

Proposed Innovation Leadership Framework for Risk-Based Strategic Decision-Making and Value Creation: A Case Study from the Indonesian Plastic Manufacturing Company

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Abstract

Innovation has become an important requirement for organizations seeking to maintain competitiveness and achieve sustainable growth. However, many organizations still face challenges in transforming innovation initiatives into sustainable organizational capabilities. This study aims to assess the organization's innovation readiness, identify capability gaps, analyze their root causes, and develop a Proposed Innovation Leadership Framework. A qualitative case study was conducted in an Indonesian plastic manufacturing company through interviews with key leaders and analysis of organizational documents. The findings indicate that the organization has demonstrated a strong commitment to innovation and implemented various innovation initiatives. However, challenges remain in governance, organizational learning, strategic alignment, and capability development, limiting the organization's ability to build sustainable innovation capability. Based on these findings, this study proposes an Innovation Leadership Framework to strengthen innovation capability, support risk-based strategic decision making, and enhance value creation. The framework emphasizes leadership involvement, effective governance, organizational learning, and long-term capability development to enable innovation as a sustainable source of competitive advantage.

INTRODUCTION

The challenge for Indonesia is to become a high-income economy in the face of competitiveness issues. Indonesia scored 50th in the Global Competitiveness Index in 2019. Low competitiveness has grave consequences for the economic performance of a country. Studies have demonstrated a strong association between the competitiveness of a country and its gross national income. Countries with more levels of competitiveness tend to attain high levels of wealth and economic prosperity (World Economic Forum, 2019). If Indonesia does not make significant progress in competitiveness, it risks falling into the middle income trap, the point at which economic growth stalls because productivity gains are insufficient to sustain a move to high-income status (Jin & Peng, 2024). This dilemma is hampering Indonesia's capacity to improve its position in the global economy and to achieve sustainable long-term growth (Stanford, 2018).

Another major reason for the competitiveness disadvantage is the relatively weak innovation capability in Indonesia. Indonesia has structural advantages such as a big domestic market and macroeconomic stability, but innovation capability is one of its weaker competitiveness pillars (World Economic Forum, 2019). This disparity shows that the

country's economic potential is not being adequately supported by its ability to produce, adapt and commercialize innovation. Innovation is a crucial engine of productivity growth and long-term competitiveness, so improving innovation capabilities becomes increasingly important for Indonesia's economic transition. In addition to government programs, infrastructural development and regulatory reforms, the private sector also plays a critical role in promoting innovation. Organizational leaders have a unique opportunity to set the strategic direction, create innovative cultures, and drive value creation within their organizations. It is therefore vitally relevant to understand how leadership may facilitate innovation and assist strategic decision making. This provides a solid rationale for this study and its contribution to the competitiveness of organizations and the nation.

The findings of recent studies underscore the critical relationship between innovation capability and organizational outcomes, showing that firms with strong innovation competencies demonstrate higher employee engagement, improved decision-making quality, and superior performance compared with stagnant peers. Nevertheless, many organizations treat innovation as a collection of disconnected projects rather than as an integrated system; they launch idea competitions and improvement initiatives without establishing the strategic direction, governance structures, and agile decision processes needed to sustain novel activity. This mismatch produces a paradox: companies profess ambitious innovation objectives but continue to operate under legacy systems, cultural norms, and management routines that inhibit systematic translation of creativity into measurable value. The result is a persistent gap between innovation intent and execution where innovation remains episodic—driven by individual initiative—rather than embedded as a repeatable organizational capability.

At the same time, global technological shifts associated with the Fourth Industrial Revolution—such as artificial intelligence, automation, cloud computing and the Internet of Things—are accelerating market change and raising the bar for organizational adaptability. These forces have transformed not only operational efficiencies but also the basic conditions for survival and competition, particularly in manufacturing sectors where Industry 4.0 has evolved into a strategic imperative (Yaqub & Alsabban, 2023). As product life cycles shorten and industry boundaries become more porous, firms must continuously reconfigure their capabilities, absorb external knowledge, and integrate innovation across products, processes, business models and customer experiences. Empirical work shows that open innovation practices combined with absorptive capacity and a clearly articulated innovation strategy significantly improve firm performance, indicating that capability building and strategic alignment are central to sustaining competitiveness.

Within the specific context of the Indonesian rigid plastic packaging company studied here, the parent organization has demonstrated visible leadership commitment by instituting a Corporate Innovation Program across multiple cycles and achieving operational improvements and cost savings through numerous projects. However, the mere presence of ongoing initiatives has not yet translated into a robust, firm-wide innovation capability. The company exhibits uneven innovation practices across functions, concentrated short-term operational improvements, variable criteria for what constitutes innovation, limited use of systematic innovation tools, and persistent challenges in psychological safety and cross-functional collaboration. These conditions suggest that while innovation activity exists, the organizational systems—governance, technical ownership, documentation, and data-driven decision-

making—require further development to convert isolated successes into sustained value creation.

