



# Innovation Management in SME and Organization Development Based on Customers Satisfaction

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*Abstract: Innovation management In SME's can be developed in various sectors of company, such as marketing department production department HR department etc...*

*Most of researchers didn't focus on the customers' needs and their expectation from service or product before they drop it in the market for selling, this method makes a short way to develop any innovations in the firm quickly and soft cause it related directly with target which are customers' needs.*

*Moreover this study tries to combine the innovation management in organization and the customers' satisfactions by developing new idea in organization that help customers to figure out their needs easily.*

*Keywords: Innovation Management, Customers satisfactions, Innovation, SME, firm growth.*

## **Introduction:**

Innovation has become the most popular topic in the present time. Moreover, innovation management in generally applied in companies to increase profit abilities efficiency and market share in business by using new idea which are provided by research and development centers as well as in response to managerial and technology knowledge changes. Organization introduces innovation to improve their performance by offering new product and services to existing client or new ones. In addition, many research paper publishing about innovation management in organization but few of them relate this innovative strategy with customers satisfaction even the changes in organization structure should be based on client expectation.

This study will help to make a positive effect on clients in general services, especially in this pandemic COVID-19, all customers have different needs than before specifically in distribution of goods or responses to their demands. As will all those necessities of customers we will describe them in this research with detail and establish a system or structure that help customers to get his order quickly as possible with high quality.

In addition we always estimate that innovation in product or services we provide to our customers has on the long-term prosperity of any business. In reality there are no amount of operational excellence ail compensate for the weakly designed and through value offering to the customers. We are simply putting a well-made and executed, but unappealing or unusual, product, services and organization structure. When companies focus on the beating heart of their organization management, that is the set of product or services they offer, they are better to devote their scarce resources to the things that can really make difference to their customer.

Through the year of great recession and its aftermath, too many companies saw their only way to survival as cost of reduction always getting innovation engine that was the key of success to their business in future. What those that could afford it should have been doing is using the downtime to apply principles of customers expectation from our services to the development and innovation process, product, organization to have true competitive advantage when the dust settled and economy began to recover as in this present time.

## **Literature Review**

Innovation management is characterized by a series of essential features. Firstly, there is an implication of continuous and intensive co-operation and interaction between groups which are specialists both functionally and professionally. Secondly, it involves a series of activities whose nature is uncertain in terms of results. In addition; it is a cumulative activity : the greater part of technological knowledge is specific and although this knowledge and these abilities can be bought in form outside. There must be an assimilation capability in place for this to happen. Finally, it is highly differentiating, since it is possible to apply specific technological abilities from one field to another. All these characteristics make clear that innovation in a firm will be a very wide-ranging process, involving the obtaining of knowledge from within the development in organization by creating new structure, also the combining of information, data or previous experience and the generation of new uses for the resources.

## **Innovation management in SME and organization development**

Innovation Management in SME's and organization development efficiency and is related to the strength of the customers satisfaction and, because if the firm has a strong knowledge about the needs of customers mean a better abilities to focus innovation effort efficiently.

Many authors claim that innovation have relation between product process knowledge management but few of them mention the organization development but also rare that they connected between organization development and customers expectation. This can have a strong influence on their cost performance. In addition, newly created knowledge guides the succeeding innovation efforts. Organizational innovation deal with new organizational methods for business management not only in the workplace but also in external business environment, for example the relation between the company and external agents (OECD, 2005). It involves changes to administrative process and/or organizational structures relating to the basic activities of an organization and its management. Changes in the organizational structures procedures can facilitate the creation of new products and processes. (Chang et al., 2012). Moreover, the introduction of innovative methods in the management of firm's external relationships with other firms or public institutions, such as close collaboration with research organizations or customers, methods for integration with suppliers, or outsourcing (Camission and Villar-Lopez, 2011). By conceptualizing organizational innovation, its mediating role in the relationship between organizational learning and customer satisfaction can be more clearly determined.

### **Customers Satisfaction**

Moreover Customer satisfaction refers to the level of customer complaints. To adapt to ever changing customer needs and satisfy them, Organizations need to provide quality and innovative products. It is assumed that §§In SME can increase customer satisfaction by improving its innovativeness (Feng et al., 2006; Hung, 2007). In this context the management of innovation and customer satisfaction are considered essential for organizations to be able to complete in the Markets. Also its such a business terminology used to evaluate the degree to which a product or service provided by firm satisfies its customers (Nemati et al., 2010). Nowadays, firms, more than ever, implement quality management systems, which are process and customer oriented. Furthermore customer needs and requirements are taken into consideration as process inputs while the evaluation of customer satisfaction are taken into consideration as a process output. As a consequence, firms are in close contact with their customers, who, in turn, perceive a firm's organizational innovation is reflected in customer satisfaction.

