or technology for future growth. This analysis helps businesses understand what customers truly want, how well existing solutions meet those needs, and where gaps or untapped opportunities exist in the market.

For MSMEs, this process is essential for making smart, low-risk growth decisions and for designing offerings that genuinely align with customer demand. The first question in the market needs and opportunity analysis should address where we can best increase our financial performance to ensure we have the funds available when the payback period for the SETUP project begins.

Opportunities may arise from existing markets the MSME is operating in, as there is still growing demand, such as the demand for more sustainable products, or from a change in customer behavior, such as work from home, or increased demand for convenience. Identified opportunities should be assessed based on potential impact, expected profitability, strategic fit, and ease of implementation.

As the next step, the selected opportunities should be tested through pilot initiatives, such as targeting a defined customer segment. The results provide a basis for developing actions to meet those market needs and opportunities. For example, this can lead to the introduction of smaller food packages for single households. These initiatives should then be promoted and monitored. This approach enables the MSME to make evidence-based decisions, identify profitable niches, improve product-market fit, allocate resources efficiently, and increase competitive advantage.

- **Exploring new technologies and trends:** Exploring new technologies and trends is important for MSMEs to remain competitive, enhance efficiency, and identify new growth opportunities. This includes analyzing technologies for their relevance and potential impact on the MSME's business. Technologies with significant business impact should be evaluated for feasibility and associated risks. This process should involve employees,

customers, and business partners, as relevant. A pilot or test on a small scale can help identify pitfalls, training, and integration requirements.

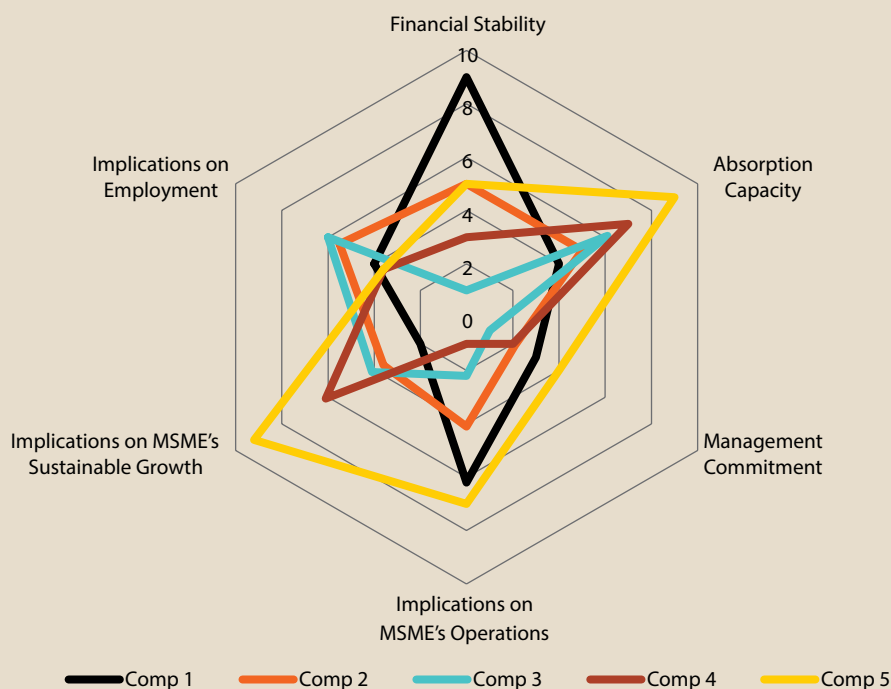
Based on these insights, the implementation and integration of the new technology can be planned, including staff training and change management, data migration and vendor support, and maintenance planning. The performance of the new technology should be monitored and evaluated based on clearly defined key performance indicators.

Key Impact Measures to Apply in Step 1 (Illustrative Examples)

- Financial stability
- Capacity to absorb and benefit from new technology, strategy, processes, organizational structure, skills, and market expansion
- Management commitment to provide the necessary resources and capacity to implement required changes
- Expected implications for MSME operations
- Realistic expectations for the MSME's sustainable growth

FIGURE 13

IMPACT MEASURES ACROSS MSMEs (ILLUSTRATIVE).



Source: Eva Diedrichs and Claus Diedrichs for this manual.

Both quantitative and qualitative measures can be used to assess the impact.

Risks and Pitfalls to Avoid in Step 1 (Illustrative Examples)

Risks may arise from external factors, such as disruptions in the MSME's value chain, as well as from the MSME's internal operations. These may include insufficient resources for the innovation project, inadequate strategic planning, insufficient technical know-how, or declining demand for advanced technologies. In some cases, MSMEs may not fully utilize new technical equipment due to limited demand, lack of skills, or space constraints.

Other major risks may result from a superficial assessment of the MSME's current performance and long-term commitment to growth through new technologies or innovation, as well as from underestimating the effort required to realize the full benefits of the technology and the innovation project.

Innovation advisor and the MSME's limited market knowledge, the MSME's real performance and capability to use new equipment, industry-specific challenges, and current technological trends may also pose severe risks for the company.

Key Results Achieved in Step 1

- Agreed list of MSMEs' strengths and weaknesses, for example, based on a SWOT analysis
- Agreed description of the MSME's short- and medium-term growth ambitions, including:
 - Quantitative growth targets, such as increased revenues, improved quality, more efficient production processes, more effective marketing and sales, and growth of customer base, productivity, or number of employees.
 - Qualitative targets, such as increased customer or employee loyalty, improved working conditions on the shop floor, and clearer strategic focus.
 - Defined time horizon for the MSME's innovation ambition (short, medium, and long term).
 - Identification of risks, including operational, financial, competitive, customer demand-related, technological, and regulatory risks.
 - Assessment of the MSME's capacity to fully utilize new technology.
 - List of innovative ideas with the first general prioritization.

Illustrative Case Example for Step 1: Understanding the MSME's Business and Ambition to Innovate

GNM Printing and Packaging Inc., located in Cebu, Central Visayas, was established in 2001. The company specializes in designing, printing, and finishing cardboard boxes for medical products and food ready for the consumer. This was a conscious decision not to compete in commodity markets such as printing books, magazines, or newspapers. Instead, the company has developed its core competence in box design to operate in a less competitive environment. In this domain, they can offer highly innovative and creative boxes that fulfill their purpose of protecting goods, advertising the product to consumers, and contributing to the brand image of the food or medical company.

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Focus and Impact of Innovation Management

The company's innovation capability is identifying and developing the best design for each customer's box to protect its contents during transport, storage, and display, ensuring the box can be opened and closed many times while maintaining full functionality. This innovation capability is complemented by GNM's long-term expertise in design, manufacturing, and finishing these high-quality boxes.

The design of the box defines the effective use of cardboard, the efficiency of the manufacturing process, and the finishing of the boxes, which serve to protect and display the contents. The company wanted to bring their design process to perfection as a competitive edge and key differentiator in the market. Therefore, they applied for funding to access software that helps define innovative yet highly functional designs for the boxes, to ensure the boxes fulfill their intended functionality, make the best use of the cardboard, and define the most suitable printing and finishing processes.

Key Lessons Learned by the Innovation Advisor

This case example demonstrates that the innovation potential of a printing shop extends beyond the printing process to include design and finishing as value-added services.

A key success factor of the SETUP project was the clear understanding of the MSME's business and the identification that the main challenges were not in the printing process but the processes preceding the actual printing of the cardboard.

Step 2: Testing Feasibility and Viability of Innovation Ideas

Introducing new technical equipment, developing new products or services, adopting new business models, or entering markets completely new to the MSME can have significant implications for the MSME's operations and market positioning. Therefore, testing the feasibility and viability of the innovation idea is key to the success of the innovation project.

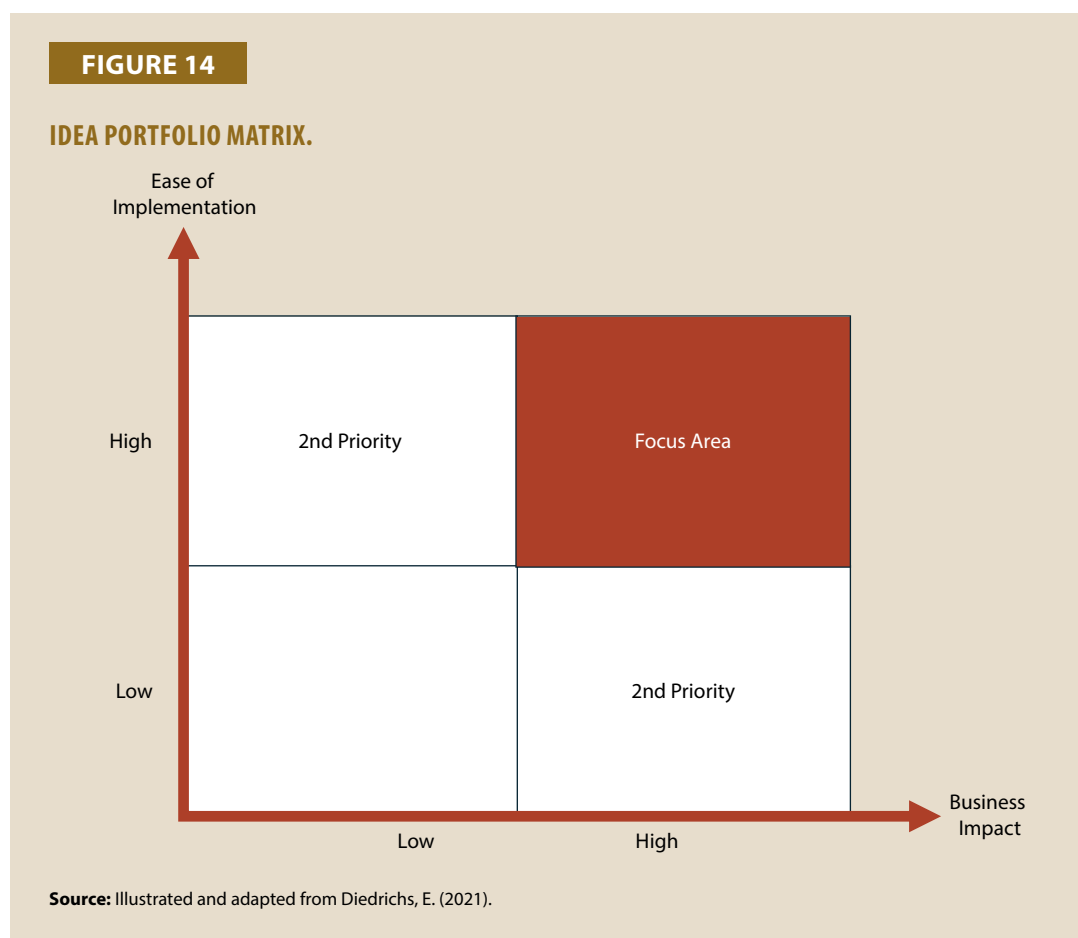
The feasibility assessment will show how the innovation idea can be realistically implemented with available resources and technologies. Viability assessment will show how the innovation can be sustained over the long term, especially in terms of profitable growth for the MSME's sustainable development.

Understanding these implications and assessing the associated risks will help strengthen the MSME manager's commitment to pursue and successfully implement the innovation idea. It will also provide transparency regarding the enterprise's capacity to generate sufficient returns and repay SETUP assistance within the agreed timeframe.

Objectives of Step 2

During Step 1, the MSME's strengths and weaknesses, as well as its ambition to grow through innovation, are identified. Based on this assessment, multiple innovation ideas can be developed, assessed, and prioritized in Step 2, with the most promising idea selected for implementation.

A simple and effective tool for evaluating ideas is the allocation of ideas in the Idea Portfolio Matrix (Tidd, J., & Bessant, J., 2021; Diedrichs, E., ed., 2021), which helps compare innovation ideas based on their expected business impact and ease of implementation.



When defining the requirements for the successful implementation of an innovative idea, the innovation advisor should assess both the MSME's internal conditions and the external environment.

Often, there are windows of opportunity for an innovation project. These may include customer demand for specific products that the MSME can offer once the innovation project is accomplished, or customers' willingness to pay a premium price for improved quality. In some cases, promoting SETUP in specific regions or industries may also stimulate demand for innovation initiatives under the program.

The following table presents key issues to be assessed in Step 2 for testing the feasibility and viability of innovation ideas.

