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**FINNISH
INNOVATION INDEX**

How customers see it

PERCEIVED INNOVATIVENESS IN FINLAND & SWEDEN
INNOVATION AS SEEN BY THE CUSTOMER

MEDDELANDEN FRÅN
SVENSKA HANDELSHÖGSKOLAN
HANKEN SCHOOL OF ECONOMICS
WORKING PAPERS

568

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**Perceived Innovativeness in Finland
and Sweden: Innovation as seen by the customer.**

2023

Perceived Innovativeness in Finland and Sweden: Innovation as seen by the customer.

Keywords: Perceived innovativeness, customer centricity, Finnish innovation index, Finland, Sweden, value proposition

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Helsinki 2023

ISBN 978-952-232-503-7 (PDF)

ISSN-L 0357-4598

ISSN 2242-7082

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EXECUTIVE SUMMARY

Innovation stands as a focal point of business strategy, representing a pivotal objective for companies fueled by growth ambitions. However, prevailing strategies for innovation have predominantly centered on organizational perspectives, as perceived through managerial lenses. Despite this, a significant majority of executives express dissatisfaction with their company's innovation performance, necessitating a reevaluation and expansion of the conventional understanding of innovation.

This report delves into the realm of firm innovativeness in Finland and Sweden, drawing upon the insights gleaned from a nationally representative study among consumers. The Finnish Innovation Index (FII) and Swedish Innovation Index (SII) constitute the cornerstone of this analysis, both integral components of the Innovation Index Coalition (IIC). The IIC is an international collaboration, maintained by top business schools, and it is geared towards fostering a discourse on innovation capacities and strategies across various industries and enterprises. By adopting a customer-centric approach to innovation, as measured by the FII and SII, this report sheds light on the true essence of innovation from the customer's vantage point, elucidating how companies in Finland and Sweden can harness this perspective to their advantage.

In this report we address the following critical aspects integral to understanding and enhancing innovation in Finland and Sweden:

- Diverse conceptualizations of innovation and how these frame our understanding of what qualifies as innovative
- The theoretical underpinnings and methodology of the Finnish Innovation Index (FII), emphasizing its customer-centric approach to comprehending innovation
- The results of the FII 2023, showcasing the state of innovation in Finland
- Comparison of the FII 2023 results with those obtained from the Swedish Innovation Index
- Insights for how companies can strategically utilize the results and comparisons to elevate their innovation capabilities.
- Strategies and recommendations for improving the preconditions conducive to fostering innovation in Finland and Sweden

We are grateful to Peter Wallenberg Foundation, Sweden
for the funding of this project.

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INTRODUCTION

The Finnish Innovation Index (FII) is a scientific-based and independent customer study of the perceptions of the innovativeness of companies in Finland. It builds on the idea that consumers are ultimately the ones who assess the extent to which a company is innovative. Accordingly, the results of the FII reflect which companies are perceived as most innovative by consumers.

This research provides companies with valuable information on consumers perceptions that aids in the development of innovation tactics and focus. Furthermore, its implications offer insights into how customer loyalty and brand attractiveness can be improved through the development of products and services and through the reliable utilization of customer data. Moreover, the FII promotes discussion about innovativeness between academia and companies, with the purpose of nurturing and strengthening the innovation capacity of Finnish businesses.

The Innovation Index is developed in international collaboration between leading business schools with the goal of stimulating public discussion around the capacity and strategies for innovation in different industries and companies. Innovation has been measured in Norway (Norwegian Innovation Index [NII], the Norwegian School of Economics), Sweden (Swedish Innovation Index [SII], Service Research Center (CTF) at Karlstad University), and the US (American Innovation Index [AII], Fordham University).

This paper presents the customer-centric philosophy underlying the FII and how it creates insight into aspects of innovation often overlooked by more conventional firm-centric approaches to innovation. The results of the FII 2023 are discussed and analyzed against the backdrop of similar results from Sweden. By comparing innovation between the two countries from a customer-centric view, this paper aims to deepen our understanding of how consumers perceive innovation and what makes some companies stand out as especially innovative. From this, we infer some practical implications that can help companies stand out as innovative in the eyes of their customers.

What is innovation?