The rigid plastic packaging industry context intensifies these challenges because competition increasingly rests on quality consistency, delivery reliability, speed of development, technical support, and the ability to offer integrated solutions beyond commodity production. Sustainability and regulatory compliance have become baseline expectations, and differentiation increasingly depends on an organization's capacity to produce new solutions and respond rapidly to customer needs. In this environment, the company's strategic ambitions to deepen penetration in pharmaceutical packaging and to enter cosmetics packaging hinge not only on operational excellence but also on the development of repeatable innovation processes and organizational capabilities capable of meeting stricter quality, traceability and validation requirements (Ncube et al., 2021).

The novelty of this research lies in several key contributions. First, it applies the BCG Innovation-to-Impact (i2i) framework to a detailed case study of an Indonesian plastic manufacturing company, providing empirical insights into innovation readiness in this specific context. Second, it identifies and analyzes five root causes of innovation capability gaps specific to the Indonesian manufacturing environment. Third, it develops an integrated Innovation Leadership Framework that combines capability-driven innovation, governance enhancement, value creation, strategic portfolio and ecosystem development, and risk-based strategic decision making. Fourth, it provides practical implementation guidance that addresses the specific organizational context and constraints of the case company. Fifth, it contributes to the limited body of research on innovation leadership in the Indonesian manufacturing sector, offering insights that can be applied to similar organizations in the region.

Given these business realities and capability gaps, a systematic diagnostic of innovation readiness is warranted to identify root causes and prioritize capability-building actions. The research therefore assesses innovation readiness across multiple dimensions, identifies critical capability shortfalls, and formulates targeted recommendations that inform the design of a Proposed Innovation Leadership Framework. This framework seeks to align leadership, governance, culture and execution mechanisms so that innovation is managed as a systemic organizational competence—enabling risk-based strategic decision making and sustained value creation rather than episodic project-based improvements.

METHOD

Research Design

This study employed a qualitative research approach to analyze the organization's innovation readiness and to produce a Proposed Innovation Leadership Framework. A qualitative approach is deemed acceptable, as the study tries to understand organizational conditions, skill gaps, leadership practices and underlying factors that influence innovation capability in a genuine corporate scenario. The research does not test theories but aims at detailed understanding of organizational phenomena and practical recommendations for development (Kharima et al., 2023).

This research uses a single bounded case study design. The Plastic Business Unit is chosen as the case of the study. The study is developed in a Corporate Innovation Program setting based on innovation program implemented in the whole company group. The unit of

analysis is the innovation readiness and innovation leadership system of the organization. The Plastic Packaging Business Unit was selected because it is actively pursuing ambitious growth ambitions while confronted with growing demands on capabilities, organizational problems and innovation-related transformation needs (Rehmani et al., 2023).

The research seeks to create a holistic picture of the existing state of the company and to identify capability areas for improvement. Through a detailed case study, the study aims to create results and recommendations that are relevant to the context of the organization and may be used to inform the future growth of the company's innovation system and leadership practices (Reeves et al., 2020).

Data Collection Method

The research uses primary and secondary data to develop a complete picture of the organization's innovation readiness. Primary data is acquired through the use of semi-structured interviews as they give the participants the opportunity to express their ideas, as well as allowing the researcher to examine emerging topics further. Interviews are conducted with key stakeholders involved in the organization's innovation system and innovation related decision-making processes.

The interviewees are the BOD representatives and the BOD-1 level leaders and the leaders of the relevant functions. They were picked based on their work in the areas of innovation strategy, governance, execution and organizational development. Secondary data is acquired through the document review such as Innovation program-related papers, corporate innovation program documents, KPI records, organizational structure, policies, and other supporting documents linked to innovation management (Abey Siriwardana et al., 2026; Yawson, 2021). The collected data are used to generate a comprehensive picture of the organization's innovation readiness and innovation leadership system.

The study used data triangulation by comparing data collected from interviews, organizational documents, and multiple respondent viewpoints to enhance the credibility and validity of the conclusions. This strategy is expected to minimize potential bias and increase the dependability of the outcomes of the study (Rösch et al., 2023).

Data Analysis Method

This study employs the Boston Consulting Group (BCG) Innovation-to-Impact (i2i) methodology to evaluate the organization's innovation readiness. The assessment is based on the seven innovation platform dimensions of the i2i framework: ambition, domains, governance, funding, organization and ecosystems, talent and culture, and idea-to-impact. The i2i framework provides a structure for the assessment of innovation readiness. Yet, the interpretation of findings is further supplemented by relevant concepts from the literature on innovation, leadership, organizational capability, culture and innovation management (Smuts & Van der Merwe, 2024).

A thematic analysis method is employed to examine the collected interview and document data (Maguire & Delahunt, 2017; Swain, 2018). Organizational papers, interview transcripts, and supporting evidence are analyzed to uncover reoccurring patterns, themes, and organizational challenges regarding innovation readiness. The identified themes are then mapped to key aspects of the i2i framework to give a structured assessment of the current condition of the organization.