Issue	Expected Insights (non-exhaustive examples)	Expected Impact (non-exhaustive examples)
Evaluation criteria for the innovation ideas	Agreement on the evaluation criteria	Effective assessment of innovation ideas
Technical feasibility	Specification of new equipment, new process, and organizational changes designed for the MSME's specific requirements	Reducing risks during the implementation of the innovative solution

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Issue	Expected Insights (non-exhaustive examples)	Expected Impact (non-exhaustive examples)
Technical viability	• Full utilization of the technical equipment after its installment	• Productivity increase • Increase in sales • Improvement in quality
Economic feasibility and viability	• Financing challenges • Expected return on investment • Expected medium to long-term impact on the MSME's profitable growth	• Financial risk assessment • Input to the MSME's financial planning and performance
Organizational feasibility	• Required staff available • Training requirements • Timing of the innovation project's implementation	• Preparation for training MSME staff members • Allocation of management and staff capacity for the innovation project
Organizational viability	• Development of the organization to fully leverage the new equipment's potential	• Increase in return on investment • Increase in employment
Legal feasibility	• Transparency on IPR and compliance issues • Clarification of contractual requirements	• Awareness of and compliance with legal requirements
Legal viability	• Required permits, licenses (e.g., for food manufacturing and distribution), increase the likelihood of winning in case of a legal claim	• Awareness of requirements to be considered during the innovation project
Timing of innovation idea implementation	• Alignment with the MSME's workload • Availability of resources and skills essential for the successful implementation of the innovation idea	• Clear focus on successfully implementing the innovation idea • Higher probability of success

Here are a few key questions that may help assess the manager's ability to grow the company through innovation:

Key Questions to the MSME Manager (non-exhaustive examples)	Expected Insights (non-exhaustive examples)
How will the new technology or equipment contribute to the company's success?	Insight into the manager's business development plans and understanding of the new technology or equipment
What challenges do you expect during the implementation of the new machine or technology?	The manager's understanding of the implications of implementing the new machine or technology
What plans do you have to address those challenges?	The manager's planning capabilities
How will you prepare your team and key clients for the changes in your company?	The manager's planning and project management skills

The following additional questions may help the innovation advisor engage the MSME manager in exploring and testing the feasibility and viability of innovation ideas:

- What ideas do you currently have to sustain and grow the business?
- How have you tested these ideas with customers, markets, or the team?
- What are the strengths of your company that will help to implement the idea successfully?
- What changes and adaptations do you require to implement the idea successfully?
- What resources do you need to achieve the company's plans?
- What future plans would you like to implement?
- What problems and challenges could be addressed more effectively through new or innovative solutions?

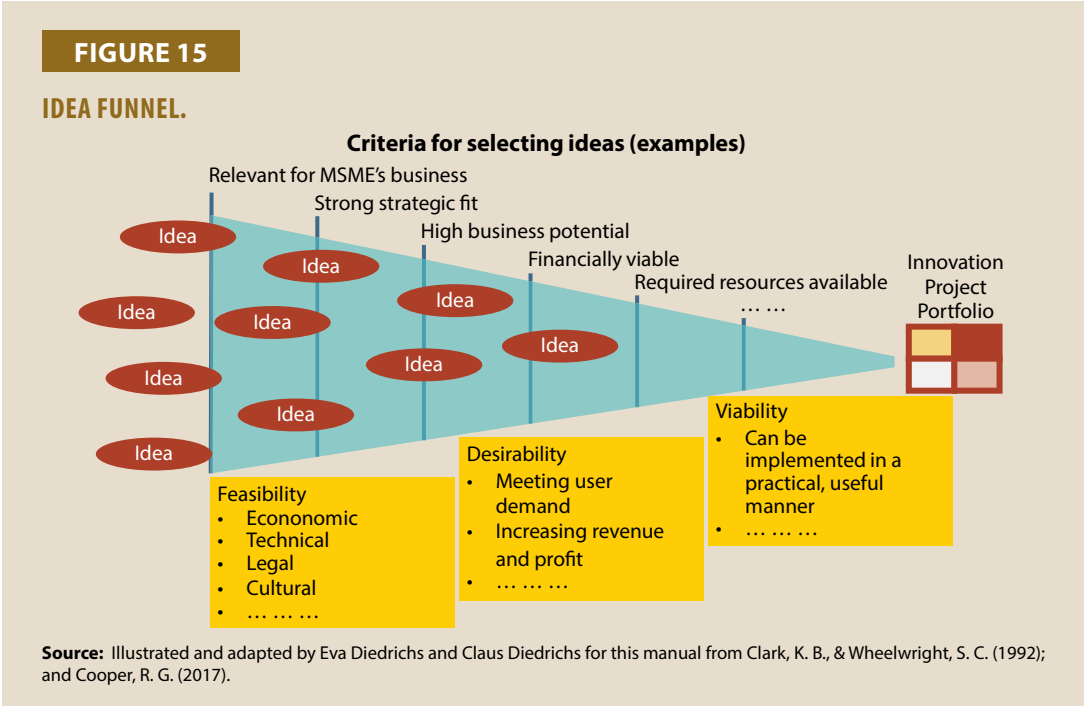
Key Activities in Step 2

- Collect and analyze customer feedback, complaints, and suggestions from staff and the MSME manager to identify opportunities for innovative solutions.
- The MSME manager should develop a list of potential reasons why the innovation project may fail. Anticipating risks helps prepare for more effective project management.
- Incorporate additional perspectives from staff, financing partners, suppliers, customers, the innovation advisor, and other experts into this assessment.
- The innovation advisor, together with the MSME manager, should develop tentative actions to address identified challenges and evaluate these actions based on their probability of success.
- The innovation advisor, together with the MSME manager, should assess the risks associated with the innovation project and the MSME's capability to successfully manage those risks.
- The innovation advisor and the MSME manager should jointly develop and agree on risk mitigation measures.
- Refer to the section on Step 4 for a broader understanding of potential implementation risks.

Valuable Tools and Techniques in Step 2 (Examples)

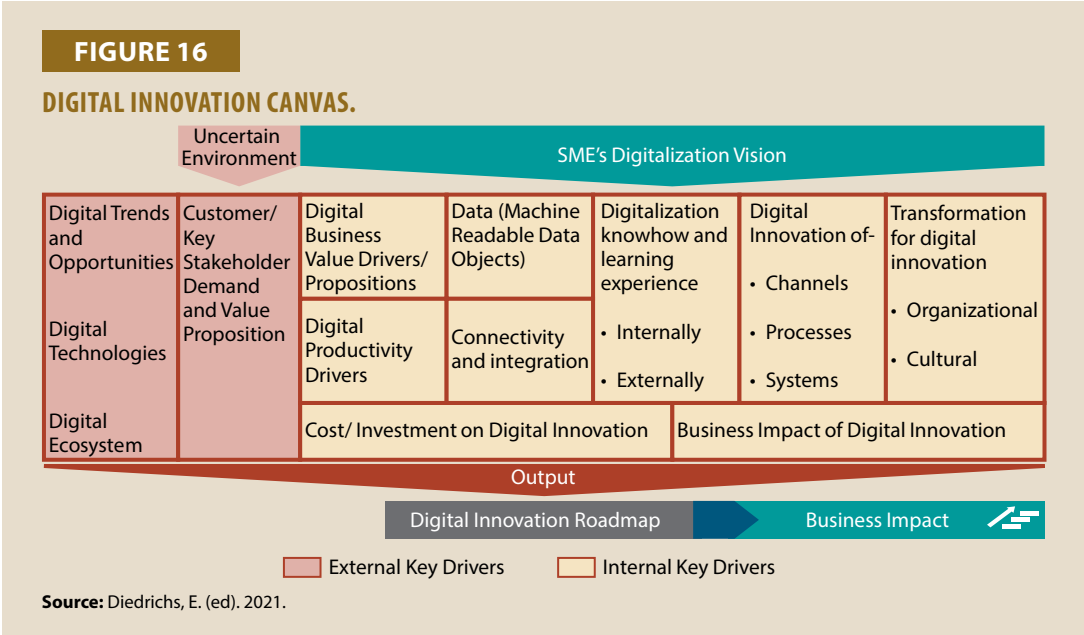
The following tools and techniques for feasibility and viability assessment can be used with care and adapted to the specific requirements in the MSME context. They will help to introduce the appropriate technology and innovation initiative.

- **Idea funnel:** The idea funnel is a structured process used to capture, evaluate, and develop ideas, ensuring that only the most promising and feasible ideas are adopted for implementation. It helps organizations manage innovation systematically rather than relying on random or ad-hoc creativity. MSMEs should draw on a wide range of internal and external sources to identify the most promising innovation opportunities.

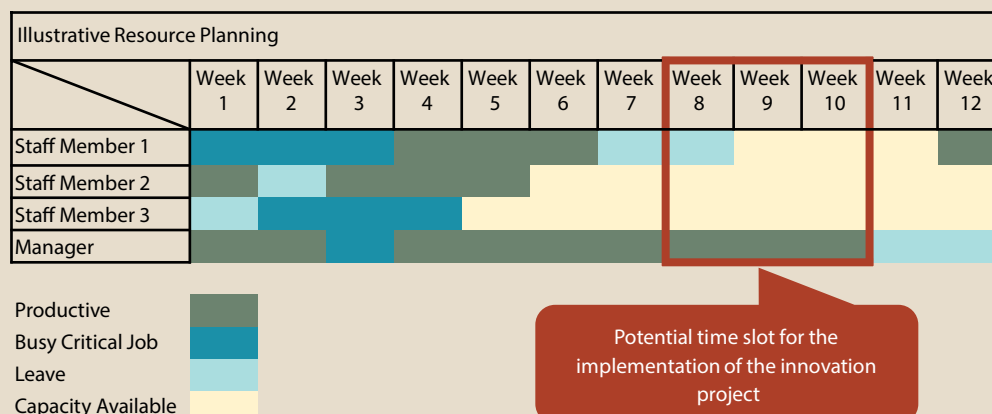


These ideas are then screened and evaluated within the “idea funnel.” This process helps the MSME focus on ideas with the highest business impact while minimizing effort and resources on less viable options.

- Digital Innovation Canvas:** The Digital Innovation Canvas (Diedrichs, E., ed., 2021) is a template that visualizes on one page the key building blocks that are relevant for the organization’s digital innovation roadmap. It addresses the external and internal drivers of digital innovation by detailing digital business value drivers and propositions, productivity drivers, data and connectivity, digital capabilities and learning experience, and innovation across channels, processes, and systems, as well as transformation for digital innovation. It puts costs and investments in digital innovation in the context of the innovation’s business impact.



- **Opposite thinking:** It is a creative problem-solving technique where individuals deliberately challenge assumptions and explore solutions by considering reverse or opposite approaches other than the conventional logic. It encourages fresh perspectives, helping MSMEs to break out of habitual patterns and discover innovative ideas. It stimulates innovation and creativity, reveals hidden assumptions, enhances problem-solving skills, fosters risk awareness and prevention, and promotes a culture of open-mindedness.
- **Technology assessment:** This involves comparing technologies offered by different suppliers and understanding the lifecycle of the technology, including when the next generation is expected to be available in the market.
- **IPR, legal and ethical assessment:** Assessment to ensure compliance with regulatory requirements and protection of innovation Intellectual Property Rights (IPR) outcomes.
- **Benchmarking:** Comparison of various options available in the market with respect to the MSME's requirements.
- **Customer interviews:** Collection of feedback on expectations related to quality, price, packaging, delivery performance, and other relevant attributes.
- **Trend scouting:** A systematic process for identifying, analyzing, and interpreting emerging trends in technology, consumer behavior, markets, regulation, and society. This helps MSMEs anticipate change, seize new opportunities, and prevent strategic surprises.
- **Adaptability:** Evaluation of the potential innovation's suitability for MSMEs' future requirements.
- **Prototyping:** It is a low-cost method for testing ideas and identifying adaptation requirements in technological and organizational aspects.
- **Core competence analysis:** Assessment of MSME's core competencies and strengths.
- **Activity planning:** Development of MSME's activity calendar with required resource planning for staff, including the MSME manager.
- **Financial planning:** Planning to secure MSME's operations during and after the implementation of the innovation project.
- **Market monitoring:** Continued observation of customer and supplier markets to identify changes affecting the implementation of the innovation project
- **Resource planning:** Identification and allocation of required resources.

FIGURE 17**ILLUSTRATIVE RESOURCE PLANNING.**

Source: Eva Diedrichs and Claus Diedrichs for this manual.

Viability Assessment of an Innovation Project (New Product)

A comprehensive viability assessment should cover manufacturing, marketing, and financial viability. This helps determine whether the proposed innovation can be produced efficiently, accepted by the market, and generate sustainable financial returns for the MSME.