### **Innovation management and customer satisfaction:**

The innovation capabilities and customer satisfaction can be achieved and exceeded by providing customers with innovative and quality products.(Tan et al., 1999).Companies that bring about excellent and successful organizational changes and innovations attract and satisfy many customers.(Nemati et al., 2010). So; those firms that place an emphasis on innovation are more likely to improve the fit between their innovative offers and customer needs. In order to satisfy their customers, firms need to be innovative by managing the different system in their organization. Implementing organizational innovation practices results in meeting customer requirements, gaining new markets, reducing cost, and increasing production flexibility. Therefore, it is vital for a firm to evaluate the effectiveness of organizational innovation management in terms of customer satisfaction. These arguments are reflected in the following hypothesis:

*H: There is a positive and strong association between innovation management in organization and customer's satisfaction*

### **Organization innovation and marketing**

The Existence of a link between marketing innovation practices of a firm, marketing innovation and customer satisfaction is supported by several authors who state that marketing innovation is positively perceived and evaluated by customers. This, in turn, makes more willing to invest in marketing innovation (kafetzopoulos and psomas, 2015), Simon and Yaya (2012) find a positive effect between marketing innovation and customer satisfaction, meaning that customer are more satisfied if they perceive new and innovative ways of development of organization into new structures design such as administration changing or to increase firm's performance by reducing administrative costs or transaction costs improving workplace satisfaction (and thus labor productivity), gaining access non-tradable assets ( such as non-codified external knowledge) or reducing costs of supplies. more facilities to customers and responding at the time to their needs and demands or In addition complains. In addition firms are more likely to prioritize and satisfy customer demands through marketing innovation than through product innovation (Simon and Yaya, 2012). Also Implementation of of new marketing method involving significant changes in product design or packaging. Product placement, product Promotion.

### **Innovation at the firm level:**

Innovation surveys at the business level have identified typical component of creative companies in the last decade ( Tidd et al., 1997). Strategic methods, linkages and strong employee interest are included in these elements. In Table1, the distinctive characteristics of each variable are summarized.

*Table 1 Components of the innovative Organization*

| Components                                       | Key features  |
|--|---|
| Vision. Leadership and the will to innovate      | Clearly articulated and clear sense of purpose stretching strategic intent ‘Top management commitment’.             |
| Appropriate structure                            | Organization design which enables high levels of creativity.  |
| Key individuals                                  | Promoter, champions, gatekeepers and other roles which energize or facilitate innovation                            |
| Effective team working                           | Appropriate use of teams to solve problems. Requires investment in team selection and building.                     |
| Continuing and stretching individual development | Long-term commitment to education and training to ensure high levels of competence and skills to learn effectively. |
| Extensive communication                          | Within and between the organization and outside. Internally in three directions-upwards, downwards and laterally..  |
| High involvement in innovation                   | Participation in organization wide continuous improvement activity.   |
| Customer focus                                   | Internal and external customer orientation. Total quality culture   |
| Creative climate                                 | Positive approach to creative ideas; supported by relevant rewards system   |
| Learning organization                            | Processes, structures and cultures which help institutionalize individual learning.                                 |

**Source:** Tidd et al., 1997: 314.

Vision and strategy, a competency foundation, ingenuity and concept management, operational knowledge, structure and operation, society and environment are common result from other recent studies on creative organizations considered to be fundamental innovation capabilities (AD Little 2001). This results reinforce our view of an organization’s ability to perceive the promise of an invention, it is not a straightforward process and is a function of how information is gathered and stored, based on the type of innovation; structure of the organization, method, individuals; local climate and dominant logic of management. Amore market-oriented approach to innovation means that successful technologies are distinguished by the right prediction of consumer needs; through awareness of supply chains and informed deployment of external technology, “ all companies internal and external resources must be integrated” ( Boutellier et al., 1999: 19) This perspective suggests that the advantages obtained from knowledge management in creative organization include not just the awareness of technological competencies that are crucial to growth, but also the

opportunity to convey core technical competencies within the whole company's management, with a special emphasis on R&D and marketing. Furthermore, it is possible to define technological core competencies and the potential to concentrate on the topic of security abuse and advancement of competencies.”( Boutellier *et al.*, 1999).

It is clear from these description of successful innovation that the ‘management of innovation in SME’ is central to the organization's innovation. We proceed to further discussion of these concepts and use this overlap to identify in more detail, innovation management and organization development it contribute to satisfaction of customers.