The analysis is done in numerous steps. First, we map findings to each innovation

readiness dimension to detect existing skill gaps. Second, the identified skill gaps are studied further to identify the underlying fundamental causes. Thirdly, priority improvement areas that require management attention are identified based on the root causes. Finally, the outcome of the assessment, gap analysis and root cause analysis is translated into improvement recommendations and is used as a basis for the development of a Proposed Innovation Leadership Framework to enhance the involvement of leadership in guiding the organization's innovation system.

RESULTS AND DISCUSSION

Analysis

1. Current Condition of Innovation Readiness

This chapter presents the analysis of the organization's innovation capability based on the ten dimensions of the Innovation-to-Impact (i2i) Framework developed by Boston Consulting Group (BCG). While the i2i Framework serves as the primary assessment structure, the analysis of each dimension is grounded in relevant theories, concepts, and empirical findings from academic journals and literature reviewed in Chapter 2. This approach enables a systematic evaluation of the organization's current condition, capability gaps, and areas requiring improvement to strengthen its innovation capability.

a. Ambition

The study shows that innovation is becoming a core element of the company's strategic plan, backed by strong leadership commitment. Innovation is no longer seen as a one-off activity but as one way to enhance long-term corporate growth, competitiveness and sustainability (Forum, 2019). This commitment is demonstrated via the development of a corporate innovation program, active participation of management and the growing number of innovation initiatives carried out within the business.

This is a good thing, but the assessment suggests that innovation ambition remains mostly project-based rather than capability-based. The innovation performance is mostly measured by project completion, financial savings and operational benefits, and the strategic capabilities that should be reinforced through innovation are not clearly defined. Consequently, innovation projects are often pursued in isolation without a clear link to the long-term aims of capability development. This scenario generates a danger that innovation activities lead to short-term gains but are less effective in contributing to the systematic development of organizational capabilities that are required to support future business growth. The results also reveal the need to extend the concept of value creation beyond financial performance by including business impact, process improvement, and people development as additional innovation objectives.

b. Domains

The study indicates that there has been an increase in innovation efforts in several sectors of the business including product creation, operational improvement, quality improvement, sustainability initiatives and market development. This signifies that the company has established a wide range of innovation and actively seeks possibilities to enhance business performance. The range of innovation initiatives further illustrates that innovation is not centered on a function but has been accepted by different sections inside the corporation.

But the study indicates that innovation domains have, by and large, grown spontaneously and have not been deliberately defined and prioritized. While there are common themes across

the innovation projects, these have not yet been unified into a formal innovation agenda to help drive project selection and allocation of resources. Thus, innovation tends to be shaped by local possibilities and operational demands, rather than by a clear set of strategic capacity priorities. This raises a danger of fragmented innovation investments and makes it difficult to determine if the innovation portfolio as a whole is collectively enhancing the capabilities required to support the company's future strategic direction. Without a clear innovation agenda, the company may continue to produce innovative projects, but they may not be well aligned with the skills that need to be prioritized and strengthened (Yani et al., 2023).

c. Governance

The assessment suggests that the organization has put in place governance measures to assist the implementation and monitoring of innovation activities. The innovation process is managed via formal structures for collaboration and decision-making, management is visible throughout the innovation process, and innovation initiatives are reviewed regularly. These techniques have served to ensure continuity of the innovation program and helped to retain organizational emphasis on innovation objectives over many implementation cycles.

The evaluation, however, also shows that innovation governance is mostly focused on the execution of projects and evaluating their performance, rather than on developing strategic capabilities. Governance talks typically focus on project progress, implementation status, and financial results, but less on whether innovation efforts overall are building the competencies the firm wants to improve. Furthermore, the degree of alignment between top-down strategic direction and bottom-up innovation activities has not yet been established as an integrated governance method. As innovation activities increase, the lack of a dedicated system for portfolio prioritization, strategy alignment, and capability-driven decision making might potentially diminish the organization's capacity to optimize the long-term impact of its innovation investments. This implies that the next step in the evolution of governance should be not only the control of projects but also the direction of innovation efforts towards the development of strategic capabilities.

d. Portfolio and Performance Management

The assessment shows that the organization has managed to develop and implement a high number of innovation initiatives across several functions and business areas. Innovation performance is tracked routinely and project results measured against measurable measures such as financial saving, cost reduction, productivity enhancement and business benefits. These methods have helped to illustrate the real value of innovation and to maintain management support for the innovation program.

The report states that despite these gains, portfolio management is still directed toward the performance of individual projects rather than managing innovation as a portfolio of strategies. Innovation activities are often measured by the results of individual projects, with little concern for portfolio balance, contribution to capabilities and long-term strategic impact. The innovation portfolio is likewise dominated by incremental improvement activities with minimal insight on the distribution of resources across short, medium and long-term innovation horizons. This means that while the organization may be good at delivering the outcomes of the project, it may not be so good at identifying whether the broader portfolio is developing the capabilities to support future growth of the business. The findings imply the need of a more organized portfolio management approach that examines not only project performance, but also

strategic alignment, contribution to capabilities and long-term value creation.

e. Organization and Ecosystem

The assessment shows that the innovation efforts have encompassed several functions and organizational units providing chances for cross-functional collaboration and knowledge sharing. The existence of a corporate innovation program has promoted wider engagement in innovation activities and has contributed to the establishment of innovation as a collective responsibility of the company. These characteristics create a solid base for building a more integrated innovation system across the firm.