Manufacturing Checklist

- Can the new product be manufactured using existing equipment?
- What type of new or additional equipment may be needed?
- Is additional space needed for the new equipment or adjusted workflow?
- Is the energy supply sufficient for new or additional equipment?
- Will changes to the production process, workflow, or operating procedures be necessary?
- Will an additional workforce be required?
- Will training be required for existing or newly hired staff?
- Are special raw materials needed, and are they reliably available?
- Is sufficient storage available for additional raw material and packaging materials?
- Are there other operational considerations that need to be addressed?

Marketing Checklist

- Are there competitors already offering the same or a similar product?

- Does the intended product have superior features or benefits compared to competitive products?
- Who will buy the product?
 - How many potential buyers are there?
 - Can these potential buyers be reached through existing logistics and distribution channels?
- At what price can the product be sold?
- What quantity of the product is expected to be sold?
- How often will customers purchase the product?
- How will buyers become aware of the new offering?
- How will the product reach the buyer?
 - Packaging and logistics arrangements
 - Special requirements, such as cooling or refrigeration
 - Shelf-life consideration, such as durable or perishable products
- Are there other market-related considerations?

Financial Assessment

Investment

- Equipment cost, including installation and commissioning
- Materials used during installation and testing
- Costs for preparing or modifying facilities required for the new equipment
- Costs related to meeting regulatory requirements
- Training costs (number of staff x number of days/weeks/month x wages/person)
- Other related costs
- Cashflow implications, like when the new packaging material must be procured in larger volumes compared to the current usage

Revenue

- Expected Sales
 - $\text{Number of customers} \times \text{quantity/purchase} \times \text{frequency/period} \times \text{price/unit} = \text{sales/period}$

- Cost of Goods Sold (COGS)
 - Raw materials (including packaging) + equipment cost + energy + labor cost = COGS
- Gross Margin
 - Sales – COGS = Gross Margin (not profit!)
- Cost of Sales
 - All costs required to deliver the product to the customer, including packaging, storage, transportation, insurance, rejects or returns, and logistics
 - May also include marketing and advertising, logistics and transportation, and human resources costs (e.g., sales staff, warehouse personnel, and drivers)
- Overhead and Financing Costs
 - Administration (e.g., HR, IT, and office supplies), facility cost (e.g., rent, maintenance, and expenses for premises), interest payments for bank or SETUP credits, and other costs not directly related to production or sales
- Profit
 - Sales – COGS – Cost of Sales – Overhead and Financing Costs = Earnings (before taxes)

Time-to-Market

Speed plays an important role in innovation projects. One key criterion is “time-to-market,” which describes the period between the start of the project and the commercialization of new products and the generation of sales. During this period, costs arise in addition to current operating expenses, while no additional revenue is generated.

It is important to estimate all potential costs during this period and ensure sufficient financial resources are available until sales income is generated. These estimates should also include the cost of effectively introducing the product into the market. It is advisable to maintain a financial reserve to address unforeseen problems or delays. If funds are exhausted before commercialization begins, then the project may be at risk of failure.

Time-to-Break-Even

“Time to Break Even” describes the period from the start of the project until the initial investment costs are fully recovered through additional sales revenue. Only after this point does the innovation project become profitable and generate value.

Other generally known tools can be applied, such as:

- SWOT analysis
- Customer journey mapping
- Estimation of potential costs and revenues related to the new idea

Key Impact Measures to Apply in Step 2 (Illustrative Examples)

- Compelling results from the feasibility and viability assessment
- Strong MSME customers' loyalty to continue the business relationship
- Robust financial planning during and after the investment phase

Risks and Pitfalls to Avoid in Step 2 (Illustrative Examples)

- Limited scope of developing innovation ideas, focusing only on technology without considering implications on processes, skills, and organizational structure of the MSME.
- During feasibility and viability assessment, unforeseen changes in the MSME's business environment might occur. Therefore, continuous monitoring of such changes is required.
- Premature decision-making before sufficient analysis.
- Overly optimistic interpretation of the feasibility and viability assessment.

Key Results Achieved in Step 2

- A clear business plan outlining the MSME's intended growth path through innovation initiatives.
- Strong market presence of the MSME to maintain business during the implementation of the planned innovation project.
- Clear understanding of potential risks during the implementation of the innovative idea and appropriate measures to mitigate them.
- Strong commitment and availability of the MSME manager and required team members during the implementation of the innovation project.
- Proven MSME capacity to bring the organization to the next level with this innovation project (e.g., in terms of profitable growth and market creator).

Illustrative Case Example for Step 2: Testing Feasibility and Viability of Innovation Ideas

Lighthouse Cooperative – Ybanag Food Products, located in Tuguegarao City, Cagayan, was established in 1998 as a cooperative by a local pastor and members of his church to improve employment opportunities in the area and promote entrepreneurship among community members¹. The cooperative has a clear vision to uplift lives and communities, supported by a mission to “model innovative transformational leadership”.

It has defined core values, including “innovativeness,” “excellence,” and “social responsibility,” as well as strategic goals such as developing world-class products and services, training and empowering

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¹ <https://www.globuya.com/PH/Tuguegarao-City/105428292849470/Lighthouse-Cooperative>

(Continued from the previous page)

officers, employees, and members, and developing platforms and facilities for business growth. These values and goals are clearly communicated throughout the organization and to its stakeholders.

In 2004, the cooperative launched its food-processing business based on deep-fried and popped buffalo skin (carabao skin). Since then, it has received several prestigious awards and was nominated for the Presidential Award for Outstanding Agri-Entrepreneur (2011-2012)².

Focus and Impact of Innovation Management

Lighthouse Cooperative translates its mission into action by developing, manufacturing, and selling innovative food products. Examples include Pickles Santol³, pickled mango or vacuum-fried crunchy tomatoes (Chicha-matis). With these innovative products, the cooperative responds to emerging food trends, such as the demand for healthier, plant-based (vegan) options, which are offered through its own store and other food outlets.

The high quality of food products is achieved using state-of-the-art processes, equipment, and technologies. SETUP enabled the cooperative to invest in modern food-processing machines and to train staff to use them effectively, including in the packaging process.

Key Lessons Learned by the Innovation Advisor

In this advanced subsidiary of the cooperative, the challenge for the innovation advisor is to balance strategic innovation objectives with the cooperative's broader social mission of uplifting lives and communities. This includes employment generation and providing healthy food. As more advanced food manufacturing technologies are introduced, fewer but more skilled jobs may be required.

Innovation management in this context extends beyond innovative technology. It also requires research into innovative products and food processing that meet customers' dietary requirements, recommendations from public food and drug authorities, and state-of-the-art working conditions for staff handling high-temperature processes such as deep-frying.

As a next step toward achieving the cooperative's strategic goals, benchmarking products and services against "world-class" standards may help identify opportunities in sophisticated healthy foods, further process automation, and the next steps to advance into international markets.

² Wikipedia.org

³ <https://www.globuya.com/PH/Tuguegarao-City/105428292849470/Lighthouse-Cooperative>

Step 3: Developing the MSME's Plan for Innovation Success

The development of the plan for innovation success should be both effective and efficient. It should clearly outline key implementation steps and milestones, responsibilities, potential risks, and mitigation measures. The plan should also cover financial and human resource planning, process and organizational adaptations, changes in roles and responsibilities, training needs, and risk management during the implementation of the innovation.

Objectives of Step 3

The plan for innovation success should instill confidence in the MSME manager and the team in the innovation project. It should also strengthen their commitment throughout the development and implementation of the innovation project.

The following issues should be explored:

Issue	Expected insights (non-exhaustive examples)	Expected impact (non-exhaustive examples)
Timing of the innovation project	Understanding of the opportunity and urgency for innovation, as well as resources and financial constraints	Availability of the MSME manager and required staff members for the innovation project, supporting timely implementation
Logic of the innovation project plan	Alignment with the MSME's capabilities and opportunities	Effective and efficient development of the innovation project
Secured funding for the innovation project	Financial viability of the project	Efficient and effective implementation of the innovation project
Setting measurable targets	Ability to effectively monitor project progress and, if required, make necessary adjustments	Strong focus on tangible results
Communication of the innovation project plan	Mobilization and alignment of staff and other relevant stakeholders	A motivated and engaged team contributing to the success of the innovation project
Focus on the realization of the expected benefits from the innovation project	Understanding of how innovation is expected to generate profit, productivity gains, increased sales, or other performance outcomes	Improved business performance
Development of innovation management skills	Clear understanding of the innovation management capabilities required and how they should be developed	Enhanced innovation management skills and competences

Key questions to consider:

Key Questions to the MSME Manager (non-exhaustive examples)	Expected Insights (non-exhaustive examples)
What major changes are required to mitigate competitive pressure and achieve the company's medium- to long-term vision?	The MSME manager's ambition and strategic view on the company's development
How are changes in customers, markets, industry, suppliers, and the labor market monitored?	The manager's forward-thinking approach and ability to anticipate and plan for future business developments
What changes in the production layout are required before the installation of new technologies?	Preparatory activities required before the installation of new technology or equipment
Who will be part of the MSME's change or innovation management team?	The manager's ability to mobilize and engage the workforce in adopting change or innovation as part of their daily work

Here are other plausible questions that can be asked to engage the MSME manager in discussing the plan for innovation management success:

- What are the areas in which you, as a manager, need to change to achieve your medium- to long-term vision, and who could support you in making these changes?
- What issues or risks do you anticipate in the plan for innovation success? How would you mitigate these risks?
- What are the adaptations required in processes, organizational structure, plant layout, skills, or organizational culture, for implementation of the innovation, and how should these be addressed in the organization?

Key Activities in Step 3

The following key activities should be considered while developing the plan for innovation success:

- Define the following key steps for implementation of the innovation project:
 - Communication and involvement of staff in the innovation project
 - Ideation
 - Concept development
 - Market research
 - Design of products, processes, business models, or systems
 - Experimentation or prototype development
 - Preparation for implementation
 - Implementation and launch of the innovation
 - Scaling of the innovation
- Detail steps, as required, to identify barriers to project success.
- Define responsibilities and tasks for each development step.
- Specify who should contribute to each key activity, their responsibilities, and the timing of their contributions.
- Establish measurable outcomes and deadlines for each step to enable effective monitoring of the project's progress and overall MSME development.
- Identify internal and external stakeholders, such as staff members, customers, suppliers, and financing organizations, who should be informed about the changes to be expected

from the innovation project. Also, define by whom, when, and how such communications should take place.

- **Develop the innovation project implementation plan, including key activities, milestones, deliverables, timelines, roles and responsibilities, and the project management approach (e.g., waterfall, agile methods, Scrum, Kanban, Scaled Agile Framework, Feature Driven Development, or other methods).** The plan should also clarify the level of flexibility required during implementation.

Ideally, the innovation project should involve the MSME team, and in some cases, key customers or suppliers, rather than relying solely on the MSME manager. Communication with key stakeholders should therefore be planned in advance, and sufficient time should be allocated for regular information exchange.

FIGURE 18

INNOVATION SUCCESS PLAN (ILLUSTRATIVE).

Key Steps	Responsible	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12
Communication and staff member involvement	Manager												
Ideation	Manager/ Team/ IA												
Concept development	Manager/ IA												
Market research	Manager/ IA												
Design of innovation (product, process, business model, system, etc.)	Manager/ IA/ Vendor												
Experimentation/ Prototype development	Manager/ IA/ Vendor												
Preparation for the implementation	Manager/ Team/ IA												
Implementation including training	Manager/ Team/ IA/ Vendor												
Staff meetings		♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦
Milestones		Kick-off	–	–	Vendor Selection	–	–	Preparation for equipment installation	–	Training	–	–	–

IA: Innovation Advisor

Source: Eva Diedrichs and Claus Diedrichs for this manual.

Valuable Tools and Techniques in Step 3 (Examples)

The following tools and techniques may support the successful development and implementation of the MSME's innovation project:

- **Project management tools:** Tools such as the Gantt chart can be used to define timelines, responsibilities, milestones, and deliverables.
- **Communication planning tools:** These tools guide how information about the innovation project, its progress, and completion will be communicated to relevant stakeholders.
- **Technology scouting:** Used to identify suitable technologies and solutions that support the innovation project.

- **Idea management tools:** Support the structuring and refinement of innovation ideas during project planning.
- **Innovation portfolio management:** Helps prioritize innovation initiatives and allocate resources effectively.
- **Risk analysis:** Supports the identification, assessment, and mitigation of risks associated with the innovation project.
- **Return on investment (ROI) assessment:** Used to evaluate the expected financial and business value of the innovation project.