## **Research Methodology**

### **Samples and Data Collection:**

The population of companies Selected for this study consists of SMEs belonging to all sectors of the economy. This Approach is used to construct a customer satisfaction survey Focused on a systematic literature review. More precisely , the questionnaire items describing organizational learning are drawn from the studies of *Yam et al; (2011)*, *Jimenez-Jimenez and Sanz-Valle (2011)* the items of organizational innovation used in the present study are drawn from the studies of *Yam et al; (2004,2011)*, *Gun et al, (2001)* and *Forsman (2011)*. Finally, the customer satisfaction questionnaire Element are taken from the book *Measuring customer satisfaction and loyalty survey design, use, and statistical analysis method, Third edition 2008 ; chapter 4: customer satisfaction questionnaire construction*. As a first move we will send it to customers by email or as a survey in the firm's website as a first step, after that we gather data to evaluate it, figure out the mistakes in each department to make the first prototype of solution We gather data as quantitative such as survey for the customers of those companies approach twenty question.

The questionnaire was judged through survey based on the experts in the field and finally it was pilot tested on 6 SME in Turkey, Morocco and Tunisia proving its appropriateness and achieving the content validity of the constructs used. The questionnaire items were measured on a seven point modified Likert scale ( 1= very low to 7= very high). The questionnaire be answered by the general manager or another manager designated by him/her because of the latter's familiarity with the issues dealt with in the questionnaire. Similarly, in order to study firm innovation practices and performance. The question was answered by general manager or other manager designated by him/her of the latter's familiarity with the issues dealt with in the questionnaire. The identification of innovation practices by company managers/owners was also chosen by the organization for economic Co-operation and development in the Oslo manual as the basis for setting guidelines when collecting data on innovation ( Massa and Testa, 2008).

Two waves of responses were received including respectively. Finally, 226 valid questionnaires were collected satisfying the criterion for SEM analysis (Wu and Liu, 2010), and yielding a response rate 28,25%. The responding firms represented the following sectors: 1 food and beverages (22,5%); 1 agricultural products (18%); 1 machinery and equipment (16,5%); 1 Metal Product (11,5%); 2 plastic and associated products (31,5%).

### Measurement Analysis

Confirmatory factor analysis (CFA) is also applied to refine the resulting scales in EFA and to determine if latent factor extracted and the loadings of the measured variables on them conform to what is expected on the basis of pre-established theory (Narayan et al., 2008). Factor analytic methods are useful for observing the underlying pattern or relationship of a large number of variables and they determine whether the information can be condensed or summarized in a smaller set of factors or components (Gunday et al., 2011). So, based on EFA and CFA, the construct validity of the measurement item are reliable and unidimensional (Hair et al., 2006). The research hypotheses are tested using SEM via path analysis, as it is a multivariate analytic methodology that gives insights into the causal ordering of variables in a framework relationships (Fynes and Voss, 2001). The statistical package SPSS AMOS and MINITAB is used for data processing.

## Data Analysis and Results

### Validation of the instrument

Applying EFA, we observe that all the factor loadings of the measured variables are well above 0,50. Items with factor cross-loadings of 0,40or above are not reported. Four latent factors are extracted explaining 68,50% of the total variance. These four factors are labeled based on the respective items as follows: Organizational learning, organizational innovation, marketing innovation and customer satisfaction. Table 1 shows the results for the scale components.

| Factors    |                 |               |             |                  |
|------------|-----------------|---------------|-------------|------------------|
| Item       | Marketing Inno. | Organ. Learn. | Organ. Inno | Customer Satisf. |
| Firm 1     | 0,799           | 0,779         | 0,728       | 0,622            |
| Firm 2     | 0,749           | 0,743         | 0,738       | 0,740            |
| Firm 3     | 0,700           | 0,708         | 0,854       | 0,807            |
| Firm 4     | 0,687           | 0,702         |             |                  |
| Firm 5     | 0,675           | 0,657         | 0,730       | 0,730            |
| Eigenvalue | 7,825           | 1,693         | 1,573       | 1,043            |

|                          |        |        |        |        |
|--------------------------|--------|--------|--------|--------|
| Cumulative variance %    | 43,474 | 52,880 | 61,621 | 67,415 |
| Cronbach alpha           | 0,883  | 0,852  | 0,856  | 0,751  |
| Kaiser-Meyer-Olkin=0,912 |        |        |        |        |

barlett's test of Sphericity= 2231.459,  $p=0.00$  Eigenvalue>1,  $MSA>0.80$ ). All factors are practically significant regarding the sample size employed (Hair et al., 2006). Cronbach's Alpha coefficient is calculated to assess the scale reliability of each factor in the research model. All Cronbach's alpha coefficients are greater than the suggested threshold value of 0.7 for acceptable level of reliability (Kline, 2005; Hair et al., 2006).

