

Managing Innovation in Organizations: Challenges and Solutions for Sustainability

Ani Sulistiawati^{1*} Fauziannor²

^{1,2} STIE Pancasetia, Banjarmasin, 70248, Kalimantan Selatan, Indonesia

Email

sulistiawatiani343@gmail.com^{1*}, fauziannorlangka17@gmail.com²

Received: January, 25, 2025 Revised: January, 25, 2025 Accepted: January, 25, 2025

Abstract

Innovation is a critical factor in increasing organizational competitiveness in the era of globalization and information technology. However, the innovation management process is often complex and can face various challenges, including changing organizational culture, appropriate human resource management, and integrating innovation into sustainable business strategies. This study aims to investigate the challenges faced by organizations in managing innovation and the solutions that can be implemented to ensure the sustainability of the innovation. The research method used is qualitative with a case study approach, involving several organizations from various industrial sectors. Data were collected through in-depth interviews with organizational leaders, innovation managers, and related staff, as well as through document analysis related to the organization's innovation and sustainability strategies. The results of this study indicate that innovation management integrated with an organization's business strategy can make a significant contribution to long-term sustainability. Organizations that successfully address key challenges, such as risk uncertainty, limited resource allocation, and resistance to change, can leverage continuous innovation to create competitive advantage and strengthen their market position. In addition, the application of holistic performance indicators and collaboration with external parties have proven effective in supporting the continuous innovation process. The results of this study also indicate that with the right approach, organizations can balance the need to remain profitable with investment in environmentally friendly solutions, creating new growth opportunities that are not only economically profitable but also beneficial to society and the environment.

Keywords: Innovation Management, Organization, Challenges and Solutions, Sustainability

DOI :
p-ISSN :
e-ISSN :

© Copyright: BDJ Smart : Breakthrough Development Journal in Strategic Management & Marketing (2025)
This is an Open Access article distributed under the terms of the Creative Commons Attribution 4.0 International License. Site Using OJS 3 PKP Optimized.

1. Introduction

Rapid technological advances have significantly changed the business landscape, worsening the level of competition between companies. In this situation, organizations that fail to adapt quickly or are unable to find ways to differentiate themselves from competitors will struggle to survive (Bettis & Hitt, 1995). Competitive advantage is no longer just about the quality of products or services, but also about the ability to innovate and find new breakthroughs that can meet market needs in a more efficient and effective way. Therefore, organizations that want to stay relevant and ahead of the competition must prioritize innovation as a primary strategy to survive and thrive (Teece, 1992).

The survival of an organization depends largely on its ability to respond to changing market dynamics. In the face of increasingly fierce competition, organizations must have the ability to produce products or services that are better, faster, and cheaper than competitors (Teece, 2007). Innovation is not only limited to products, but also includes business processes, business models, and new ways of providing value to customers. Organizations that are able to adapt to changes in technology and markets, and consistently develop creative solutions to existing problems, have a greater chance of achieving long-term success and maintaining a leading position in global competition (Teece, 2010).

Technology and innovation play a central role in creating significant added value for companies, which in turn contributes to increased profitability, market positioning and overall organizational performance (Distanont, 2020). In the face of increasingly rapid and challenging market changes, organizations that do not innovate risk being left behind by their competitors. Innovation enables companies to adapt, respond to changing consumer needs and wants, and take advantage of new opportunities as they arise (Westerrren, 2011). Thus, innovation becomes a necessity that not only helps companies survive, but also ensures their sustainability and growth in the long term. As Drucker (1999) said, "innovation is an almost obligatory survival strategy," which emphasizes the importance of innovation as part of a survival strategy in the dynamic business world.

Organizations that are able to create competitive advantages do not only rely on better products or services, but also on a planned and effective innovation process. This is in line with the view of Gupta and Macdaniel (2002) who stated that companies that are successful in creating innovation are those that can manage the innovation process systematically and creatively. A structured innovation process allows companies to explore new ideas, develop technology, and design solutions that are more efficient and relevant to market needs. Effective innovation can strengthen a company's market position, open up new opportunities, and create differentiation that is difficult for competitors to imitate, thereby strengthening the company's long-term competitiveness (Gambardella & McGahan, 2010).