Key Impact Measures to Apply in Step 3 (Illustrative Examples)

- MSME manager's commitment to implement the plan for innovation success, demonstrated through confirmed allocation of time, financial resources, and personnel.
- Strong motivation and engagement of the MSME team in contributing to the implementation of the innovation project, demonstrated by sharing excellent ideas for the realization of the project.
- Compelling ROI from the planned innovation project.
- Clear value creation defined by the MSME and expected to be achieved through the implementation of the innovation plan.

Risks and Pitfalls to Avoid in Step 3 (Illustrative Examples)

- Overestimating the MSME's organizational capacity to execute the plan for innovation success.
- Lack of management attention when challenges or roadblocks arise, or when other critical issues emerge.
- Overestimating the MSME's financial resources available for the implementation of the project.
- Underestimating negative changes in the MSME's business environment or lack of support from staff.
- Isolated consideration of the innovation management project. For example, when installing a new machine, related processes should also be adapted to realize the full benefits of the technology.

Key Results Achieved in Step 3

- A clear and structured plan for implementing the innovation project.
- Strong commitment of the MSME manager to implement the innovation project.
- Relevant team members are informed and engaged regarding the implementation of the innovation project and their respective roles.

- Working schedules are established to ensure the availability of the MSME manager and team members to implement the innovation project.
- Other project-specific outcomes.

Illustrative Case Example for Step 3: Developing the MSME's Plan for Innovation Success

Juan Paulo Producers' Cooperative, a dairy company in Tacurong City, received financial assistance to upgrade the quality of its dairy milk products by introducing processing equipment that minimizes human handling. In addition, the cooperative received training on the proper use and maintenance of the equipment. Milk is collected from farmers in the surrounding area, packaged, and frozen for transportation to consumers and other milk processing companies.

Focus and Impact of Innovation Management

The family managing the cooperative intends to take another major step in the food value chain. As an innovation initiative, they plan to introduce ice cream products. Building on their experience in milk handling and freezing, they are currently experimenting with ice cream recipes in various flavors.

For the innovation advisor, the key challenge is to support the development of a robust feasibility and viability plan to transform this idea into a sustainable business opportunity.

Key Lessons Learned by the Innovation Advisor

From an innovation management perspective, the cooperative needs to understand the following:

- Key steps in the ice cream manufacturing process, storage, marketing, and sales
- Value chain and the requirements for successfully entering it
- Key competitors in the target market
- Customer segments and how to reach them
- Positioning of the ice cream (e.g., as a healthy premium product or as a unique locally produced treat for children after sports)
- Business potential to be achieved within a defined time frame
- Required investment for manufacturing (e.g., technical equipment and know-how), as well as for marketing and sales
- Hiring and training requirements for staff

Potential opportunities for selling the cooperative's "homemade" ice cream may include:

- Setting up an ice cream parlor downtown or near sports facilities
- Offering ice cream at a stand in the local farmers' market
- Supplying ice cream to local food stores and other outlets

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Each of these options must be assessed in terms of the required investment and compared with expected sales and revenue. The key challenge is to maintain the family's motivation while adopting a realistic, disciplined approach to business planning to develop a robust plan for the success of this innovation project.

Step 4: Implementing and Monitoring the MSME's Plan for Innovation Management Success

The success of the implementation phase is largely determined during Steps 1–3, when the innovation idea is defined, assessed, and translated into a structured plan for innovation success. If the MSME manager and team members have been actively involved and trained during the development of the innovation project, the implementation requirements and objectives will be clearly understood.

In many cases, Step 4 may begin during the development of the MSME's innovation management capabilities and continue through Step 6 (Evaluating the Innovation Support Project's Short-term Impact and Celebrating Success).

Objectives of Step 4

- Realizing the tangible results and benefits expected from the innovation project.
- Developing the enterprise's experience and confidence in adopting innovative solutions and implementing innovation projects.
- Ensuring effective communication and cascading of the innovation project to relevant staff.
- Learning to manage unforeseen challenges that may arise during the implementation of the innovation project.
- Gaining confidence in balancing day-to-day operations with the requirements of the innovation project.
- Other project-specific objectives.

The following key issues should be addressed:

Issue	Expected Insights (non-exhaustive examples)	Expected Impact (non-exhaustive examples)
Experience in taking risks	Examples of how risks were taken and managed	Understanding the factors contributing to success and failure
Assessing the implementation readiness of the MSME manager and the team	Identification of potential risks, resource constraints, lack of support or motivation, and ways to address them	Development of concrete risk mitigation strategies

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Issue	Expected Insights (non-exhaustive examples)	Expected Impact (non-exhaustive examples)
Necessary resource allocation	Awareness among team members of the implementation schedule, potential bottlenecks, and how to overcome them	Ability to adapt to changing priorities and resource needs
Monitoring the project's budget	Early identification of potential budget overruns and development of corrective measures	Limiting financial risks related to the innovation project
Monitoring the project's business impact	Insights into the value generated by the project and identification of situations where corrective actions may be required	Focus on value generation and the business impact of the project
Balancing project implementation with regular business operations	Understanding potential conflicts between routine operations and innovation project implementation, and defining appropriate countermeasures	Prioritized activities aligned with the manager's strategic objectives
Managing tension within the MSME team during project implementation	Understanding workload pressures created by the innovation project and identifying solutions, such as reassignment or rescheduling of tasks Defining modes of recognition for managing the additional workload (e.g., acknowledgment of the staff member's valuable contribution by the manager)	Increased team motivation and morale, supporting the successful implementation of the innovation project

Key questions to consider:

Key Questions to the MSME Manager (non-exhaustive examples)	Expected Insights (non-exhaustive examples)
How do you monitor the implementation of this innovation project?	The MSME manager's project management and monitoring experience
What criteria must be fulfilled for this project to be considered successful?	The MSME manager's understanding of project success criteria and expected outcomes

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Key Questions to the MSME Manager (non-exhaustive examples)	Expected Insights (non-exhaustive examples)
What options do you have to address the situation if the innovation project takes longer or requires higher investment than anticipated?	Understanding the MSME's financial capacity and managerial flexibility to support the innovation project until full implementation
How will you maintain team members' motivation and commitment during the implementation, especially when the project creates additional workload?	The MSME manager's leadership, coaching capability, and ability to motivate the team

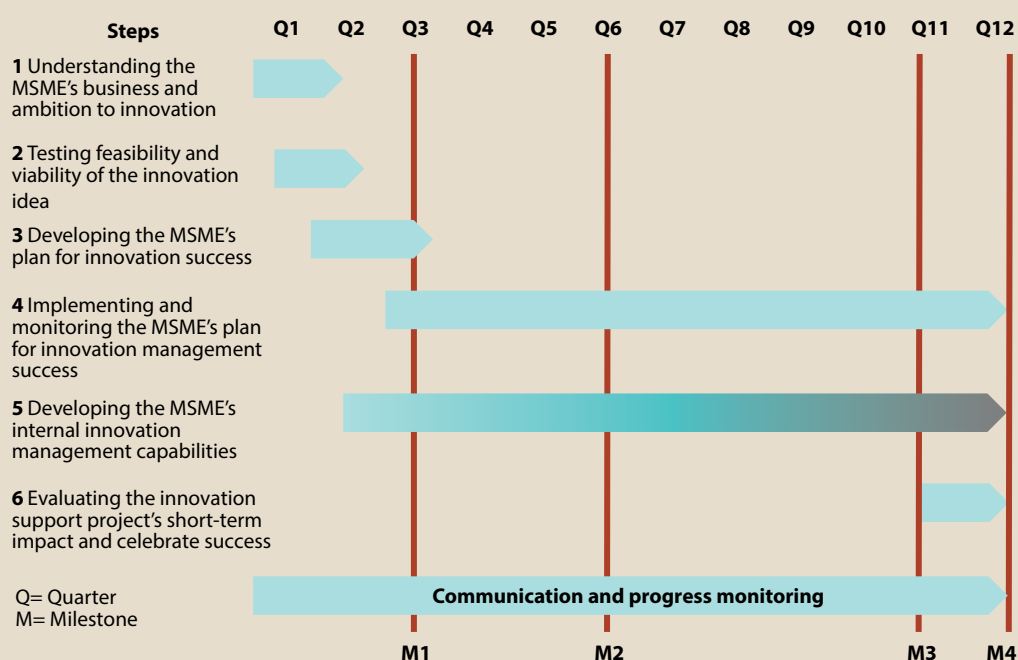
Here are other plausible questions that can be asked to engage the MSME manager in discussing the plan for innovation management success:

- What time period do you consider realistic for fully implementing this innovation project?
- Which activities could be rescheduled or adjusted to free up the team members during implementation of the innovation project?
- How will you inform customers, suppliers, and other stakeholders about the changes resulting from the innovation project?
- How will you recognize and celebrate the successful implementation of the innovation project with the team?

Key Activities in Step 4

The success of the implementation and monitoring of the innovation management project depends on the following key activities:

- Clearly assign roles and responsibilities for all team members.
- A well-structured project implementation plan, including clearly defined and well-understood timelines, responsibilities, and deliverables.
- Regular and transparent communication among stakeholders, ensuring that team members remain informed and aligned throughout the project.
- Continuous monitoring of project progress against agreed milestones and targets.
- Regular feedback to team members on implementation progress and emerging issues.
- Proactive and systematic risk management to address potential challenges during the project.
- Proper financial planning, monitoring, and evaluation of the project's expected business impact.

FIGURE 19**PROJECT PLAN FOR INNOVATION MANAGEMENT SUCCESS (ILLUSTRATIVE).**

Source: Eva Diedrichs and Claus Diedrichs for this manual.

Valuable Tools and Techniques in Step 4 (Examples)

- **Project progress monitoring plan:** Visualization of the innovation project's progress using tools, such as a Gantt Chart (see Appendix), helps align team members, track milestones, and call for further support where delays might occur.
- **Risk management plan:** A structured approach to identifying, assessing, and mitigating risks that may arise during implementation of the innovation project.
- **Communication plan:** This specifies the following:
 - Who will communicate with whom
 - What information will be communicated
 - Internal and external target audience
 - Frequency of communication and project updates
 - Means of communication (e.g., team meetings, individual stakeholder meetings, digital communication such as email or website)
 - Monitoring mechanism of information needs and communication effectiveness

- **Investment plan:** A structured overview of the financial resources required and their allocation.
- **Program Evaluation and Review Technique (PERT):** A project management method used to analyze task sequences, estimate project timelines, and identify critical activities affecting project completion.

Key Impact Measures to Apply in Step 4 (Illustrative Examples)

- Activities defined and agreed upon in the innovation project implementation plan are carried out as scheduled.
- The innovation project plan, including key milestones, is implemented successfully.
- Defined key results are fully achieved.
- MSME team members demonstrate increased capability in developing and successfully implementing innovation projects.

Risks and Pitfalls to Avoid in Step 4 (Illustrative Examples)

- Loss of momentum during the implementation of the innovation project, resulting in delays or reduced commitment.
- Introduction of new technology without adapting related processes, organizational structures, systems, or staff skills, thereby compromising the project's impact.
- Insufficient communication about the changes and their implications to staff and stakeholders.
- Inadequate response to feedback from staff on problems, risks, or operational issues related to new technology, equipment, processes, or procedures.
- Poor timing of the innovation project, creating excessive pressure on the MSME team and potential resistance to change.
- Failure to leverage the innovation project as an opportunity for skill development within the MSME.

Key Results Achieved in Step 4

- Formal completion of the innovation project.
- Full transition to the new technology, processes, procedures, or tools.
- Documentation of key lessons learned and how these insights can support future initiatives.
- Realization of initial value creation from the innovation project.

Illustrative Case Example for Step 4: Implementing and Monitoring the MSME's Plan for Innovation Management Success

San Fernando, Pampagna-based Nut 'N Else was established in 1999 as a single proprietorship and was later incorporated as RP Ocampo (RPO) Fine Foods Corporation. The company specializes in processing nut products, with garlic-flavored peanuts as its original and flagship product. Food safety is a core priority for the company, supported by continuous investment in quality assurance and modern processing technologies to minimize the risk of cross-contamination and ensure consistent product quality and safety.

With support from SETUP, the company acquired state-of-the-art equipment for weighing and packaging. With a newly constructed production facility, it can produce up to 40 tons per month and has the capacity to expand further to meet future requirements.⁴ Its products are supplied to both local retail stores and national supermarket chains.

Focus and Impact of Innovation Management

Along with adopting innovative technologies, the company introduced modern processes, procedures, and key performance indicators (KPIs) to monitor the progress of the innovation project. The initiative was driven by the company's marketing director, who has experience in managing operations through systematic KPI monitoring. This enables the company to track production performance and support data-driven planning for future production and productivity improvements.