But the evaluation shows that the organizational learning and the ecosystem exploitation are still immature compared with the extent of innovation activities that are carried out. Many initiatives have been completed, but lessons gained, technical knowledge and project experiences are not yet systematically collected, analyzed and repurposed to assist future innovation efforts. As a result, precious expertise is often lost in particular projects or teams. The review also shows that the wider capabilities available in the Company Group ecosystem have not been used to their full potential to assist innovative initiatives. Opportunities to partner with other business units, technical functions, labs, distribution channels and specialized expertise are still generally on an individual initiative basis rather than a structured innovation ecosystem strategy. This state hinders the organization's capacity to accelerate innovation, take advantage of organizational learning and harness existing capabilities across the wider business network.

f. Talents and Culture

The study shows that the participation of staff in innovation activities has been slowly increasing, and innovation is gradually being seen as part of everyday business activity. The innovation program has let employees from diverse roles and organizational levels to submit ideas and take part in development projects. This demonstrates a positive cultural foundation where innovation is no longer seen as a job solely for management or a dedicated staff.

But the study suggests that ownership and leadership of innovation remain concentrated at certain levels in the business. The leadership of many innovation projects still lies with supervisors, assistant managers and managers and the possibilities for employees at lower levels to take ownership of innovation initiatives are still rather restricted. Consequently, the development of innovation capability is more likely to be concentrated in a smaller subset of individuals rather than generally disseminated across the business. The results also show that the firm still does not have a systematic development of innovation leadership, entrepreneurial behaviour, and innovation-related competences at all levels of employees. Hence, as the engagement in innovation activities continues to rise, the company can be faced with issues in developing a sustainable innovation culture backed by strong ownership, empowerment and leadership across the organization. This situation indicates the necessity for strengthening innovation leadership and cultural readiness as the main enablers of long-term innovation capabilities.

g. Idea to Impact

The assessment shows that the corporation has been relatively successful in executing innovation projects and turning ideas into concrete business results. Many innovation efforts have been successfully executed, leading to operational improvements, cost reductions, quality improvements and other demonstrable benefits. This shows that the organization has the

technical skills, operational discipline and execution capabilities to translate ideas into implemented solutions.

The study, however, also shows that the process of selecting and creating innovation initiatives is not yet consistently supported by a structured, customer-centric and business-driven strategy. Some projects are born from internally discovered opportunities, without proper validation of client demands, pain areas, and market expectations. Additionally, business cases, problem statements and goal statements are not always well defined and standardized across projects. This allows project teams to focus on providing solutions, without knowing if the initiatives they choose are tackling the most important business or consumer concerns. The results also show that the evaluation of innovation performance is mainly carried out at project level, but organizational learning, competence accumulation and impacts at portfolio level are less considered. The risk is that the organization might provide good projects without understanding the strategic long-term value that innovation can produce. This underlines the necessity for a structured innovation process with a greater consumer insight, discipline in project selection and organizational learning across the innovation life cycle.

h. Projects

The assessment shows that the company has built a fairly strong ability to execute innovation projects and achieve meaningful business results. Innovation projects are often based on proven improvement approaches and have resulted in operational improvements, cost savings, quality improvements and business performance. The findings suggest that project execution competence is not a significant restriction in the existing innovation system.

However, the study also shows that the project management methods are not yet consistently supported by a structured innovation process. There is variation amongst initiatives in the quality of project description, business case development, problem formulation and desired outcomes. Some projects are started without proper validation of customer needs, pain areas or strategic relevance. Thus, the efficacy of project execution depends greatly on the individual project teams and leaders. The results indicate that innovation projects are generally adequately managed, but the process of selecting, defining and governing projects is variable across the business.

i. Funnel

The assessment suggests that the organization has been able to develop a steady stream of innovation ideas from various functions and business areas. Over the years, the number of employees involved in innovation initiatives has grown, and the number of projects entering the innovation pipeline is also expanding. This shows that the corporation has built a basic framework of idea generation and innovation participation in the whole company.

However, the study shows that the innovation funnel is still not managed as a strategic lever for capability development and portfolio balance. Ideas are essentially operational improvement potential, with little emphasis on balancing incremental improvements, capability-building activities and future growth opportunities. The review also suggests that formal criteria for prioritization, filtering and strategy alignment are still limited. Consequently, the organization may generate a significant number of innovation ideas without adequate confidence that the initiatives, together, align with long-term business strategies and capability development goals. This situation has the potential for an active, robust (but not necessarily targeted) innovation pipeline on the skills the firm wants to build.

j. Portfolio

The evaluation suggests that the company has successfully built an active portfolio of innovation initiatives that support operational performance and business improvement. Innovation investments have delivered tangible advantages and indicate managerial commitment to innovation efforts. The portfolio also encompasses a diverse range of projects across corporate functions and operations.