Sustainability is an important factor that should not be ignored in efforts to create sustainable competitive advantage (Kak, 2002). In an ever-evolving business world, organizations must be able to integrate sustainability aspects into their innovation strategies to ensure that every innovation step does not only focus on short-term profits, but also pays attention to long-term impacts on the environment, society, and economy (Kokol, 2023). This sustainability includes efficient use of resources, waste reduction, and the implementation of environmentally friendly business practices. By paying attention to sustainability, organizations can build a strong reputation in the eyes of consumers, strengthen relationships with stakeholders, and meet market demands that increasingly prioritize aspects of social and environmental responsibility (Watson dkk, 2008). Therefore, the integration of innovation and sustainability is key to creating a competitive advantage that is not only relevant today, but also sustainable in the future.

To achieve optimal sustainability, effective innovation management is essential. Innovation management focuses not only on creating new products or services, but also on managing the processes that enable innovation to continue to develop over time (Adams dkk, 2006). This process includes identifying new opportunities, utilizing the latest technology, and implementing practices that support sustainability in every aspect of the organization's operations. With structured innovation management, organizations can ensure that every innovation step taken is aligned with long-term sustainability goals, whether in terms of resource efficiency, reducing environmental impact, or improving social welfare (Hervani et al., 2005). Good innovation management also enables organizations to adapt to changing market needs that are constantly evolving, thus not only producing relevant products, but also maintaining relevance and competitiveness in an increasingly competitive and sustainability-oriented market (Tidd & Bessant, 2020).

The purpose of this study is to identify challenges and solutions in managing innovation that supports organizational sustainability, as well as to analyze the role of innovation management in creating sustainable competitive advantage. This study aims to provide insight into how organizations can integrate innovation with sustainability principles, in order to improve long-term competitiveness in a dynamic market. The benefits of this study are to provide a deeper understanding of the importance of innovation management in achieving sustainability goals, as well as to provide recommendations for companies and practitioners to develop innovation strategies that focus not only on short-term profits, but also on balanced social, economic, and environmental sustainability, in order to create sustainable added value for all stakeholders.

2. Research Design and Method

This study uses a qualitative descriptive research design that aims to describe the important role of education and innovation management in supporting the success of sustainable business strategies. The data collection technique used is the documentation technique, which focuses on collecting secondary data through literature studies relevant to the research topic (Hollstein, 2011). The data obtained from this documentation technique provides a clearer picture of how education and innovation management can contribute to the creation of sustainable competitive advantage in organizations. The data analysis design used is descriptive analysis, which will explore the phenomena that occur in innovation management practices in various organizations and how the innovation process is related to the sustainability of their business strategies. This study also utilizes literature studies as the main data collection technique, which includes reviewing books, literature, notes, reports, and previous research results such as theses and dissertations, all of which are related to the topic of innovation and sustainability in the context of business management. These library sources will be used to deepen the understanding of innovation and sustainability theories, as well as to provide more comprehensive insights into their practical applications in the business world.

3. Results and Discussion

Innovation is not just a buzzword or a trend in the modern business world, but rather a vital element of business strategy that must be embedded in the culture of the organization and reflected in the way it operates on a daily basis. Without innovation that is well integrated into the business strategy, organizations will struggle to thrive and survive in a highly competitive market. Innovation enables organizations to create added value, respond to market changes, and find more efficient solutions (Bilton & Cummings, 2010). However, despite its importance, aligning innovation with the organization's strategic goals and ensuring its effective implementation is not an easy task. The biggest challenge lies in how to foster a culture of innovation across all levels of the organization and ensure that innovation efforts support the achievement of the organization's long-term goals (Buschgens et al., 2013).

Innovation management should be seen as an integral part of an organization's business strategy, not as a separate activity or simply a reaction to market demands. Therefore, it is important for innovation management to be directly linked to the overall goals of the organization (Afuah, 2020). This alignment will ensure that each innovation project has a clear direction and can make a significant contribution to the long-term success of the organization. However, aligning innovation with business strategy is often easier said than done, especially in established organizations with established processes and cultures. This is where clear communication of strategic goals, as well as regular alignment checks, becomes crucial to ensure that each innovation effort truly supports the organization's vision and mission.