An innovation is an idea, process, or product that has practical applicability and novelty (Hietala, 2001). In other words, innovations create new value (Schumpeter, 1934). In a recent survey conducted by McKinsey (2021), over 80% of executives stated that innovation is one of their top three priorities. However, only 10% reported that their organizations' innovation performance is adequate (McKinsey, 2021).

It is well established that proficiency in innovation strongly correlates with economic profit. McKinsey (2022) defined innovation as “the systematic practice of developing and marketing breakthrough products and services for adoption by customers.” However, what exactly innovation is and consists of is a much-debated topic. The fact that the same companies are often cited when people are asked to name an innovative company suggests that there are qualities that are generally recognized as innovative, although we continue to struggle to pin them down.

Apple is likely among the first companies many think of when asked about innovation. Valued at over 2 trillion USD, making it the most valuable company of all time, Apple is the epitome of disruptive technology and innovation. Apple's innovativeness tends to be described from the inside out: Apple “fosters a culture of innovation” due to the way it is organized around technical expertise and collaboration rather than conventional manager-led organizational structures. This setup has generated cutting-edge ideas that have translated into highly sought-after consumer goods culturally revered to the point of religious devotion by people all around the world.

Based on this firm-centric view, it is easy to think of innovation as a purely firm-related phenomenon. Innovative firms, such as Apple, have the technical capital (and organizational structure) to churn out innovative product after product. These innovations are then readily embraced by consumers, who, for the most part, play an entirely passive and receiving role in the equation. However, this view runs into problems when we consider companies that have the technical capital and ability to come up with novel products but still fail to be recognized as innovative companies. This is where the customer-centric view plays an important role.

The firm-centric vs. customer-centric view of innovation

McKinsey's (2022) definition of innovation as "the systematic practice of developing and marketing breakthrough products and services for adoption by customers" represents a firm-centric view of innovation. Conventional ways of measuring innovation tend to take such a view, identifying and operationalizing indicators for innovation, such as, manufacturing firms' patent quality and research productivity (Lanjouw & Schankerman, 2004) or organizations' innovation culture (Dobni, 2008).

From this firm-centric vantage point, innovation is understood as something that is defined within the organizational domain and highlights and prioritizes the views of managers rather than customers (Kurtmollaiev et al., 2022). In other words, the dominant practice when assessing innovations is to turn to managers and ask them to assess whether their company has generated something that can be deemed a significant improvement. While such a firm-centric view is obviously needed, it inevitably emphasizes things that fall under managers' direct purview and control, such as the technical and functional characteristics of products and their development (Kotolike et al., 2022).

This leads to a view on innovation that is disconnected from the context in which innovations are supposed to create value and makes it as such indistinguishable from the notion of invention. Although innovations are contingent on inventions, an invention by itself does not suffice to generate innovation. For an invention to become an innovation, it has to be successfully commercialized and put into practice. This implies that the invention is adopted and put to use by the customer, leading to a relationship between the customer and the firm built around the innovation (Kotolike et al., 2022, p. 87). By acknowledging the central role played by the customer in this process, we shift from a firm-centric view to a customer-centric view of innovation.

According to the customer-centric view, success in innovation is determined by customers' experiences and perceptions. This implies that innovation needs to be assessed from the outside in rather than the inside out. Innovation is, in other words, subjectively assessed by the customer, starting from their own needs and expectations. This shift in perspective helps us understand why many innovations fail within the first 3 years of their introduction into the marketplace (Kunz et al., 2011). As the firm-centric view tends to focus on technical and functional aspects, questions of how innovations are supposed to fit customers' lifestyles and create new experiences for them, and thus be adopted by them, tend to be overlooked (Kunz et al., 2011).

Indeed, a crucial aspect of innovativeness that tends to be overlooked when the firm-centric view is applied is the holistic characteristics of innovations and how they are

perceived by consumers. Consumers tend to take a broader view of innovation and build their assessments of a firm's overall innovativeness based on a range of company activities rather than on individual products (Kunz, et al., 2011). Thus, the degree to which a firm impacts and is able to shape markets and consumer behaviors increases its perceived innovativeness among consumers (Kunz, 2011).

Let us consider Apple once more. Not only does Apple continuously introduce exciting new products, but it has also managed to build an image of being a creative pioneer, both organizationally and culturally. Consumers appreciate innovations in the design of Apple's goods and services, improved processes, original marketing, transparency, environmental and social responsibility, etc. The crucial point is that novelty can manifest in many different ways and across many different dimensions (Kunz et al., 2011).