The structured use of KPIs also enables the company to assess the business impact of newly introduced technologies, processes, and procedures, as well as the effectiveness of staff training for operating the new facility.

Key Lessons Learned by the Innovation Advisor

This case example demonstrates that the adoption of innovative technologies is effective only when implementation is systematically monitored and managed to ensure high-quality outputs and measurable business impact.

If the company plans to expand into international markets as its next innovation initiative, it may need to assess consumer preferences in target markets. As garlic-flavored products may not be widely accepted across different cultures, further innovation—such as adapting product recipes or developing new variants—may be required before entering international markets.

⁴ RPO Fine Foods Corporation. n.d. About us. Retrieved from <https://wowmani.com/about-us>

Once the innovation project has been implemented and its performance monitored, the experience gained serves as a valuable learning resource for the MSME. Beyond delivering immediate business results, each innovation project should strengthen the organization's internal capability to manage innovation initiatives more effectively.

Step 5, therefore, focuses on developing the MSME's internal innovation management capabilities at both the organizational and individual levels, enabling the enterprise to sustain innovation-driven growth over time.

Step 5: Developing the MSME's Internal Innovation Management Capabilities

Each innovation project implemented by the MSME should ideally strengthen the MSME's internal innovation management capabilities. These include identifying innovation opportunities, transforming the organization to respond to internal and external changes, and developing team members' creativity, problem-solving ability, and risk management skills.

Over time, these capabilities will allow the MSME to systematically generate, evaluate, and implement innovation initiatives that support sustainable growth.

Objectives of Step 5

Developing the MSME's internal innovation management capabilities has two dimensions:

- The company level
- The individual staff member level

At the company level, innovation capability is shaped by the organization's innovation strategy, processes, structure, culture, and supporting systems such as IT tools, compensation, and reward mechanisms. These elements are reflected in practices such as open communication, willingness to take and reward calculated risks, and the ability to learn from failures.

At the individual staff member level, innovation capability depends on the following factors:

- Level of education
- Project management skills
- Analytical skills to analyze and translate challenges into innovative solutions
- Business acumen and financial management skills
- Risk management skills
- Ability to recognize the benefits and business potential of innovation projects
- Curiosity and openness to new ideas
- Flexibility to adapt to change
- Proactive attitude and willingness to take initiative
- Conflict resolution skills
- Ability to learn from failure
- Cross-functional experience

The following key issues should be explored:

Issue	Expected Insights (non-exhaustive examples)	Expected Impact (non-exhaustive examples)
Experience in taking risks	Examples of how risks were taken and managed during the innovation project	Understanding of the factors contributing to success and failure
Capability development	Examples of learning experiences and capability development within the organization	Understanding the need and willingness for continuous learning and capability development
Willingness to take risks	Demonstrated ability to carry out assignments under conditions of uncertainty or risks	Understanding the manager's and team members' ability to manage risks
Tolerance for failure	Understanding the MSME management's learning approach and leadership style when dealing with unsuccessful outcomes	Implementation of the project in line with the MSME manager's cultural preferences and learning practices

Key questions to consider:

Key Questions to the MSME Manager (non-exhaustive examples)	Expected Insights (non-exhaustive examples)
How will you foster innovation within your company?	The manager's interest in leveraging innovation to support the company's future development and profitable growth
How do you perceive your staff's capabilities to support the implementation of the innovation project effectively?	The MSME manager's perception of staff skills and readiness to contribute to the implementation of the innovation project
How do you encourage team members to suggest ways to improve their work processes and working conditions?	The MSME manager's focus on continuous improvement, skill development, and the process of internal suggestions
How well have employees adopted the innovation introduced through the project?	Employee satisfaction or dissatisfaction with the innovation and their willingness to engage in future initiatives.

Here are other plausible questions that can be asked to engage the MSME manager in developing internal innovation management capabilities:

- What is the background of your staff members in terms of education, skills, and work experience?
- What specific skills do the staff members have that could contribute to the success of the innovation project?
- How do staff members typically deal with problems? Do they attempt to solve them independently, or do they immediately seek guidance from the manager and wait for the manager to solve the problem?
- How do you react when a team member presents a new suggestion or idea?

- How would you describe the culture within your company: highly cooperative and collaborative, or primarily focused on individual tasks with limited interaction among the team members?

Key Activities in Step 5

The MSME's internal innovation management capabilities can be developed through several complementary approaches.

- **Standalone capability development initiative:** In this approach, the focus is on strengthening the organizational foundations that support innovation. Activities may include the following:
 - Training on the development and implementation of the innovation strategy.
 - Establishing organizational structures to support implementation of the innovation strategy.
 - Transforming organizational structures to improve collaboration, effectiveness, and market orientation.
 - Adjusting internal processes to achieve innovation objectives as defined in the innovation strategy.
 - Introducing supporting systems such as IT systems, management systems, and reward systems that encourage innovation and contribute to an innovation-oriented culture.
 - Providing customized training to strengthen relevant skills and behavior.
- **Implementation of an innovation project:** Innovation management capabilities can also be strengthened while implementing an innovation project aimed at increasing the MSME's value and supporting profitable growth. Here, the focus is on designing, developing, and implementing an innovative solution while simultaneously providing on-the-job training to the MSME's management and team members. This practical learning approach helps strengthen innovation management skills while delivering direct business impact from the innovative solution.
- **Implementation of innovation-focused reward system:** MSMEs can encourage innovation by acknowledging and rewarding staff members' contributions to innovative solutions, creative problem-solving, and innovative business development. Acknowledgment and recognition may take different forms:
 - Providing training opportunities or exposure to new technologies
 - Enabling interaction with innovative customers, suppliers, or other stakeholders
 - Celebrating successful ideas and solutions within the MSME team
 - Offering complementary learning opportunities

- **Non-monetary recognition mechanisms:** Although monetary rewards are often the first choice of MSME managers, non-monetary recognition mechanisms offer more sustainable motivation scope for staff members. These may include the following:
 - Supporting tailored skill development aligned with staff's career succession and aspirations
 - Inviting staff to team events marking the successful implementation of innovation projects
 - Providing complementary vouchers for dining, shopping, vacation, or recreational activities
 - Issuing certificates or other forms of recognition for outstanding contributions

Role of the Innovation Advisor in Supporting Capability Development

To support the development of internal innovation management capabilities of an enterprise, the innovation advisor may assist the MSME manager in the following areas:

- Developing clear objectives for the company's sustainable growth through innovation.
- Encouraging adoption of innovation management practices. For example, this may include the following:
 - Collecting ideas and suggestions from staff members, customers, and suppliers
 - Evaluating these ideas within the team
 - Selecting the idea with the highest business impact for future innovation projects
- Communicating innovation goals and objectives within the organization, including their implications for team members and required skill development.
- Identifying the staff training needs related to innovation management and defining effective ways to address them.
- Developing a customized training plan for the MSME team and individual staff members as required. This may include training on new equipment, new processes, or systems introduced through the innovation project.
- Initiating the training activities and monitoring their impact on the organization's innovation capability.
- Fostering a culture of openness and collaboration within the MSME and strengthening interaction with the key business partners and innovation support providers.

Valuable Tools and Techniques in Step 5 (Examples)

- **Case examples:** Use of compelling case examples of MSMEs that have successfully developed their innovation management capabilities.

- **Engagement sessions:** Meetings with the MSME manager and team members to discuss initial ideas and understand the MSME's organizational culture and interaction patterns, such as command-and-control versus collaborative approaches.
- **Vision and mission statement:** Development of vision and mission statements that explicitly recognize innovation as a key driver of the MSME's future success.
- **Idea or suggestion board:** Establishment of an idea or suggestion sharing platform accessible to all staff members. These ideas can be discussed during regular team meetings (e.g., monthly) to identify opportunities for value-creating solutions.
- **Recognition and accolades:** Recognition and celebration of successful implementation of ideas and innovations contributed by staff members, highlighting business impact and benefits achieved.
- **Industry exposure:** Participation in relevant trade shows and industry events, including international exhibitions where appropriate, to learn about new technologies and innovative practices that the MSME could adopt.

Key Impact Measures to Apply in Step 5 (Illustrative Examples)

- Successful introduction of idea collection mechanisms involving all MSME team members.
- Adoption rate of innovative ideas suggested by the MSME team members, customers, suppliers, or other stakeholders.
- Defined and achieved impact from the implementation of innovative ideas.
- Prioritized list of ideas and corresponding implementation steps identified by MSME management and the team.

Risks and Pitfalls to Avoid in Step 5 (Illustrative Examples)

- Neglecting organizational and cultural aspects of innovation, including transformation requirements and challenges.
- Lack of quantifiable performance criteria for assessing the MSME's internal innovation management capabilities.
- Inability to leverage innovation projects as opportunities for developing MSME's internal innovation management capabilities.

Key Results Achieved in Step 5

- A strong innovation-focused culture and mindset within the MSME, which may be demonstrated through the following:
 - Deployment of innovation management tools and practices aligned with MSME's strategic goals

- Pragmatic approach to developing innovation-related skills
- Leveraging learning as a strength rather than a cost driver
- An innovation strategy appropriate for the MSME, including clearly defined implementation steps and mechanisms to support its realization.
- Active idea management, involving staff and other key stakeholders in generating and evaluating innovation opportunities.
- Established processes and procedures to regularly collect and transform ideas into high-value innovations.
- Quantifiable metrics for monitoring the MSME's internal innovation management capabilities. These may include:
 - Number of ideas contributed by each member of the organization within a defined period
 - Percentage of ideas contributed by each team member with high business impact
 - Number of ideas selected for implementation within a defined timeframe
 - Effectiveness and efficiency of converting ideas into innovative solutions
 - Percentage of sales generated from products or services younger than X years
 - Percentage of profit generated from products or services younger than X years
 - Share of new business models successfully implemented within the last X years and their contribution to profitable growth

Illustrative Case Example for Step 5: Developing the MSME's Internal Innovation Management Capabilities

As an architectural design enterprise established in 2008, Cebu-based ArchiGlobal Inc. is dedicated to dynamic innovation⁵. This is not just a statement on the company website, but a principle reflected in the interaction of team members, regardless of seniority. The design of ArchiGlobal's office in Cebu also supports this philosophy by encouraging interaction and collaboration among employees.

The enterprise has received several national and international awards, reflecting its continued commitment to excellence and innovation in architectural design. Each team member is encouraged and expected to contribute innovative ideas as part of their work. The company promotes an open culture, as evident from the message displayed in its office areas: "Speak up, lest an idea be gone!"—emphasizing the importance of sharing ideas and encouraging creative contributions from all staff members.

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⁵ ArchiGlobal Inc. (n.d.). Careers: Aspire to be global. Retrieved from <https://archiglobal.net/archiglobal-career/>

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As part of the SETUP, the company received funding for state-of-the-art equipment to reproduce large-scale designs.

Focus and Impact of Innovation Management

Maintaining a competitive position while strengthening innovation management capabilities requires creativity and a clear understanding of the value each project must deliver through forward-looking design. This also requires shared values, strong collaboration, and incentives that encourage team members to contribute their ideas and expertise actively.

Key Lessons Learned by the Innovation Advisor

A key lesson in developing internal innovation management capabilities is that it is a never-ending story. Training new staff in processes and procedures is a continuous endeavor. Developing innovation management capabilities in line with the company's strategy and culture requires role models, regular feedback, training, and recognition of personal achievements.

It also requires hiring best-in-class professionals who are willing and able to go the extra mile and contribute their creativity to achieving excellence. With support from SETUP, the company now has access to state-of-the-art imaging technologies, complementing its objective of excellence across all its activities and processes.

Step 6: Evaluating the Innovation Support Project's Short-term Impact and Celebrating Success

This step is often neglected in innovation projects. However, it is important for ensuring a sustainable learning experience for all stakeholders, including the MSME manager, team members, and the innovation advisor.

Objectives of Step 6

The main objective of this final step is to learn from experience gained during innovation projects, understand the factors influencing the development and implementation of an innovation project in an MSME, and determine how positive influences can be leveraged and negative influences can be addressed.

The team that has taken on additional responsibilities, often alongside their regular workload, should be recognized, and their efforts and impact should be formally acknowledged. This motivates MSME team members to develop their skills further and participate in future innovation projects. With increased experience from these projects, team members can contribute more effectively to the sustainable growth of the MSME and to their own professional development.

For the MSME manager, each innovation project provides a complementary learning experience and growth opportunities for the business. Innovation projects should pave the way for establishing an innovation management system within the MSME. This can enable regular initiation of innovation projects, strengthen the innovation culture, and foster entrepreneurship within the MSME to drive overall growth.