However, the assessment indicates that the innovation portfolio is not yet managed as a strategic portfolio for strengthening the future capabilities of the business. Portfolio decisions are driven by project level opportunities and short-term business requirements, but the link between innovation investments and strategic capabilities priorities is unclear. Also, the portfolio is significantly biased towards incremental improvement efforts, with poor clarity on the balance between short, medium and long-term innovation horizons. This puts the company at risk of strong project-level performance, but not fully developing the competencies needed to support future business development and strategic transformation. The results indicate that the effectiveness of a portfolio should be judged not only by the project outputs, but also by the contribution to the development of strategic competence and long-term value creation.

2. Cross-Dimensional Analysis and Root Cause Identification

The results of the assessment for the 10 dimensions of innovation reveal that the organization has a solid base for innovation through strong management commitment, active employee participation and successful implementation of innovative projects. The firm has proven that it can originate ideas, execute initiatives and achieve tangible business results. But a cross dimensional examination reveals that there are some persistent concerns that are constantly present in multiple dimensions. The recurrence of these problems shows that the innovation problems faced by the corporation are not one-off concerns but are a manifestation of several organizational core causes. The thematic analysis of the evaluation data brought up five primary fundamental causes.

a. Absence of Capability-Based Innovation Management

The assessment confirms that the activities of innovation are actively conducted across the company, but the innovation is still mostly managed as a collection of projects and not as a vehicle to enhance strategic organizational skills. Innovation goals, domains, project selection and portfolio decisions are not systematically aligned with a well-defined set of capabilities priorities. Consequently, innovation projects typically deliver short-term business gains while failing to define a clear path for long-term capabilities growth. The capability development has not yet become the main organizing concept of the company's innovation system.

b. Project-Centric Innovation Governance

The assessment concludes that existing governance systems are sufficient to enable the implementation, monitoring and reporting of the project. However, governance conversations remain primarily focused on project performance and progress of implementation rather than on capability development, portfolio balance and long-term strategic contribution. Hence, innovation governance largely serves as a project control tool rather than as a strategic management framework to guide innovation expenditures to future company needs.

c. Financially Driven Innovation Value Creation

The assessment shows that the innovation results are mostly evaluated based on financial parameters such as cost reduction, productivity enhancement and operational savings. These

measures are still relevant, but they give an incomplete picture of innovation performance. The present innovation system is less focused on business impact, process capability advancement, organizational learning and people development. This leads to a bias towards projects delivering rapid measurable results and an undervaluing of longer-term capabilities outputs and overall organizational value development. Innovation value generation is still very financially focused and not assessed from a balanced business, process and people viewpoint.

d. Limited Organizational Learning and Ecosystem Utilization

Although the company has gained important experiences through several innovation projects, the knowledge created from these projects is not yet consistently documented, shared and reused in the organization. Likewise, the larger capabilities accessible within the Company Group ecosystem are not frequently leveraged in innovation initiatives. So, the chances to accelerate innovation through collaboration, knowledge transfer and cross-business synergies are not being maximized. This reduces the ability of the company to translate individual project experiences into sustained organizational competencies.

e. Lack of Strategic Portfolio Discipline

The study shows that innovation projects continue to come from all parts of the business and there is a vibrant pipeline of innovation activities. However, project selection and resource allocation are still largely determined by operational opportunities and short-term business needs. Limited visibility into portfolio balance, innovation horizon allocation, strategy prioritization and capability contribution. Therefore, innovation resources may not always be allocated to those initiatives that generate the highest strategic value for future business growth and change. Results indicate that the innovation portfolio is managed at the project level but not yet as a strategic portfolio to develop future organizational capabilities.

Overall, the findings indicate that, while the organization has successfully developed innovation as a program and operational practice, it has not fully implemented innovation as an integrated management system. The problems highlighted at numerous levels and again point to the fact that innovation activities, governance processes, portfolio decisions, organizational learning, and value creation objectives are not yet consistently oriented towards capability development. These core causes thus provide the basis for the business solutions and the proposed Innovation Leadership Framework which is given in the following section.

Business Solution

Based on the findings from the innovation readiness assessment, capability gap analysis, and root cause analysis, this study proposes an Innovation Leadership Framework as a business solution to address the key challenges identified within the organization. The framework is designed to strengthen innovation capability by addressing not only operational innovation performance but also the underlying organizational factors that influence long-term innovation success.

The proposed framework consists of five interconnected elements derived from the root causes identified in this study. These elements are intended to enhance the organization's ability to align innovation with strategic priorities, develop critical organizational capabilities, improve governance effectiveness, strengthen organizational learning, optimize ecosystem collaboration, and support risk-informed strategic decision making. Together, these pillars provide a structured approach to transforming innovation from a project-based activity into a

sustainable organizational capability.