Taking all this into consideration, it becomes evident that innovation is a complex and multifaceted phenomenon that needs to be analyzed more holistically than the firm-centric paradigm allows. The customer-centric approach to innovation taken by the FII was designed to address this issue.

METHODOLOGY AND DATA

By measuring perceived innovativeness, the FII reveals how consumers perceive a company's innovativeness and attractiveness based on their experiences of the company. Perceived innovativeness directly impacts customer loyalty and relative attractiveness (i.e., how attractive customers perceive a company to be in relation to other alternatives). Since 2022, the FII has also measured social innovation and data transparency. The Social Innovation Index ranks Finnish firms' societal and environmental innovations from a consumer perspective. The Data Transparency Index reveals how Finnish consumers experience Finnish firms' capabilities to manage and be transparent regarding their customer data.

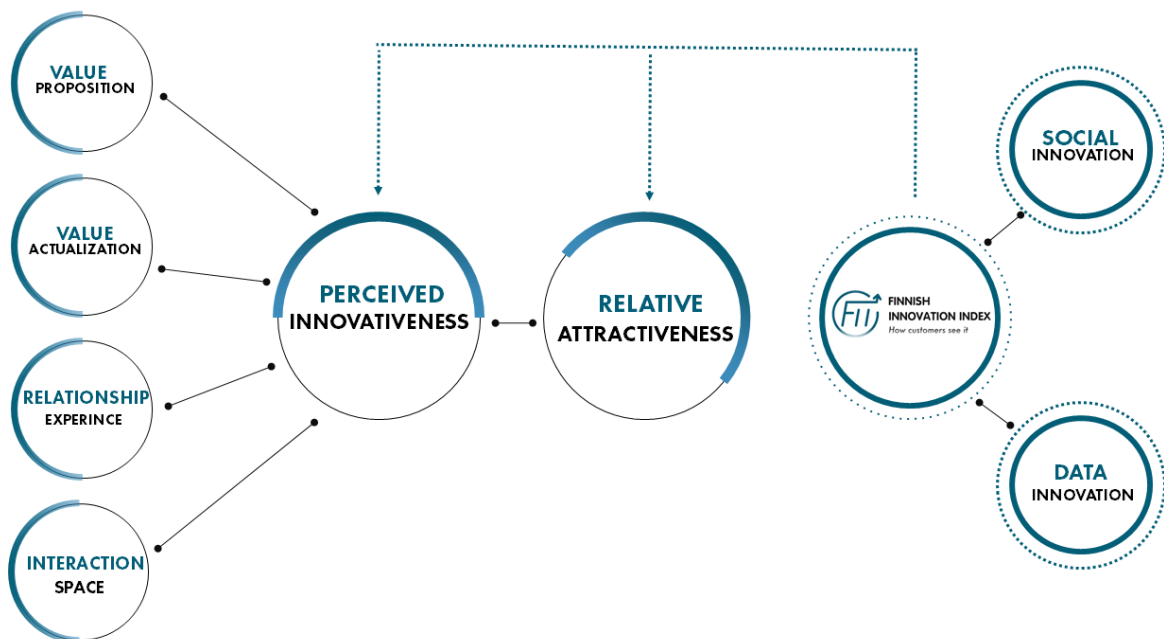


Figure 1. Finnish Innovation Index methodology

Perceived innovativeness is “consumers’ perception of an enduring firm capability that results in novel, creative and impactful ideas and solutions” (Kunz et al., 2011, p. 817).

This subjective perception is contingent on consumers' direct and indirect experiences with a company and its offerings. Consumers gain direct experience when interacting with companies' offerings over time. Indirect experiences are contingent on impressions generated by factors such as word of mouth and companies' marketing efforts (Lervik-Olsen et al., 2017). Crucially, consumers use observable, novel, and creative solutions provided by firms as cues to form their subjective perceptions of a firm's innovativeness.