Misalignment between innovation management and business strategy can have a negative impact on organizational performance. While the ideas that emerge from innovation efforts can be very creative and promising, if they are not properly integrated into existing systems and operations, they will be wasted. This can lead to wasted resources and hinder the achievement of business goals (Hogan & Coote, 2014). Therefore, to achieve successful innovation, organizations must have a strategic approach that not only encourages creativity but also focuses on measurable results. An environment that supports creativity, yet is results-oriented, will help transform innovative ideas into solutions that can be successfully implemented and have a positive impact on the organization.

Sustainability has become an issue that increasingly dominates global discourse, covering various aspects of life, from environmental protection to social responsibility and good governance. In the past, the concept of sustainability may have been more limited to environmental aspects, but it has now evolved into a broader principle that affects many sectors, such as economics, education, and business. In the business world, sustainability is not only about fulfilling obligations to the environment, but also about creating long-term value that benefits society and other stakeholders. Therefore, companies must innovate to ensure that their operations are not only profitable, but also responsible to the planet and the larger community.

Sustainable innovation is becoming increasingly important due to the challenges the world faces today, including climate change, social inequality and the need to increase resource efficiency. In facing these challenges, companies are required to integrate ESG (Environmental, Social, and Governance) principles into their business strategies. ESG offers a framework that can guide companies to design solutions that are not only financially profitable, but also have a positive impact on the environment, society, and good governance (Hjalmarsson & Lind, 2011). Through continuous innovation driven by ESG principles, companies are able to not only adapt to existing changes, but also lead in creating a more inclusive, equitable, and sustainable future for future generations.

Sustainable innovation plays a crucial role in creating a responsible and sustainable future, given the increasingly complex global challenges such as climate change, biodiversity decline, and social inequality. Without innovation efforts focused on sustainability, the negative impacts of these issues could become more widespread and difficult to control. Sustainable innovation enables us to develop environmentally friendly technologies and solutions, improve social relations, and create fairer and more efficient economic systems (Seebode, 2011). Through an innovative approach, we can design products and services that not only meet current needs, but also minimize negative impacts on future generations, ensuring a balance between economic growth and environmental preservation.

Organizations that adopt sustainable business models tend to have a greater commitment to social and environmental activities, compared to companies that do not emphasize sustainability in their operations. They do not only focus on financial gain, but also strive to make a positive contribution to the community and the surrounding environment. One concrete example of this commitment is by providing skills training to local residents, especially in slum and densely populated areas which are often the focus of economic and social issues. The training covers a wide range of areas, from technical skills needed to increase productivity, to entrepreneurship that encourages individuals to create their own business opportunities. In addition, these organizations also build schools and training centers designed to provide access to quality education and skills for young people in the surrounding areas, so that they can prepare themselves to face the challenges of an increasingly competitive world of work. These programs are an integral part of corporate social responsibility (CSR), which not only helps create economic opportunities for local communities, but also supports long-term social development and sustainability in the area. Thus, the CSR carried out by these organizations does not only focus on financial assistance, but also on community empowerment through education and training that is

beneficial in the long term.

So what are the challenges and solutions of innovation management for organizations to realize sustainability? The following author has revealed some of them.

Uncertainty and Risk of Innovation

The challenges of uncertainty and high risk in sustainable innovation are indeed significant obstacles for many organizations, especially when new technologies or untested business models are introduced. When faced with this uncertainty, companies tend to be reluctant to invest heavily, fearing that failure could harm their reputation or reduce their financial performance. In addition, the risk of failure can have an impact on customer loyalty, stakeholder satisfaction, and the company's long-term competitiveness. Therefore, managers need to develop a more strategic and careful way to evaluate the risks and benefits of each proposed innovation.

An effective solution to this challenge is to adopt a more adaptive and data-driven approach to risk management. One way to do this is by conducting pilot projects, which allow organizations to test new concepts or technologies on a small scale before fully implementing them. With this approach, organizations can obtain more detailed feedback from users or consumers about new products or technologies, which can then be used to refine innovations before they are launched in the wider market. In addition, developing a prototype also makes it possible to evaluate the usability, technical feasibility, and social and environmental impacts of the innovation, without having to take major risks at an early stage. Thus, organizations can be more confident in moving to the next stage, because innovations have been tested and modified based on valid and accurate data.