Based on the above, it is obvious that the unidimensionality of the measurement scales is well supported. It is also worth noting that multicollinearity problems do not appear in the present study (all correlation coefficients are lower than 0.80). Furthermore; the variance inflation factors (VIF) for all the latent factors range from 1.93 to 2.76, well below the threshold level of 10. This suggests that there is no harmful collinearity; hence all correlations among the four factors will not confound the result the results of the subsequent statistical tests (Newbert, 2008). Finally, the latent factors are checked for normality, Randomness, and independency

Table 2. Factors correlation matrix

| Factors         | Mean value | Standard deviation | Correlation matrix |      |      |   |
|-----------------|------------|--------------------|--------------------|------|------|---|
|                 |            |                    | 1                  | 2    | 3    | 4 |
| Org. Learn      | 4.82       | 1.20               | 1                  |      |      |   |
| Org. Inno       | 4.97       | 1.19               | 0.72               | 1    |      |   |
| Mark. Inno      | 5.06       | 1.07               | 0.60               | 0.71 | 1    |   |
| Satis. Customer | 5.33       | 1.09               | 0.51               | 0.50 | 0.52 | 1 |

*Note: all correlation are significant at 0.001*

Org. Learn = Organization Learning

Org. Inno = Organization innovation

Mark. Inno = Marketing Innovation

Satis. Customer = Satisfaction Customer

Table 3. The fit indices of the measurement and structural model.

| Fit indices                                    | Measurement Model (CFA) | Structural model | Acceptable fit indices   |
|--|-------------------------|------------------|--------------------------|
| <b>Absolute fit indices</b>                    |                         |                  |                          |
| Chi-square ( $\chi^2$ )                        | 185.126                 | 212.680          | $0 \leq \chi^2 \leq 2df$ |
| Degrees of freedom                             | 125                     | 127              |                          |
| Root Mean Square Residual (RMR)                | 0.042                   | 0.055            | <0.08                    |
| Root mean square of approximation (RMSEA)      | 0.046                   | 0.055            | <0.08                    |
| <b>Incremental fit indices</b>                 |                         |                  |                          |
| Incremental Fit Index (IFI)                    | 0.972                   | 0.961            | >0.90                    |
| Tucker-Lewis coefficient (TLI)                 | 0.966                   | 0.952            | >0.90                    |
| Comparative Fit Index (CFI)                    | 0.972                   | 0.960            | >0.90                    |
| <b>Parsimonious fit indices</b>                |                         |                  |                          |
| Chi-square/ degrees of freedom ( $\chi^2/df$ ) | 1.481                   | 1.675            | <3.0                     |
| Normed Fit Index (GFI)                         | 0.920                   | 0.908            | >0.50                    |
| Goodness of Fit Index (GFI)                    | 0.919                   | 0.906            | >0.50                    |
| Adjusted Goodness of Fit Index (AGFI)          | 0.890                   | 0.874            | >0.50                    |

Hair et al; (2006); Sadikoglu and Zehir (2010)

Table 2 provides an overview of mean values, standard deviations, and correlations between factors.

In order to further validate the extracted factors, the CFA (maximum likelihood estimation technique) is applied. According to the results, the goodness of fit of the hypothesized CFA model to the empirical data is satisfactory (Table3) (Hair et al., 2006; Sadikoglu and Zehir, 2010). So, the four factors revealed using EFA are strongly confirmed through CFA.

Moreover, a series of test are performed to determine the construct validity of the factors. Construct validation includes test for face, convergent, and discriminant validity. Given that the survey instrument was formulated based on D. Kafetzopoulos & E. Psomas

Table 4. The validity of the factors.

| Factors Depart        | Average Variance Extracted* | Construct Reliability** | (Corr) <sup>2***</sup> |
|-----------------------|-----------------------------|-------------------------|------------------------|
| Organizational learn. | 0.524                       | 0.829                   | 0.518                  |
| Organizational Inn.   | 0.596                       | 0.862                   | 0.518                  |
| Marketing Innovation  | 0.595                       | 0.881                   | 0.504                  |
| Customer Satisfaction | 0.503                       | 0.757                   | 0.270                  |

Notes: AVE=  $\sum \lambda_i^2/n$ ; (number of items  $i= 1, \dots, n$ ,  $\lambda_i$ = standardized factor loading);

$$CR = (\sum \lambda_i)^2 / [(\sum \lambda_i)^2 + (\sum \delta_i)], \text{ (number of item } i = 1, \dots, n, \lambda_i = \text{ standardized factor loading)}$$

Inn= Innovation; Learn. = Learning

\*\*\*= the highest squared correlation between the factor of interest and remaining factors.