These solutions for assessing innovativeness can be divided into four categories:

1. Innovation in value proposition includes all types of product innovations.
2. Innovation in value actualization concerns improved methods for production and product and service delivery.
3. Innovation in relationship experience includes changes in how companies interact with their customers, changes in customer loyalty programs, and other changes in customer engagement.
4. Innovation in interaction space covers changes in the physical and digital surroundings of a company's delivery, such as changes in the appearance of the website, brand visual profile, and design of physical facilities (Kurtmollaiev et al., 2023).

The target audience was adult Finnish consumers aged 18 or older who had used or bought a product or service from the studied companies. Each respondent evaluated a random selection of a maximum of six companies. The FII 2023 results were generated from more than 18,700 responses from over 5000 customers who evaluated the innovativeness and attractiveness of 64 companies and organizations across 19 categories. The FII score is based on a 7-point Likert scale.

Firms included in the FII were selected based on two criteria:

- Household expenditure: Firms included in the innovation index represent industries that jointly attract a minimum of 70% of all Finnish household spending.
- Market share: The firms representing each industry included needed to have a minimum aggregate market share of 70%.

PERCEIVED INNOVATIVENESS IN FINLAND AND SWEDEN



Although Finland's history, especially from 1809 onwards, is drastically different from Sweden's, the two countries share many commonalities that explain their cultures of innovation. Both Finland and Sweden top the European Innovation Scoreboard (European Commission, 2022). Commonly recognized social similarities between the two countries that explain innovation include equality of opportunity, state-funded education, substantial investments in research and development, and an overall strong belief in the individual. Close collaboration between state-funded research institutes and the private sector is another key factor, setting the foundation for global companies such as Nokia and Ericsson. Moreover, both Finland and Sweden are relatively small countries with limited natural resources. For them to succeed and prosper economically, the drive to create higher value-added products is a must.

While countries' historical backgrounds and other contextual aspects are important to consider, they do not solely inform what consumers think of Finnish and Swedish innovation. In the eyes of the customer, what makes a Finnish or Swedish company innovative?

When looking at the results from FII 2023, we can see that the lifestyle industries (i.e., fashion, design, home, and do-it-yourself) do exceptionally well. A similar pattern can be discerned from the results from FII 2022. Although lifestyle industries do well in Sweden, compared to the FII, the SII top 10 is clearly skewed toward the technology and media industries. This is not surprising, given that there are many successful tech and media companies from Sweden loved by consumers around the world for their innovativeness and consumer-friendly products and services. Next, some examples of companies that excel in their respective areas and generate perceived innovativeness will be presented to illustrate successful innovation tactics within each of the four innovation categories. For each category and example, we derive practical implications to help companies develop their customer-centric innovation capabilities.





















FINNISH INNOVATION INDEX			SWEDISH INNOVATION INDEX		
1		FASHION & DESIGN	1		HOME & DIY
2		FASHION & DESIGN	2		MEDIA STREAMING
3		HOME & DIY	3		FOOD & BEVERAGE
4		FASHION & DESIGN	4		TRANSPORT
5		FOOD & BEVERAGE	5		TECHNOLOGY & PLATTFORM
6		MEDIA STREAMING - SERVICES	6		MEDIA STREAMING
7		FOOD & BEVERAGE	7		MEDIA STREAMING
8		TECHNOLOGY & PLATTFORM	8		HOME & DIY
9		CONSUMER ELECTRONICS	9		MEDIA
10		FOOD & BEVERAGE	10		FASHION & DESIGN

Figure 2. Top 10 companies in the Finnish Innovation Index and the Swedish Innovation Index

Innovation in value proposition

Considering how dependent the success of lifestyle brands is on a deep understanding of consumers' everyday lives and the role of products and services therein, it is perhaps not surprising that lifestyle brands tend to do well in the FII. In line with the customer-centric view of innovation, companies such as Fiskars Group stay relevant and attractive in the eyes of their customers year on year by remaining tuned into what their customers expect and how to best provide it. Although not a lifestyle brand in the traditional sense of the word, Fazer builds its practices and tactics around a deep understanding of what its customers want and value in life, maintaining a value proposition that is perceived as relevant and up to date.

“As the industry and the entire food system undergo fundamental changes, we aim to accelerate growth by cultivating innovation informed by in-depth consumer insight. [...]. Anticipating consumers' needs to safeguard our progress in a rapidly changing world will be even more critical as we master the food transition. Our strategy serves as a compass pointing to where we want to take the company.” (Fazer, 2023)

Customer centricity: Learn to view the world as your customers do

Crucially, customer centricity is a key element in being able to offer a value proposition that appears innovative to the customer. The core implication of this is that businesses need to learn how to gain a deep and comprehensive understanding of consumers' perspectives on innovation.

