

## **Experimenting to Innovate: The Frugal Journey of SMEs**

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### **Resumo**

**Purpose:** This study aims to examine the influence of transformational leadership on experimentation and frugal innovation, and consequently on the organizational performance of small and medium-sized enterprises (SMEs) in the manufacturing sector. **Design/Methodology/Approach:** This empirical study analyzed data from 231 SMEs enterprises in the manufacturing sector of Santa Catarina, Brazil. A questionnaire survey was used to collect the data. To examine the hypotheses, the study employed Structural Equation Modeling (SEM). **Findings:** The results indicate that transformational leadership positively influences experimentation and frugal innovation, leading to improved organizational performance in SMEs. It was demonstrated that SMEs practicing transformational leadership and experimentation can innovate effectively even with limited resources. **Originality/Value:** This study expands the understanding of the role of transformational leadership in promoting experimentation and frugal innovation in SMEs in emerging countries. The research provides empirical data supporting the implementation of innovation strategies adapted to resource constraints, offering practical insights for managers and policymakers.