Complementary objectives

- Clearly defined closure of the innovation project, including premature termination where necessary.
- Objective review of lessons learned.
- Acknowledgment and celebration of staff contributions to the innovation project's development and implementation.
- Actions to further improve innovation management capabilities at both management and staff levels.
- Definition of MSME's innovation pipeline, including future innovation opportunities aligned with strategic growth objectives, risk appetite, and expected value added.
- Documentation of support actions for continued monitoring of the MSME's progress.

Issue	Expected Insights (non-exhaustive examples)	Expected Impact (non-exhaustive examples)
Collecting the benefits of the innovation project as perceived by all stakeholders	• Collection of benefits achieved • Insights into the different stakeholder perspectives on the innovation project	Understanding and anticipating the potential impact of similar projects
Collecting ideas to enhance the project's impact further	Lessons learned for the next innovation project	Broader focus not only on specific technology or equipment, but on the overall operations of the MSME
Commitment of the MSME to drive the innovation project	Understanding factors that could increase or diminish the MSME's commitment to drive the innovation project	Improved motivation for innovation
Resistance to change	Understanding the underlying root causes and drivers of resistance	Better anticipation of resistance to change and development of appropriate countermeasures
Integrating the innovation project into the MSME's day-to-day work and routines	Impact of the innovation project on the MSME's operations	Identification of key success factors that facilitated integration of the innovation project with the MSME'S regular business activities

Key questions to consider:

Key Questions to the MSME Manager (non-exhaustive examples)	Expected Insights (non-exhaustive examples)
What key lessons have you learned from this innovation project?	Insights into the manager's learning experience during the project and potential next steps
How will you maintain and develop your company's innovation management capabilities?	The manager's intent to institutionalize innovation management within the organization

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Key Questions to the MSME Manager (non-exhaustive examples)	Expected Insights (non-exhaustive examples)
How well did the employees and other stakeholders adopt the innovation?	Employees' and other stakeholders' satisfaction or dissatisfaction with the implemented innovation
How would you use digital platforms in the future for innovation projects?	Insights into the MSME manager's openness and readiness for digitalization as a driver for innovation
What would you do differently in the next innovation project?	Understanding of the MSME manager's approach to deriving and implementing lessons learned
What issues would you like to address in the next innovation project?	Insights into the manager's priority issues in innovation management
Why would you like to prioritize these issues over others?	Understanding of the manager's business priorities
How do you plan to implement the next innovation project(s)?	Insights into the manager's business development and business transformation capabilities, considering the MSME's market dynamics
How could we further improve your innovation management support services to MSMEs?	Insights into MSMEs' needs regarding innovation management support

Here are other plausible questions that can be asked to engage the MSME manager to evaluate the innovation support project's short-term impact and celebrate the success:

- What were the most unexpected issues during the project?
- What worked well during the project and what could have been more effective?
- How will you celebrate the completion of this project with your team?
- How will you acknowledge outstanding contributions from team members?

Key Activities in Step 6

- Organize a meeting with the MSME manager to review and evaluate the innovation project along the following criteria:
 - Business impact of the innovation project
 - Short term
 - Medium term
 - Long term
 - Project set-up
 - Clarity of the project set-up

- Appropriateness of the set-up for the MSME
- ° Realization of project results
 - Financial results
 - Organizational impact
 - Impact on the MSME's short-, medium-, and long-term competitiveness
 - Impact on the MSME's innovation culture
 - Effectiveness of the project and risk management
 - Effectiveness of the interaction between the innovation advisor and the manager and team members
- ° Transformation impact
 - MSME manager's learning experience
 - Changes in MSME operations
 - Changes in the MSME's culture
 - Adoption and application of new skills
- ° Celebrating project success
 - Internal recognition of team members' achievements
 - External communication of the project as a showcase to highlight innovation success and promote innovation management support to other MSMEs
- ° Documentation
 - Documentation of the innovation project's results and actions required to sustain its impact

Valuable Tools and Techniques in Step 6 (Examples)

- **Outcome evaluation:** Review of results achieved in comparison with the targets defined at the beginning of the project.
- **Process evaluation:** Review of the approach and steps taken during the preparation and implementation of the innovation project.
- **Impact evaluation:** Review of the strategic, financial, and organizational impact in the short, medium, and long-term, and identification of measures to maintain or enhance project impact.

- **Transformation impact assessment:** Review of the organizational and cultural adaptation, for example, towards sustainable growth through innovation.

Key Impact Measures to Apply in Step 6 (Illustrative Examples)

- Growth in revenues from new products, services, business models, or processes.
- Growth in profit from the new products, services, business models, or processes.
- Increase in productivity.
- Increase in customer base.
- Increase in customer value.
- Access to new and more profitable customers.
- Others.

Documented evidence of the short-term business impact of the innovation project, such as improvements in productivity, quality, sales, cost efficiency, or customer satisfaction.

Risks and Pitfalls to Avoid in Step 6 (Illustrative Examples)

- Neglecting this step due to time constraints.
- Being either too pessimistic or too optimistic in the evaluation of the innovation support project.
- Incorrect timing of the evaluation, either too early after the completion of the project or too late to adequately assess the impact.

Key Results Achieved in Step 6

A structured management review of the innovation project's impact should be established as a standard operating procedure (SOP). The innovation advisor and the MSME manager should discuss the lessons learned during SETUP. This may be guided by questions such as "What went well during the project?" and "How could the project have been implemented more effectively?"

The insights gained from this review should be documented and incorporated into the next steps or action plan to sustain the project's impact and support the enterprise's long-term development and growth.

Steps in the Innovation Project	What Went Well	Opportunities for Improvement
Step 1: Understanding the MSME's business and ambition to innovate	Good rapport with the MSME owner	More in-depth analysis of the MSME's potential utilization of the new technology should be conducted to avoid underutilization of equipment
Step 2: Testing the feasibility and viability of innovation ideas	Rapid testing of the preferred technology	There is a need for a higher level of involvement of the staff member responsible for operating the new equipment

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Steps in the Innovation Project	What Went Well	Opportunities for Improvement
Step 3: Developing the MSME's plan for innovation success	Thorough consideration of the physical setup of the new technology	Planning of the equipment set-up is better aligned with the availability of the owner and key personnel
Step 4: Implementing and monitoring the MSME's plan for innovation management success	A clear definition of what innovation management success means for the MSME, adopted by the owner	A clear plan for monitoring the innovation management impact is defined and signed off by the manager for implementation
Step 5: Developing the MSME's internal innovation management capabilities	Commitment of the owner to developing internal innovation management capabilities	Dedicated time is allocated for key personnel to participate in innovation management training
Step 6: Evaluating the innovation support project's short-term impact and celebrating success	Clear evaluation criteria for the short-term impact	The owner conducts a project review to acknowledge the team members' contribution, share next steps in the development of the company, and invite team members to share ideas for effective implementation

Illustrative Case Example for Step 6: Evaluating the Innovation Support Project's Short-term Impact and Celebrating Success

EnCor in General Santos City is a local bakery that produces, supplies, and delivers products such as E-Nutribuns, Milky Buns, and Ensyamada with mango fillings to local schools. As part of the SETUP, the bakery was upgraded with new technology, including a new oven and packaging machines.

The upgrade also required training staff to operate the new equipment effectively and expanding delivery operations with additional vehicles and drivers. This helped the company meet additional demand from local schools.

Focus and Impact of Innovation Management

As a result of the extension of business activities, adjustments were required in procurement processes, logistics, general administration, and financial management. Therefore, the company's owner is now seeking to standardize these key processes and procedures. There is also a realization of the need to digitalize these processes and train staff to use the digital systems effectively.

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Improved efficiency in administrative processes is expected to support the company's next growth project, including expansion into new markets like the military.

Key Lessons Learned by the Innovation Advisor

This example shows that effective use of technologies funded by SETUP requires training and upskilling not only of staff directly operating the technologies, but also of administrative personnel managing the increased workload resulting from new processes and procedures.

The key challenge is the limited availability of business administration training programs tailored to the needs of MSMEs, particularly in areas such as business and financial management strategies.

CHAPTER 5

USING ARTIFICIAL INTELLIGENCE FOR BETTER INNOVATION MANAGEMENT SUPPORT TO MSMEs

Overview of AI in Innovation Support

Modern innovation management support services can be enhanced with the appropriate use of artificial intelligence (AI) tools. These tools can support data analysis, identify patterns, and generate insights that may help innovation advisors and MSME managers better understand markets, technologies, and potential innovation opportunities.

However, as in any other context, the results generated by AI-based tools should be used with great care. Such results must always be reviewed and validated by an Innovation Advisor or another qualified expert who understands the specific context of the MSME. AI should therefore be considered as a support tool that complements human expertise, rather than replacing professional judgement.

AI technologies are evolving rapidly, and new tools and models continue to emerge. Innovation advisors should remain informed about relevant developments and evaluate which tools may be useful and appropriate for supporting MSMEs.

Recommendations for Using AI in Innovation Management Support to MSMEs

AI can assist innovation advisors in broadening analysis and generating additional perspectives, while providing innovation management support to MSMEs. It can also support MSMEs in strengthening innovation management practices, from preliminary strategic thinking to communication and organizational learning.

The following use cases for AI in innovation management support may be considered:

- **Data-driven insights:** AI can help analyze market trends, technological developments, and competitive dynamics in the industry sectors that the MSME operates in.
- **Predictive analytics:** AI-based analysis may support decision-making by identifying potential risks and opportunities. For example, predictive demand analysis can help MSMEs improve inventory management, reduce waste, increase profitability, and enhance customer satisfaction.
- **Idea generation and exploration:** AI can support brainstorming processes by suggesting alternative perspectives, product ideas, or business model options.

- **Learning and knowledge support:** AI tools may assist MSMEs in accessing relevant information, identifying good practices, and strengthening organizational learning through self-paced, customized resources.

Potential Prompts for Leveraging AI in Innovation Management Support

AI tools rely on clearly defined prompts or questions to generate useful insights. The following use cases may be considered:

During Innovation Support Services to MSMEs

- **Prompts for understanding MSME's industry and competitive environment (data-driven insights)**
Example: What are the key innovation drivers for micro, small, and medium enterprises in the food industry in the Philippines?
- **Prompts for analyzing innovation drivers and organization capabilities**
Example: If a strong learning orientation is a key driver for innovation, what measures can the MSMEs in the Philippines adopt to strengthen their learning orientation?

For Understanding MSME Opportunities for Innovation-Led Growth

- **Prompts for demand forecasting (like in the case of a local bakery)**
Example: How can AI-based predictive analytics support a local bakery in forecasting demand and optimizing production planning?
- **Prompts for gaining deeper insights into innovation management issues (like entering new markets)**
Example: What are the effective business development actions for a medium-sized bakery after installing a modern oven to produce nutritious buns for schools?

Summary: After installing a modern oven and initiating the production of nutritious buns, the next steps for a medium-sized bakery include focusing on product quality, expanding market reach, improving logistics, and building strong relationships with schools. By addressing operational, logistical, and marketing aspects, the bakery can build a sustainable, profitable business model while promoting healthier eating habits in schools.

Mitigating Risks and Ethical Considerations in the Use of AI

AI models learn from the data they are trained on. As a result, AI-generated outputs may sometimes reflect historical biases, incomplete information, or assumptions that do not fully correspond to the specific context of an MSME.

Innovation advisors should therefore always review and critically assess AI-generated outputs before using them in decision-making processes. To ensure transparency and responsible use of AI, the following practices are recommended:

- Verify AI-generated insights against reliable sources and expert knowledge.
- Be aware of possible biases or limitations in AI-generated outputs.

- Ensure that recommendations are appropriate to the MSME's specific context.
- Document the reasoning and criteria used when incorporating AI-generated insights into advisory recommendations.

Conclusion

AI can serve as a support tool for innovation management activities by assisting innovation advisors and MSMEs in analyzing information, exploring new ideas, and identifying potential opportunities. When applied thoughtfully, AI can contribute to more informed discussions and support the innovation advisory process.

AI-generated outputs should always be carefully reviewed and interpreted within the specific context of the MSME. Professional judgement and practical experience remain essential to ensure that recommendations are relevant, feasible, and aligned with the enterprise's capabilities and objectives.

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APPENDIX

Key Terms and Definitions

For key terms and definitions related to innovation management, refer to ISO 56000:2024 – Innovation Management: Fundamentals and Vocabulary.