1. Capability-Driven Innovation

The root cause analysis finds that the innovation efforts in the corporation are managed mostly as individual projects instead of a mechanism to develop strategic organizational skills. This can mean innovative efforts delivering operational and financial benefits but not necessarily building long-term capabilities.

To overcome this challenge, this study introduces Capability-Driven Innovation as the basis of the suggested Innovation Leadership Framework. In this approach innovation initiatives are matched with the competencies needed to support future business growth and competitiveness. Innovation is thus positioned not only as a project delivery method but as a capability development instrument.

The proposed method stresses the significance of having a clear emphasis on capabilities, aligning capabilities, and creating a capability roadmap to direct innovation activities. Innovation domains, project selection, portfolio decisions and resource allocation should be assessed in terms of their contribution to capability development. By moving from a project-oriented to a capability-driven strategy, an organization can improve strategic alignment and enhance its capacity to develop the capabilities required for future growth and long-term competitiveness.

2. Innovation Governance Enhancement

Root cause analysis shows that innovation governance still focuses on project monitoring and execution, not on capability development, portfolio balance and long-term strategic contribution. The current governance framework has been successful in enabling the implementation of innovation initiatives, but more integrated governance practices are needed to guarantee that innovation activities are aligned with the business priorities and future organizational needs.

To solve this problem, this paper suggests Innovation Governance Enhancement as the second element of the proposed Innovation Leadership Framework. The aim is to increase the quality of decisions, enhance strategic alignment and create greater accountability across the innovation process. Innovation governance must grow from a project control mechanism to a strategic management framework for guiding innovation direction, goals and investments.

The proposed strategy comprises the setup of a specific innovation governance structure, a formal stage-gate decision making procedure and a combined top-down and bottom-up approach to innovation. Moreover, innovation governance should be integrated into the current business cycle to attain improved alignment of innovation activities, business goals, resource allocation and organizational priorities.

3. Value Creation

The root cause analysis suggests that the innovation success is mostly evaluated by financial results such as cost reduction, cost avoidance and cost innovation. These measures are still relevant, but they provide a partial perspective of innovation performance and may miss wider organizational advantages created by innovation efforts.

To solve this problem, the study suggests Value Creation as the third element of the suggested Innovation Leadership Framework. The aim is to provide a more balanced perspective on the success of innovation by accepting that innovation can deliver value beyond financial gains. The results of innovation should be assessed in the context of broader value

creation including business impact, process improvement and people development.

The proposed methodology views innovation value creation as a multidimensional concept representing the short-term enhancement of performance and the long-term development of the company. The organization can make better decisions, stimulate a broader set of innovation projects and ensure innovation investments are creating sustainable value for the business with a more holistic view of value creation.

4. Strategic Portfolio & Ecosystem

The root cause analysis shows that the knowledge gained from innovation initiatives is not yet consistently recorded, shared and reused within the firm. Moreover, the Company Group ecosystem provides a wider set of capabilities that are not always used to assist innovation projects. Consequently, the opportunity to accelerate innovation and capability development through learning, expertise and cooperation may not be exploited to its fullest potential.

To tackle this problem, this study presents Strategic Portfolio and Ecosystem as the fourth element of the proposed Innovation Leadership Framework. The aim is to increase the organization's capacity to continually learn from innovation experiences and to utilize internal and external ecosystems to support innovation initiatives. Innovation must develop organizational knowledge that can be utilized, scaled and shared between functions and business units, not only project results.

The recommended approach highlights the importance of a structured learning system, knowledge exchange systems, lesson learnt practices and ecosystem-based collaboration. Improving its organizational learning and ecosystem utilization can increase innovation effectiveness, accelerate capability development and optimize the returns on its past innovation investments.

5. Risk-based strategic decision making

The root cause analysis implies that the firm creates and implements innovation projects, although portfolio decisions are primarily driven by operational opportunities and short-term business demands. As a result, innovation resources may not always be directed to those initiatives that offer the highest strategic value or best contribute to future capability growth. Furthermore, risk considerations have not been systematically included into innovation portfolio decision making, creating the possibility for misalignment between innovation investments, strategic priorities and organizational risk appetite.

The present study suggests Risk-based Strategic Decision Making as the fifth element of the proposed Innovation Leadership Framework to address this issue. The idea is to see innovation investments as a well-balanced portfolio and not as a set of separate projects. Innovation portfolio selections should be driven by strategic priorities, capability development, resource availability, risk considerations and long-term business requirements.

The proposed strategy emphasizes portfolio balance, innovation priority, resource allocation, risk-informed decision making, and continual portfolio evaluation. A strategic portfolio and risk management perspective can enable the organization to enhance the quality of innovation investments, preserve an appropriate balance between short-term and long-term efforts, and make sure innovation resources are focused on opportunities that generate sustainable value while keeping risk at an acceptable level.