We can learn a lot from companies such as Fazer, which have built their innovation capabilities on a deep understanding of their customers. Especially telling is that these companies use this customer-centric philosophy to navigate disruptions to their industries. Thus, in line with the customer-centric view of innovation, Fazer manages to stay relevant in a constantly changing environment by assessing its capabilities from the outside in rather than the inside out.

Innovation in value actualization

The year-on-year success of brands such as Fiskars and Fazer suggests that consumers appreciate brands that maintain a relatable and inclusive image. While these companies clearly emphasize the production of high-quality products, these products nonetheless remain affordable to most consumers, who view them as providing good value for their money. This maintains these brands' images as household names that are loved and respected across generations. By focusing on innovation that aligns with the expectations and previous experiences of consumers, these brands make it easy for consumers to adapt to the changes and improvements introduced to their product lines.

When asked about a brand that can be considered innovative in its value actualization, many would probably think of IKEA. Leveraging its value-for-money-meets-design philosophy, IKEA has managed to become, and remain, a household name around the globe for decades.

“One brand, many companies, and many, many people—that’s us in a nutshell. Spread all over the world, we have a passion for home furnishing and an inspiring shared vision: to create a better everyday life for many people. This, together with our straightforward business idea, shared values, and a culture based on the spirit of togetherness, guides us in everything we do.” (IKEA, 2023a)

Attainability: Position your offering in your customer’s everyday life

By focusing on how to reach as many consumers as possible and to make things as easy for its customers as possible, IKEA has remained innovative in the eyes of consumers for decades. Its deep understanding of consumers' everyday lives and needs enables the company to position its value proposition as attainable to most, which, in turn, creates a good foundation for being viewed as innovative in value actualization.

Innovation in relationship experience

As AI continues to generate a sense of impending disruption across different markets, it is worth taking note of companies that have already managed to build their success with the help of AI and machine learning and, crucially, to do this in a way that attracts rather than deters consumers. Spotify, a Swedish company that does well in both the FII and the SII, has mastered the use of algorithms to create an increasingly personalized value proposition. As with many other Swedish technology and platform/media streaming companies, such as Klarna or Skype, Spotify's success was built on a pronounced focus on customer centricity combined with a deep understanding of the importance of convenience and personalization in creating an engaging customer experience.

By providing consumers with an all-you-can-listen music service for a fixed monthly subscription, Spotify offers a value proposition that, although not new, still feels innovative. At the core of Spotify's success is its ability to let its customers enhance their own experiences by interacting with the algorithms that underlie the customer experience. As the world's largest music streaming platform, Spotify has revolutionized consumers' music listening habits by providing unprecedented accessibility, convenience, and data-driven personalization to facilitate engagement and discovery.

“Innovation is at the core of what we do, and we continually work to deliver the best audio experience to listeners. Spotify is more than an audio streaming service—we are in the discovery business. We help make it easier to discover new audio that listeners love through personalized discovery at scale, around the world.” (Spotify, 2023)

Personalized experience: Help your customer build the experience they want

Crucially, Spotify's subscription model enables it to accumulate data from a growing user base. By constantly refining its understanding of customers' preferences and expectations, Spotify has been able to expand its value proposition from being mostly about the utility delivered by its subscription-based model to increasingly revolve around personalized discovery and engagement. However, rather than spoon-feeding customers with recommendations, Spotify has designed its recommendation algorithms to ensure that customers have a sense of control and agency over their personalized experiences. Thus, rather than personalizing for your customer, which in some cases may be viewed as intrusive, the key is to help customers build the experiences they are looking for.

Innovation in interaction space

Spurred by the pandemic, the landscape of digital commerce continues to evolve rapidly. As lockdowns kept consumers home and away from physical stores, consumers' purchasing habits changed dramatically. Consequently, their expectations of brands also changed. Consumers have become accustomed to the convenience of e-commerce and to exploring products and brands online. Fast forward to 2023, we can see these expectations growing. As shown in the FII 2023 results, companies that can tap into these expectations and provide experiences that meet them stand out as being innovative to the consumer. In other words, part of brands' perceived innovativeness has to do with their ability to create a meaningful brand presence in the online spaces in which customers are active and to provide customers with a seamless and personalized online shopping experience.