Absorptive capacity: Ability to identify, assimilate, and apply new knowledge

Disruptive innovation: Innovation that initially addresses less demanding needs and subsequently displaces established offerings

Incremental innovation: Gradual improvement of existing products, services, processes, organizational structures, or existing business models

Innovation: New or changed entity that realizes or redistributes value

Innovation advisor: A professional providing guidance in identifying innovation opportunities and/or in managing innovation activities

Innovation capability: Ability to perform innovation activities and initiatives to achieve innovation

Innovation ecosystem: A system of interdependent persons or organizations that collectively or collaboratively develop or enable innovation

Innovation life-cycle management: Within SETUP, defined as Ideation and Concept Development, comprising the following stages through which innovation activity progresses: (i) planning, (ii) pilot testing, (iii) deployment, (iv) evaluation, (v) scaling, and (vi) sustainability or re-innovation

Innovation management system: Innovation management system: a set of interrelated and interacting elements with the purpose of realizing value, both financial and non-financial (ISO 56001)

Innovation management: A set of coordinated activities to direct and control an organization with regard to innovation” (ISO 56000 series)

Innovation portfolio: A set of innovation initiatives grouped together

Innovation system: A system of innovation

Intellectual property: Outcome of intellectual activities that is eligible for protection by law

Intellectual property rights: Legal rights associated with intellectual property

Management: Coordinated activities to direct and control an organization

Management system: A set of interrelated or interacting elements of an organization to establish policies and objectives, as well as processes to achieve those objectives

Minimum viable product: Basic version of a product used to test assumptions before full-scale development

Open innovation: Collaboration with external stakeholders to develop innovation

Radical innovation: Breakthrough innovation or innovation with a significant degree of change

System: A set of interrelated or interacting elements

Key Drivers of MSMEs' Profitable Growth through Innovation

Based on practical experience and multiple MSME case studies, several recurring patterns emerge that support profitable growth through innovation. These patterns can also help motivate MSMEs to engage in innovation management actively.

- Enhancement of existing products and services through incremental innovation.
- Adoption of new technologies, processes, and digital tools such as e-commerce to improve value creation.
- Strengthening MSMEs' innovative, absorptive, and adaptive capabilities for sustainable growth.
- Disruption of value chains and networks, for example, the shift from gasoline-powered vehicles to the electrification of mobility devices.
- Commercialization of new products and services.
- Leveraging new technologies and approaches for business development and increased market access, such as digital platforms, CRM (Customer Relationship Management), e-commerce.
- Utilizing local resources and specialties to develop unique value propositions and community-based business models.
- Integrating sustainability as a driver for innovation and long-term value creation.
- Encouraging employee involvement and ownership in innovation initiatives.
- Developing workforce skills through training, exposure visits, and collaboration with academia, including R&D and internships.
- Establishing linkages with financial investors (both public and private), with local large enterprises and multinational corporations to finance and expand market opportunities through unique offerings.

- Provide access to customized innovation management training for MSME managers and staff members to develop their management and especially their innovation management capabilities

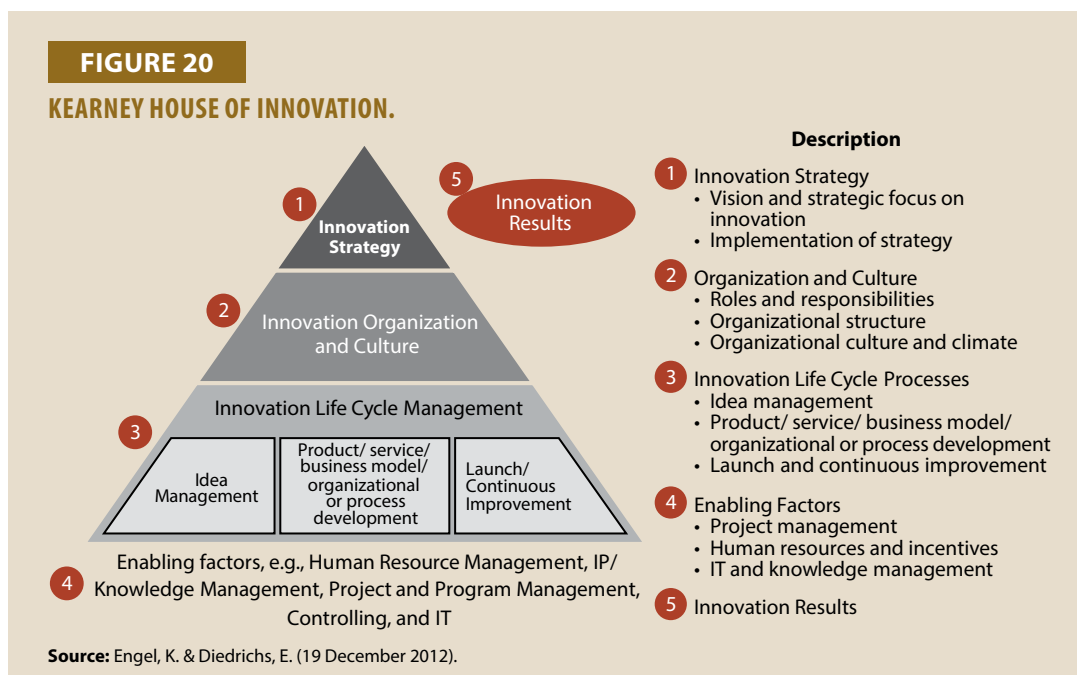
Innovation Management Frameworks

Numerous innovation management frameworks provide structured approaches to planning, implementing, and sustaining innovation within organizations. Among these, the ISO 56000 series of standards, particularly ISO 56001:2024 – Innovation Management System: Requirements, serves as a key reference to this manual. It defines innovation management as a system of interrelated elements such as strategy, leadership, processes, organizational structure, and culture, aimed at enabling consistent and value-driven innovation outcomes.

Within this system perspective, effective innovation management requires alignment of core elements. The innovation strategy establishes the direction and priorities for value creation, while organizational structure and culture support its implementation. Structured processes across the innovation life cycle—supported by enabling functions like intellectual property (IP) and knowledge management, project and program management, performance monitoring, and IT systems—ensure consistency, scalability, and control. Achieving coherence among these elements is essential for MSMEs to drive sustainable growth through innovation.

In addition to the ISO framework, several widely recognized concepts and approaches can help MSMEs strengthen their innovation management practices.

- **Kearney House of Innovation:** It is a holistic framework that structures innovation management into interconnected dimensions, including strategy, organization and culture, innovation lifecycle processes, and enabling factors⁶. It highlights that innovation success depends not on isolated initiatives but on the alignment of these elements within a coherent system.



⁶ Engel, K. & Diedrichs, E. (19 December 2012). How to deal with innovation management when you are small? InnovationManagement.se. Retrieved from <https://innovationmanagement.se/2012/12/19/how-to-deal-with-innovation-management-when-you-are-small/>

The framework highlights the need to balance strategic direction with execution capabilities, supported by a culture that encourages creativity and disciplined processes that guide ideas from concept to market. For MSMEs, it provides a practical framework for systematically managing innovation, with a focus on achieving measurable business impact and sustainable growth.

- **Strategyzer Frameworks:** It is a set of practical visual tools for designing, analyzing, and innovating business models. Key tools include the business model canvas⁷, value proposition canvas⁸, portfolio map⁹, and team alignment map¹⁰.

FIGURE 21

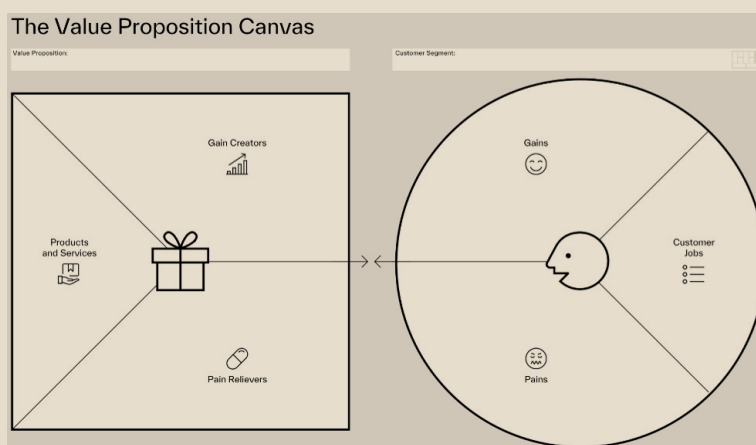
BUSINESS MODEL CANVAS.



Source: Strategyzer. (24 April 2024).

FIGURE 22

VALUE PROPOSITION CANVAS.



Source: Strategyzer. (5 February 2025).

⁷ Strategyzer. (24 April 2024). Business models: The toolkit to design a disruptive company. Retrieved from <https://www.strategyzer.com/business-models-the-toolkit-to-design-a-disruptive-company>

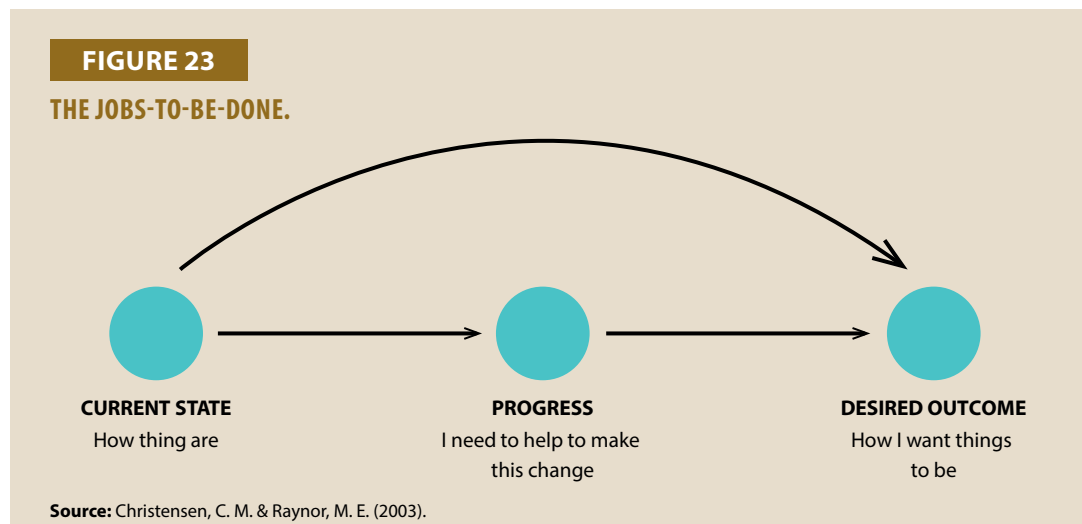
⁸ Strategyzer. (5 February 2025). Value proposition: the key to winning customers and driving business growth. Retrieved from <https://www.strategyzer.com/value-proposition>

⁹ Strategyzer. (n.d.a). The Portfolio Map. Retrieved from <https://www.strategyzer.com/library/the-business-model-portfolio>

¹⁰ Strategyzer. (n.d.b). Team Alignment Map. Retrieved from <https://www.strategyzer.com/library/team-alignment-map>

These tools emphasize visualization, iteration, and testing of assumptions, enabling MSMEs to explore new ideas, identify gaps, and adapt business models in a structured yet flexible way. By linking customer insights to value creation and operational elements, the frameworks support systematic innovation while reducing decision-making uncertainty.

- **Jobs-to-be-Done Theory:** It focuses on understanding the underlying needs that drive customer behavior rather than concentrating solely on products or market segments. It is based on the concept that customers “hire” products or services to accomplish specific functional, social, or emotional objectives^{11, 12}.



By shifting the perspective from product features to customer outcomes, the theory helps MSMEs identify unmet needs and develop more relevant and impactful innovation solutions. It strengthens customer-centric innovation and supports the design of products and services that deliver clear value and competitive advantage.

These frameworks complement each other and can be selectively applied depending on the MSME’s context, capabilities, and innovation objectives¹³. The innovation advisor should guide MSMEs in selecting and adapting the most appropriate framework to ensure practical application and measurable impact.