6. Proposed Innovation Leadership Framework

Building innovation aptitude is critical for sustainable competitive growth in the increasingly uncertain business environment. Innovation leadership is about developing an integrated and sustainable structure for firms to consistently originate, develop and execute new ideas. Innovation leadership is about discipline, continual learning and building a culture and ecosystem that supports innovation. It's not about the rare breakthrough or a one-off endeavor. This strategy is particularly essential for firms that are seeking long-term resilience and adaptation since innovation must come from organized procedures and organizational capabilities and not from a random creativity alone. innovative leadership equips businesses with the ability to create innovative skills that are relevant for a fast-changing future, through a shared language, a governance framework, and a methodical approach to innovation.

Therefore, organizations need an innovation framework that can be executed efficiently and incorporated into daily operations. The difficulty is not so much what to invent as how to create a disciplined and collaborative process for continuous innovation. This emphasizes the necessity of a robust innovation ecosystem driven by clear strategic direction, consistent policies, cross-functional collaboration and well-defined processes. Successful innovators have a strong organizational culture and an innovation framework that is accessible and practical for employees at all levels. Innovation should be seen as an engine for value creation, where investments in time, resources and effort deliver measurable outcomes for the organization, its customers and other stakeholders. Consequently, the innovation gaps tend to be systemic, rather than individual. It's not about the rare act of boldness or imagination. It's about the intentional construction of processes that constantly turn ideas into actual value.

The assessment results, gap analysis and root cause analysis lead to the proposal of an Innovation Leadership Framework to enhance the company's innovation management system and promote risk-based strategic decision making and value creation. The framework seeks to tackle the core issues described in the previous section, while providing a structured way of managing innovation as a long-term organizational competency.

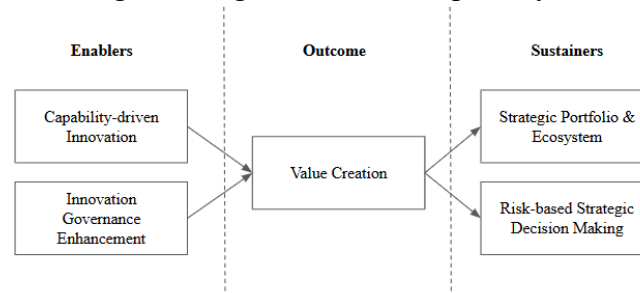


Figure 1. Proposed Innovation Leadership Framework

The suggested framework (Figure 1) is composed of three interrelated pillars and five supporting elements that inform how innovation activities are enabled, how value is created, and how innovation performance is sustained over time. The three pillars are the logic of the framework as a whole, namely Enablers, Outcome and Sustainers.

Enablers, the first pillar, includes Capability-Driven Innovation and Innovation Governance Enhancement. The proper functioning of these two elements constitutes the basis of the innovation system to ensure that the innovation activities are linked with future capabilities requirements and supported by effective governance and decision-making

mechanisms. Capability-Driven Innovation gives strategic guidance to innovation activities. Innovation Governance Enhancement provides governance procedures, leadership mechanisms and structures to enable alignment and execution.

The second pillar is Outcome, with Value Creation as an element. This pillar places the generation of value as the main goal of innovations and broadens the definition of success of innovations beyond only financial results. The suggested methodology will evaluate innovation success on the contribution to business performance, process improvement and people development by placing value creation at the core of the framework, innovation activities are geared towards producing significant and sustainable organizational advantages.

The third pillar is Sustainers and includes Strategic Portfolio and Ecosystem and Risk-based Strategic Decision Making. Determinants of the development of innovation capabilities, ongoing development of organizational knowledge, and the matching of innovation investments to strategic priorities and risk considerations. Strategic Portfolio and Ecosystem is concerned with knowledge capture, collaboration and the ecosystem. Risk-based Strategic Decision Making makes sure that innovation resources are prioritized and allocated based on strategic contribution, capability development needs and risk-informed decisions.

The three pillars and five elements constitute an integrated innovation management system that links the innovation direction, governance, value creation, organizational learning, portfolio management, and risk management. The framework ultimately helps the shift from a project-oriented innovation strategy to a more organized, capability-driven and risk-informed innovation management system, enabling sustainable value creation and long-term company competitiveness.

Implementation Plan & Justification

1. Implementation Plan

A structured implementation method will be needed for the effective adoption of the proposed Innovation Leadership Framework across the business. Since the framework changes innovation governance, decision making, performance measurement, organizational learning, portfolio management and risk management, the recommendation is to follow phased implementation approach to allow gradual adoption and to minimize the implementation risk and organizational disruption.

The implementation roadmap is organized over a two-year horizon and consists of five consecutive stages: Framework Foundation, Capability and Governance Alignment, System Integration, Portfolio and Risk Integration, and Institutionalization. The roadmap is to develop the innovation system in stages, beginning with governance and strategic alignment, then process integration, and finally integrating innovation in the wider business management system (Klemenčić et al., 2023).