Fiskars' direct-to-consumer (D2C) strategy is about ensuring that Fiskars can give their "consumers great brand experiences and are present where the modern omnichannel consumers shops" (Fiskars, 2023b). Fiskars' focus on "People, Digital, Innovation & Design, and Sustainability" as growth enablers signals its commitment to staying ahead of the curve by focusing on creating more value for its customers (Fiskars, 2023).

"At Fiskars Group, we embrace the power of design in everything we do, from ideation to manufacturing and business development. Through the combination of craftsmanship, brand passion, and digital transformation, we rethink existing solutions while always being loyal to our roots." (Fiskars, 2023a)

Customer engagement: Be present where the modern omnichannel consumer is

As e-commerce surged during the pandemic, it was easy to overlook the role of physical stores and to focus solely on online retail. However, it is becoming increasingly clear that physical retail is seminal in ensuring that customers have access to all the prepurchase experiences they need to make informed and meaningful decisions. Thus, physical retail has a "halo" effect on e-commerce, which implies that the two should be seen as compatible and supportive of one another rather than as two isolated channels. Indeed, by building a comprehensive presence where the modern omnichannel consumer shops, Fiskars has created a brand presence that has good reach in the current omnichannel landscape of retail and improves its customer engagement. This provides the company with a broader and more diverse interaction space in which it can generate perceived innovativeness by refining its customer engagement capabilities by creating convenience in its ecosystem for its customers, allowing them to navigate their value propositions seamlessly

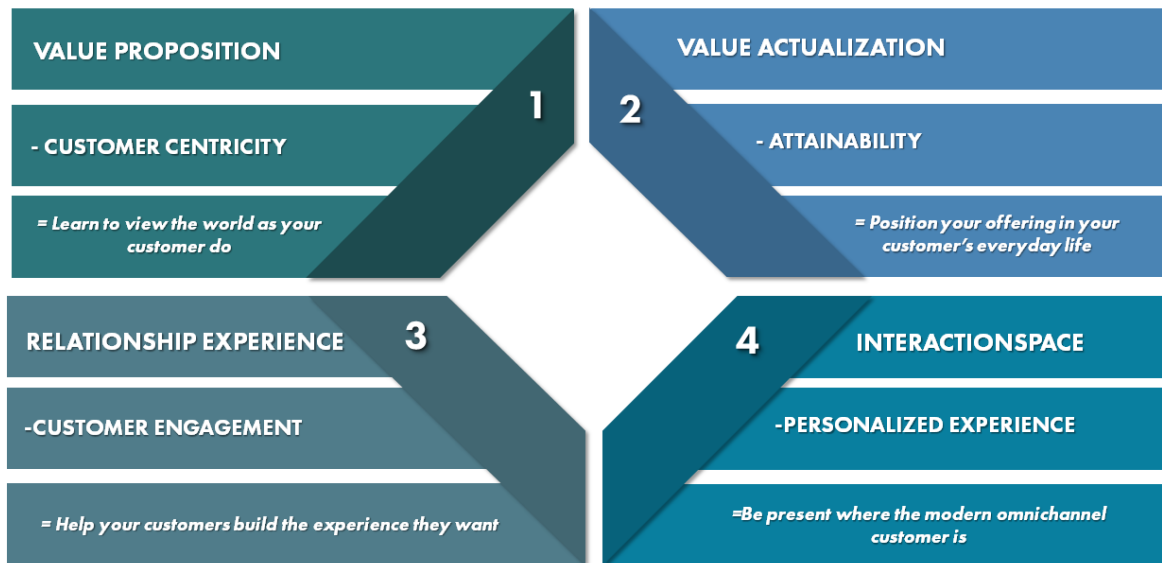


Figure 3. Four implications to help companies foster innovation.

FOSTERING INNOVATION IN FINLAND AND SWEDEN

By paying attention to the companies that do well in the FII and SII, it is possible to discern some strengths shared by both countries that allow them to excel at fostering certain types of innovation. Crucially, both countries have a broad range of companies that manage to remain innovative in the eyes of consumers year after year. Thus, based on the analysis of the FII and SII, and the similarities and differences reflected in the data, some useful insights into how these countries' innovation capabilities can be further enhanced can be gained.

