

Small and medium enterprises (SMEs) — companies with fewer than 250 employees — are significant drivers of employment growth (Birch, 1981, 1987). Two-thirds of job creation are attributed to SMEs. The importance of SMEs in job creation has contributed to an increase in SME research in government and scholarly communities. However, it is only since the 1980s that SMEs emerged as an important area of scholarly research. Previously, due to the economy of scale theory, an SME was considered an intermediate phase in the development of a big company, which was deemed the only type of organization capable of sustaining international competition (Julien, 2008). One consequence of this is that, although SMEs account for 95% of firms in developed countries, according to the Web of Science database, only 1.5% of research papers on innovation and 0.5% of research papers on performance measurement focus on SMEs.

In order to tackle these two challenges, we decided to design a system that could help manufacturing SMEs manage exploitative and exploratory innovation activities. To do this, we needed a full understanding of the SME innovation process. It is well known that the role and influence of the entrepreneur in an SME is paramount. We therefore chose a phenomenological research approach to describe the innovation process with a focus on the SME entrepreneur. The SME innovation process is supported by five critical success factors: marketing, ambidextrous organization, ambidextrous leadership, financing, and technology and learning.

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