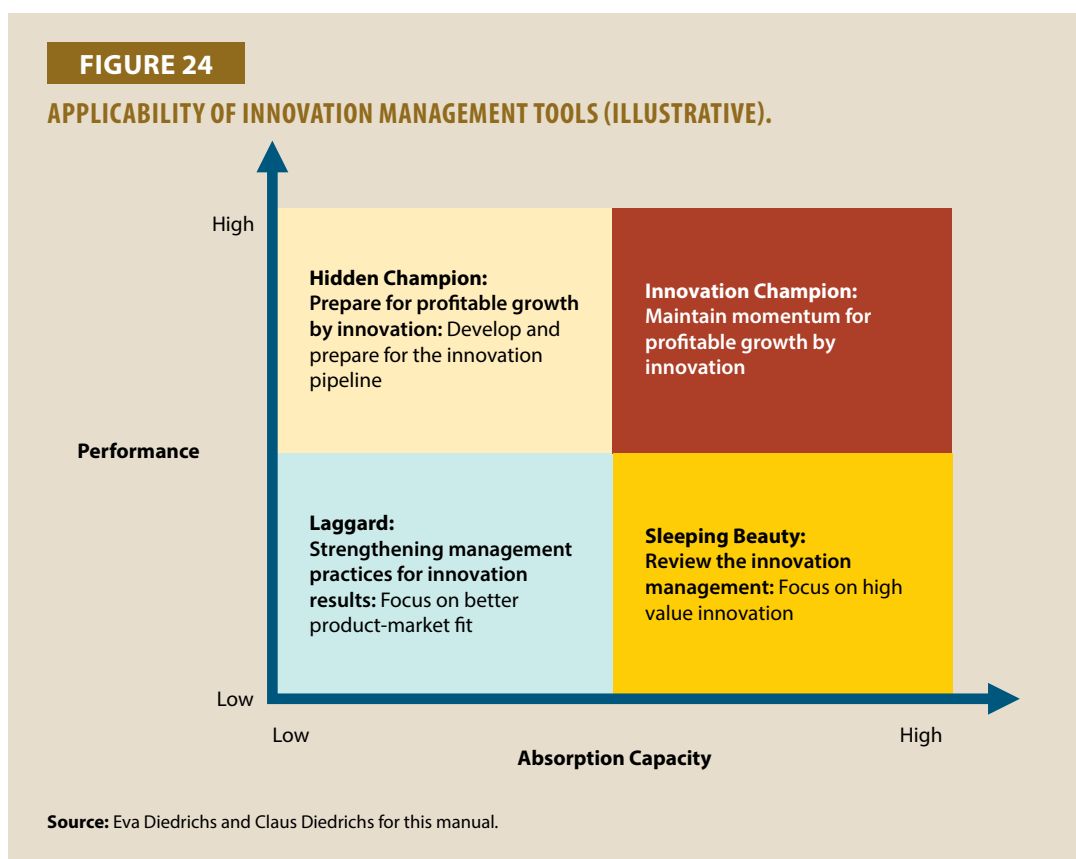
Innovation Management Tools for MSMEs

A wide range of tools can help MSMEs systematically develop, implement, and monitor innovation initiatives. These tools should be selected and adapted to the MSME’s size, capabilities, and stage of innovation maturity, with a focus on practical application and avoiding unnecessary complexity. Selection should align with MSME’s current performance level and absorption capacity. Tools should support gradual capability development and enable MSMEs to scale innovation activities in a structured and sustainable manner.

¹¹ Christensen, C. M. & Raynor, M. E. (2003). *The Innovator’s Solution: Creating and Sustaining Successful Growth*. Harvard Business School Press.

¹² Christensen Institute. (n.d.). Jobs to Be Done Theory. Retrieved from <https://www.christenseninstitute.org/theory/jobs-to-be-done/>

¹³ GreyB. (n.d.). The ultimate compilation of 10 innovation management frameworks. Retrieved from <https://www.greyb.com/blog/innovation-management-frameworks/>



The following overview presents commonly used innovation management tools. It is neither exhaustive nor exclusive, as additional tools may be applied depending on context and needs. Some tools assess the organization's overall innovation management performance, while others address specific challenges, such as idea generation and management, to leverage the collective intelligence of the organization. Certain tools focus on addressing specific challenges to develop the next innovation or on transforming an organization's culture to foster and sustain innovation. Some tools may also be commercially available.

Tools for Innovation Management Assessment

- **Innovation Management Assessment:** It evaluates a company's innovation performance across key dimensions and compares it with peers to identify strengths, gaps, and improvement opportunities¹⁴.
- **Digital Innovation Quotient:** It assesses a firm's digital innovation performance across key dimensions and compares it with peer firms worldwide¹⁵.
- **Innovation Management Excellence Assessment:** It is a streamlined version of the Innovation Management Assessment based on the Kearney House of Innovation, used to evaluate an organization's innovation performance and benchmark against top-performing peers¹⁶.

¹⁴ IMP³rove–European Innovation Management Academy EWIV. (n.d.). Innovation Management Assessment. In IMP³rove innovation management benchmarking. Retrieved from https://www.imp3rove.de/services/benchmarking/#innovation_management_assessment

¹⁵ IMP³rove–European Innovation Management Academy EWIV. (n.d.). Digital Innovation Quotient. In IMP³rove innovation management benchmarking. Retrieved from https://www.imp3rove.de/services/benchmarking/#digital_innovation_quotient

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Tools for Idea Management

- **Brightidea:** An enterprise-grade innovation management platform that supports end-to-end innovation, from crowdsourcing ideas and hackathons to evaluation, incubation, and large-scale implementation within complex organizations¹⁷.
- **IdeaNote:** A modern and user-friendly AI-native idea management platform designed for rapid deployment to simplify idea collection, collaboration, and evaluation with minimal setup¹⁸.
- **IdeaScale:** A crowdsourcing idea management platform that enables large-scale stakeholder engagement through idea campaigns, voting, and transparent collaboration to drive collective problem-solving¹⁹.
- **edison365:** An end-to-end innovation and project delivery platform, integrated with Microsoft 365, that transforms ideas into executed projects with structured workflows, stage gates, and performance tracking²⁰.

Tools for Open and Collaborative Innovation Management

- **VIANEO:** An innovation management platform combining business design methodology, AI-supported analysis, and collaborative tools to guide organizations from idea generation to value creation with strong governance and decision support²¹.
- **Wazoku:** An enterprise innovation platform that leverages AI, challenge-driven innovation, and global crowdsourcing to capture, evaluate, and scale ideas across internal and external ecosystems²².

Tools for Project Management

Effective implementation of innovation projects requires structured planning and monitoring. These may include:

- Gantt charts for timeline visualization
- Kanban boards for workflow management
- Agile approaches for iterative development
- Innovation roadmaps to align short- to long-term activities

At the outset of the project, all required tasks should be clearly defined, along with assigned responsibilities and estimated durations. This forms the basis for developing a structured project schedule. A Gantt chart is an effective tool for this purpose.

A Gantt chart is a visual timeline that lists tasks, start and end dates, milestones, dependencies, and allocated resources. It supports planning and coordination across teams, organizations, and

¹⁷ Brightidea. (2026). Idea management platform. Retrieved from <https://www.brightidea.com>

¹⁸ IdeaNote. (2026). Idea management software. Retrieved from <https://ideanote.io>

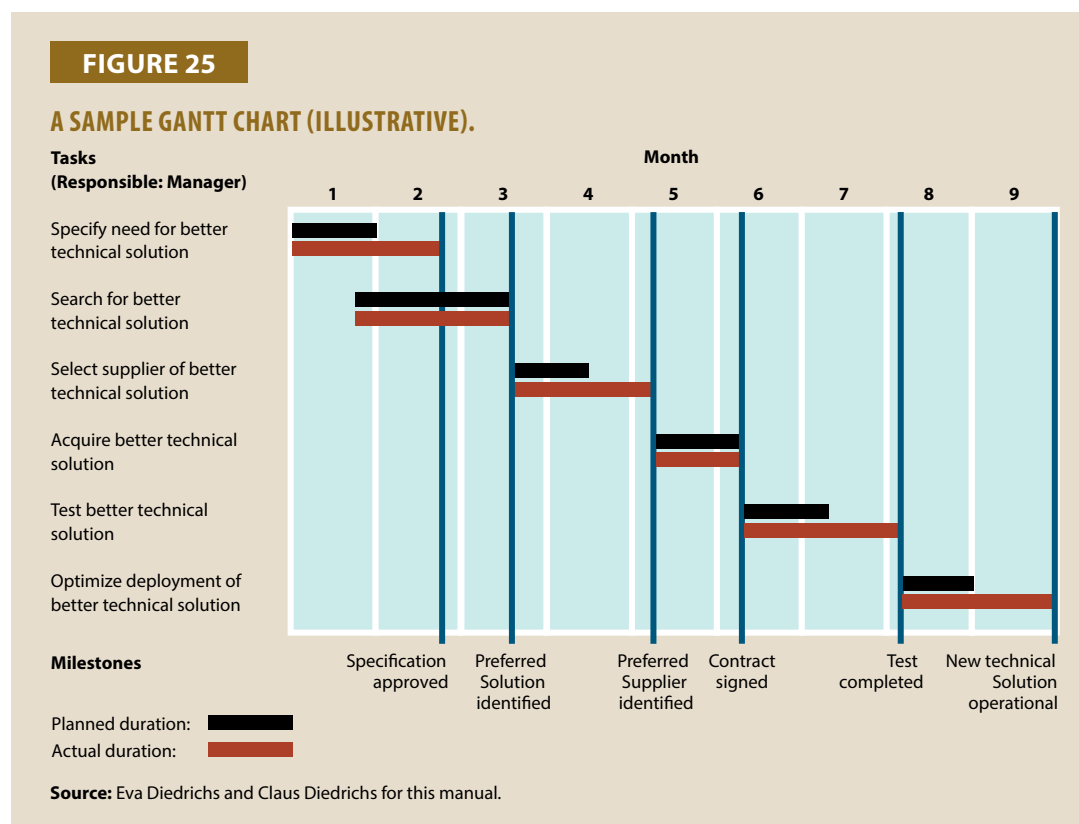
¹⁹ IdeaScale. (2026). Idea management platform. Retrieved from <https://ideascale.com>

²⁰ edison365. (2026). Innovation and idea management platform. Retrieved from <https://edison365.com>

²¹ VIANEO. (2026). Innovation management and business design platform. Retrieved from <https://www.vianeo.com>

²² Wazoku. (2026). Enterprise innovation platform. Retrieved from <https://www.wazoku.com>

stakeholders. It provides an instant and easy overview of the project and its progress. When regularly updated, it enables early identification of delays or bottlenecks, allowing timely corrective actions, minimizing risks, and ensuring smooth implementation.



Steps to prepare a Gantt chart

- List all tasks required to achieve project objectives
- Estimate duration for each task
- Assign appropriate resources
- Identify parallel and sequential tasks
- Define dependencies among tasks, resources, and local context
- Consider resource availability and constraints
- Define critical milestones and decision points
- Set the project start date

AI Platforms for Innovation Management

AI platforms can support innovation advisors and MSMEs in analyzing data, generating insights, and structuring innovation-related decisions.

Here are the key considerations to remember:

- The AI landscape is dynamic and evolves rapidly. Therefore, AI tools and platforms should be regularly reviewed and updated.
- Outputs generated by AI tools may be incomplete, biased, or inaccurate and should be critically evaluated.
- Prompts should be refined by asking the AI to improve or clarify the questions before generating a response.

Development of Prompts for Innovation Management Support

Effective use of AI requires a structured approach to prompting. Prompts should begin broadly and become progressively more specific to generate actionable insights. A well-designed prompt typically includes the following:

- **Context:** Background information and role
- **Objective:** What the prompt aims to achieve
- **Industry or application area:** Sector-specific focus
- **Constraints:** Key conditions such as budget, scale, depth, or timeframe
- **Expected output format:** Structure of the response

Ask AI to improve your prompt before providing the answers.

Here is an illustrative example:

- **First prompt (general):** What are the key innovation drivers for MSMEs in the food industry in the Philippines?

First answer: Fostering a culture of continuous learning.

- **Second prompt (more specific):** What includes a customized template and checklist to help implement practical measures for learning orientation in a small local bakery in the Philippines?

Second answer:

1. Establish a learning culture
2. Training and upskilling
3. Knowledge sharing and documentation
4. Customer and staff feedback loops

5. Networking and collaboration
6. Integrate learning into goals
7. Monitor progress and sustain momentum

The generated checklist may include elements such as tasks, descriptions, responsibilities, frequency, and status tracking. However, qualitative aspects, such as the actual business impact, should be further assessed by the innovation advisor. It is recommended that basic training be provided to innovation advisors on effective prompting techniques to ensure responsible and productive use of AI in innovation management support.

LIST OF ABBREVIATIONS AND ACRONYMS

AI	Artificial Intelligence
COGS	Cost of Goods Sold
DOST	Department of Science and Technology
IP	Intellectual Property
IPR	Intellectual Property Rights
ISO	International Organization for Standardization
KPI	Key Performance Indicator
MSME	Micro, Small, and Medium Enterprise
MVP	Minimum Viable Product
OECD	Organisation for Economic Co-operation and Development
R&D	Research and Development
ROI	Return on Investment
SETUP	Small Enterprise Technology Upgrading Program
SWOT	Strengths, Weaknesses, Opportunities, Threats

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