Strength of Finnish innovation

Starting with the year-on-year success of the Finnish lifestyle industry in the FII, its deep contextual understanding of its customer base enables companies such as Marimekko and Fiskars Group to shape their offerings into value propositions that align with their customers' expectations. By paying attention to and putting into use the cultural heritage of the brand and aligning this with the consumer's sense of affinity to cultural elements typical of their own cultural environment, companies such as Marimekko have been able to generate a value proposition with a high degree of relatability. This makes it easier for consumers to perceive Marimekko's offerings as having a place in their everyday lives and to view the brand as capable of staying relevant in a constantly changing world. This successful balancing of heritage and novelty is made even more evident in Marimekko's ability to tap into local cultures around the world and create an offering that aligns with local sentiments and sense of place. These innovation tactics reveal how the value proposition can be enhanced and kept fresh in the eyes of consumers by attending closely to the context in which the offering is supposed to create value.

Another aspect that Finnish companies that do well in the FII excel at is value actualization. Companies such as Wolt and Verkkokauppa.com have pioneered the omnichannel customer experience by combining seamless online solutions with effective and reliable last-mile delivery. Whereas Wolt has perfected the seamless home delivery experience, Verkkokauppa.com has created a frictionless customer experience by enabling its customers to explore products online and pick them up just minutes later from the nearest physical store. Verkkokauppa.com's 24/7 kiosk ensures that customers always have access to the products they need.

Recently, grocery stores, such as Alepa, have experimented with automated robots to improve last-mile delivery. It is interesting to see how last-mile delivery has become increasingly acknowledged as a core area for value creation since the pandemic and

how this has accelerated innovation in this area. As e-commerce continues to grow and consumers become increasingly accustomed to having the option of getting their products seamlessly delivered to them available, innovation around value actualization is set to remain a core arena for competition for some time to come.

Strength of Swedish innovation

Companies such as IKEA top both the FII and SII thanks to their ability to constantly innovate around value actualization, improve everything from packaging, ensure their products are as easy as possible to transport, and optimize their production lines to ensure that their prices remain the most competitive on the market.

More broadly speaking, omnichannel solutions are likely to constitute a core area for innovation going forward due to the proliferation of e-commerce. Traditional retail companies have a lot to gain from paying attention to how companies in the media streaming platform industry are able to leverage their customer data to build more personal and meaningful relationships with their customers. Swedish music streaming service Spotify has been a pioneer in utilizing algorithmic recommendations to create a truly personalized customer experience that adapts to their evolving preferences.

For example, features such as Spotify's Discover Weekly started out in 2012 as an AI-generated personalized weekly playlist consisting of a user's favorite artists and songs. Such lists are aggregated using all the data Spotify has about the user's taste in music and listening habits. Since then, the feature has evolved to recommend songs of similar genres to aid the user in finding new music to enjoy. Currently, the Discover Weekly feature is all about music exploration, providing users with a list of songs they have not heard before. These features give Spotify users a sense that Spotify really listens to them and heeds their wishes and expectations, acknowledging and using them to create an improved, hyper-personalized experience. Spotify's Wrapped is another example of such a feature. Since 2015, Spotify has provided each of its subscribers with an annual report based on data gathered about their music consumption over the past year. Offering fun and exciting data points, such as the amount of time users spend listening to their favorite artists, the first time they listened to their top songs, and their "listening personality," Spotify has been able to create a cultural phenomenon that trends every year on social media around Christmas time, generating a lot of positive hype around the brand.

What companies such as Spotify have mastered is the art of utilizing customer data in a way that is truly engaging and makes customers feel like their expectations and aspirations are being heard and addressed. With Discover Weekly and Wrapped, Spotify

has been able to anchor its innovation tactics around concrete, easily recognizable features that its customers discuss and share with each other, making any innovation that goes into these features amplified and broadly noticed. As AI and digital solutions in general continue to evolve and become more effective, companies from different industries, be it the lifestyle industries or technology industries, need to learn to look to each other for inspiration and ideas for innovation rather than focusing merely on competitors from their own industry.