The existing literature, Reviews by experts, and pilot test, it is apparent that the factors revealed and their associated items possess a sufficient level of face validity (Hair et al., 2006). As far as convergent validity is concerned, it is confirmed by evaluating the factor loadings ( $>0.622$ ), the average variance extracted ( $AVE > 0.503$ ) and construct reliability ( $CR > 0.757$ ) in all cases (table 4) (Hair et al., 2006). Discriminant validity is evidenced by the fact that the  $Corr^2$  (the highest squared correlation between the factor of interest and the remaining factors) is less than the AVE for each factor (Table 4) (Hair et al., 2006). The homological (significant correlation among the extracted factors) and criterion validity of the extracted factors are also supported.

## Discussion

The present study shows that previous research indicates a positive relationship between a company's organizational learning, organizational innovation, and competitive advantages, focusing primarily on the case of technological innovation. The model proposed in the present study presents the determinants and implication of organizational Innovation at the same time by taking into account the effect of organizational learning on technical innovation. These current results of the analysis indicate that organizational learning has a positive outcome. Impact on creativity in organization and marketing. It is noteworthy that innovation is connected to organizational learning and relies on the learning process. Information base of organization. The substantial difference between the present study and those performed to date is evident from the above. This is the present study focuses on non-technical creativity, which is justified the SME dimension. The present result of the analysis also indicate that the greater of innovation, the greater the SMEs' customer loyalty. The two dimensions of innovation namely innovation in organization and innovation in marketing.

They have a clear causal effect on the satisfaction of customers. It implies that companies are based on their innovativeness from the operational and marketing viewpoint, they are more likely to prioritize and satisfy consumer requirements. A business can set up new operations and after current ones by embracing organizational innovation. Organizational structure that enables it to infiltrate new territorial or international structures business divisions. This also makes an organization more versatile and flexible. Establish new marketing strategies that satisfy customers on the basis of a sustainable foundation. From the above, it is clear that small and medium sized enterprises that generate many improvements more consumers and better serve them. For Managers and owners of SMEs, the results of the current study have many practical consequences. Managers should

concentrate on developing a sound learning environment. Community, because it is a determinant of both organizational and marketing activities, Yeah. Creativity. Therefore, the potential of information must be taken into account when the development of creativity/ Companies should also facilitate the development of new skill, for example by taking workers to exhibition daily meetings and conferences encourage working teams to define possibilities for improvement, encouraging new idea and methods to be created, and developing experiments within the business. Determinants of satisfaction with customers. Managers should therefore, aim to embrace creativity not only from a technological point of view, but also from innovations developments and creativity. In other words, creative operational and marketing strategies to improve customer loyalty should be embraced by managers. Strategies should be taken into account, especially with regard to maximizing perceived product quality and after sales services that meet and exceed the expectations of customers. The above-mentioned in the current competitive environment, the above tend to reflect significant strategic directions.

## **Conclusion**

The present study tests a model that incorporates all the theoretical relations between innovation in organizational learning and client innovation contentment. So far, scant empirical evidence has been given in this context, SMEs-based. Using sample of SMEs, the present research empirically supports the statistical importance on the study of all theoretical relation. So, the present, analysis contributes to the theoretical growth of innovation and fills in the literature Gap by showing the central role of organizational learning in both Innovation learning and Marketing, and their decisive role in improving customer satisfaction. The current research suffers from some constraints that give rise to suggestion. Second, the study is constrained by its cross-sectional nature for further analysis. A further research study is proposed to investigate the applicability and representativeness of the result to a wider sample of businesses; including SMEs and non-SMEs. Second, the consequences of the internal the market climate and endogenous business variables were not taken into account. In the present analysis, consideration. It is, therefore worth exploring the effect of SMEs features such as management style, process management, type characteristics industry in which an organization focuses on partnerships and human resources learning between and customer expectation. Third; the collected subjective data represents the view of only one manager per organization. Studied, except, for example, auditors, personnel or clients their own. Further review should analyze whether there is any heterogeneity in the Responses defining the mindset of one company. Taking account of the views, the owners, personnel, and auditors of company.

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