No	Activities	Jul-Sept 2026 Month 1–3	Oct-Dec 2026 Month 4–6	Jan-Jun 2027 Month 7–12	Jul-Dec 2027 Month 13–18	Jan-Jul 2028 Month 19–24
1 Framework Foundation						
1.1	Innovation Leadership Framework approval					
1.2	Innovation governance structure					
1.3	Innovation Board establishment					
1.4	TPM-based innovation manual					
1.5	Initial framework socialization					
Outcome: Framework formally approved and governance structure established.						
2 Capability and Governance Alignment						
2.1	Strategic capability identification					
2.2	Stage-gate design					
2.3	Governance roles and responsibilities					
2.4	Innovation dashboard design					
Outcome: Innovation governance process and capability focus officially defined.						
3 System Integration						
3.1	Business–Process–People value creation metrics					
3.2	Innovation classification					
3.3	Lesson learned process					
3.4	Innovation ecosystem mapping					
3.5	Portfolio review process					
Outcome: Innovation framework integrated into innovation management process.						
4 Portfolio and Risk Integration						
4.1	H1-H2-H3 allocation model					
4.2	Strategic portfolio review					
4.3	Risk assessment integration					
4.4	Portfolio prioritization process					
4.5	Innovation roadmap development					
Outcome: Portfolio and risk-based innovation decision-making process operationalized.						
5 Institutionalization						
5.1	Integration with risk management process					
5.2	Integration with budgeting process					
5.3	Integration with CAPEX process					
5.4	Integration with business performance review					
5.5	Continuous innovation mechanism					
Outcome: Innovation Leadership Framework embedded into the business management system.						

Figure 2. Implementation Roadmap

The first stage focuses on the creation of the core elements required to support the framework, such as governance structures, innovation policies, leadership commitment, and framework socialization. The second stage refers to integrating innovation initiatives with organizational priorities through development of governance mechanisms, capabilities emphasis areas, decision making processes and performance monitoring tools.

The final step is about embedding the framework into current innovation management processes (Liu et al., 2023). At this level the value creation measurement, innovation classification, lesson learned procedures, ecosystem collaboration channels and portfolio review processes are introduced and standardized. The fourth stage involves integrating portfolio management and risk management strategies to enhance the quality of the portfolio and decision making. Finally, embed innovative techniques within the overall business management procedures like risk management, budgeting, capital expenditure planning and business performance assessments to institutionalize the framework.

The implementation roadmap aims to enable a move from a project-centric approach to innovation to a capability-based and risk-informed approach to innovation management (Manly et al., 2024). This tiered approach allows the organization to continually assess progress of implementation, learn lessons and improve the framework as the needs of the organization change.

2. Justification

The staggered implementation method is deemed appropriate as the suggested Innovation Leadership Framework influences several organizational characteristics simultaneously. The framework does not simply bring new tools or procedures for innovation but calls for reforms in governance, decision-making practices, performance monitoring, organizational learning and portfolio management. To adopt the entire framework at once may raise organizational complexity, cause resistance to change, and impair the efficacy of the implementation.

The suggested sequence is compatible with the logical dependence among the framework components. The first priority is given to Capability-Driven Innovation and Innovation Governance Enhancement since they provide the strategic direction and governance framework for the following implementation efforts. With these foundations in place, the organization may then progressively build up the Innovation Value Creation, Strategic Portfolio and Ecosystem and Risk-based Strategic Decision Making. This sequence means that every component has the appropriate organizational structures, procedures and leadership mechanisms to support it.

The two-year implementation time frame is also viewed as reasonable, given the scope of the organizational change involved. It provides enough time for the organization to establish new practices, validate the outcomes of their implementation and integrate the framework into current management systems. The phased approach to implementation minimizes the risk of adoption and increases the possibility that the framework will evolve as a lasting organizational competency rather than a short-term improvement endeavour. In summary, the proposed roadmap is designed to enable the effective implementation of the Innovation Leadership Framework and enhance the organization's capacity to generate sustainable value via innovation.

CONCLUSION

The results reported in Chapter 4 comprehensively answer the study's research questions and meet the objectives outlined in Chapter 1. Using the ten dimensions of the Innovation-to-Impact (i2i) Framework alongside relevant theoretical and empirical literature, the research assessed the organization's innovation readiness, pinpointed capability shortfalls, formulated targeted recommendations, and developed an Innovation Leadership Framework. Specifically, the analysis revealed current innovation maturity levels, identified five principal capability gaps—absence of capability-based innovation management, project-centric governance, financially driven value focus, limited organizational learning and ecosystem engagement, and weak strategic portfolio discipline—and proposed corresponding remedies focused on capability-driven innovation, governance enhancement, value creation, strategic portfolio and ecosystem development, and risk-based strategic decision making. The proposed Innovation Leadership Framework synthesizes these recommendations into a cohesive model to strengthen innovation capability, guide risk-informed strategic choices, and improve value outcomes, demonstrating that the study achieved its objectives and offers both diagnostic clarity and actionable guidance for long-term innovation development.

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