Innovation practices in Finland and Sweden

It is clear that Finnish and Swedish innovations have much in common. The commonalities between the two countries are not restricted to their strengths but concern some weaknesses as well. The fact that both Finland and Sweden are high-income countries means that their products tend to be realitvely high priced, making them unavailable to many. Moreover, both Finland and Sweden are highly advanced in the technical fields. While this is an obvious and indispensable precondition for innovation, a pronounced focus on the technical aspects of innovation risks leaving other pertinent aspects overlooked.

Thus, by taking a broader perspective on innovation, it is clear that the preconditions necessary for an environment conducive of innovativeness are manifold and in many ways complex. Thankfully, as already discussed, both Finland and Sweden have invested heavily in education and research, and both are highly advanced in providing their citizens with incentives and opportunities to succeed. This has yielded environments in which the preconditions for innovation can easily flourish, if only recognized and cultivated properly.

As most innovation is to some degree contingent on research conducted at universities, the effectiveness of such environments is largely dependent on university–business cooperation. As highlighted by the European Commission’s University–Business Cooperation (UBC) initiative, the collaboration between the business and university spheres in Finland and Sweden, albeit generally good, leaves room for improvement. The reasons for suboptimal collaboration between the two include a lack of clear incentives for academics. As stated in the Finnish UBC report, “Finnish businesses perceive themselves as the main actors reaching out for collaboration, indicating that UBC in Finland typically starts from an identified need arising from the business.” (Davey et al., 2015, p. 4). Similar insights can be found in the Swedish UBC report: “Overall, whilst Sweden still has a prosperous level of UBC development, the results show some longer-term commitment and the development of ‘implementation strategies’ could indeed lift Sweden to a higher level of cooperation” (Davey et al., 2013, p. 2).

While reports and discussions like these shed light on how policy can lead to a better culture of innovation, taking the customer-centric perspective on innovation advocated in this paper can reveal the logic behind such policies from an alternative angle. This leads to the following questions: What kind of policy would help companies not only test new ideas (i.e., inventions) but to be in a better position to understand how such ideas are successfully commercialized and put into practice (i.e., adopted and put to use by the customer and thus be perceived as innovations)?

As perceived innovativeness is contingent on the successful commercialization and the customer's adoption of a product or service, it is clear that a comprehensive and deep understanding of the customer's context and relationship to products and services perceived as innovative is key to an understanding of what tactics and strategies should be implemented at the company level and what policies should be pursued at the national level to strengthen the perceived innovativeness of companies.

Crucially, from a policy point of view, the customer-centric perspective on innovation provokes an expansion of the scope and focus on innovation, which conventionally has been firmly on the technical and functional aspects of innovation, to include the sociocultural and sociopsychological dimensions underlying the consumer's understanding of products and services as innovative. This implies that current practices aimed at strengthening the innovativeness of companies should be augmented by a deeper understanding of the cultural underpinnings of consumers' understanding of innovation. In practical terms, more should be done to encourage collaboration between fields of research that are engaged in the technical and functional aspects of innovation on the one hand and fields of research that are engaged in understanding the sociocultural and sociopsychological dimensions of perceived innovativeness on the other hand. Furthermore, this theoretical understanding needs to subsequently be put into practice, as strengthening companies' perceived innovativeness is contingent on university–business collaboration.

CONCLUSION

Just as companies need to learn to look beyond their own industries to acquire new innovation tactics, different fields of research in Finland and Sweden need to take a more interdisciplinary approach to innovation and work together to improve the innovativeness of the knowledge and ideas they generate. Ultimately, the customer-centric view of innovation demonstrates that collaboration between universities and businesses needs to be understood as mutually beneficial by virtue of how it improves innovativeness.

In this paper, we discussed the innovation tactics used by companies ranking high on the FII and SII. By assessing innovation across the four categories of innovation and how innovation in turn is perceived by consumers, four implications to help companies foster innovation were presented. When comparing the FII and SII results, it became evident that although there are clear differences between the two countries, the similarities stand out. This is not surprising when considering the many similarities between the countries and their cultures surrounding education, research, business, and innovation. Furthermore, when considering the focal role played by university–business collaboration in cultivating a culture of innovation, it is evident that collaboration between the two countries would greatly increase their respective innovation capabilities and capacities.

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