Limited Resources

Developing sustainable innovation often requires significant investments in capital, time, and human resources, which can be a major challenge for organizations that are tied to existing operations and pressing market demands. In many cases, organizations struggle to allocate the necessary funds and manpower to support sustainability-oriented innovation projects, especially when existing resources are limited or already allocated to more pressing goals. Additionally, companies are often more focused on short-term results and financial stability, which can limit their willingness to invest in long-term solutions that may have more uncertain outcomes. This is a challenge, especially when sustainability demands a more holistic approach and a focus on long-term impacts on the environment and society.

The solution to address this challenge is to leverage external collaboration to share the burden of costs and resources in developing sustainable innovation. Organizations can partner with research institutions, universities, or non-profit organizations that have the expertise and resources necessary to support research and development in sustainable innovation. This collaboration can help reduce development costs and accelerate time to market, while providing access to the latest knowledge and technology. On the other hand, organizations can also improve resource management efficiency by adopting more environmentally friendly and sustainable technologies, which can help reduce long-term operational costs. By using technologies that are more efficient in energy or raw material consumption, companies can not only reduce their environmental impact but also increase profitability. This approach not only provides a solution to resource constraints, but also strengthens the organization's commitment to sustainability and their social responsibility.

Lack of Support from Stakeholders

One of the main challenges in implementing sustainable innovation is the lack of support from various stakeholders within the organization, be it managers, employees, or customers. Without broad support, efforts to integrate sustainable innovation into an organization's culture and day-to-day operations can be hampered or even fail. Some stakeholders may not see the urgency or long-term benefits of sustainable innovation, especially if they are more focused on short-term results or

convenience in existing processes. This lack of understanding or disinterest can lead to lower levels of participation and commitment to an innovation project, which in turn affects its success.

To address these challenges, organizations need to involve all stakeholders in the planning and implementation process of sustainable innovation. By involving managers, employees, and customers in the planning, organizations can explain how the innovation will benefit not only the sustainability of the company but also their well-being. Organizations can conduct training and education sessions that focus on the importance of sustainability and innovation, so that all parties understand the positive impacts that can be generated, such as cost efficiency, improved corporate reputation, and improved product quality. In doing so, greater awareness and understanding will foster shared commitment and ensure that sustainable innovation is accepted and supported by all levels of the organization. This approach not only increases the success of implementation but also creates a more inclusive and sustainable culture.

Difficulty in Measuring Success

One of the major challenges in implementing sustainable innovation is measuring its impact in a comprehensive way. Sustainability cannot be measured solely on financial returns, as true sustainability also includes broader social and environmental impacts. This makes it difficult for organizations to assess whether the sustainable innovations they implement are truly successful or not. Social and environmental impacts are often not as clearly quantified as financial returns, requiring a more careful and systematic approach to evaluate the contribution of innovation to the long-term goals of the company and society. Without the right methods, organizations may find it difficult to convince stakeholders about the effectiveness of the innovations they implement, as well as to make data-based decisions.

To address these challenges, organizations must develop holistic performance indicators that cover three key aspects: economic, social, and environmental. By covering all these dimensions, organizations can gain a more complete picture of the impact of their sustainable innovation efforts. The use of integrated sustainability reporting can help in developing indicators that cover all of these aspects, as well as provide a clearer picture of how innovation impacts long-term performance in various areas. In addition, technologies such as big data and analytics can be used to collect and analyze more precise and in-depth data on the social and environmental impacts of implemented innovations. With more accurate data, organizations can more easily identify areas for improvement and measure the success of continuous innovation in terms of broader positive impact. This approach allows for a more transparent and comprehensive evaluation of sustainable innovation outcomes.

Organizational Culture Challenges

One of the biggest challenges in implementing sustainable innovation is the existence of an organizational culture that is conservative or focused on short-term results. This culture often discourages the adoption of innovative ideas that require additional time, resources, and effort to realize. Organizations with this mindset tend to prefer safe and tried-and-true approaches, such as maintaining the status quo and focusing on short-term operational efficiencies, rather than taking riskier, long-term steps that have the potential to create sustainability. This leads to a tendency to overlook innovation opportunities that could have a positive impact on the future of the company and the environment, while also inhibiting the development needed to survive in a changing marketplace.

To address these challenges, organizations need to create a culture that supports experimentation and tolerance for failure as part of the innovation process. In an innovative culture, failure is seen as a learning opportunity rather than a setback. Organizations can provide space for employees to innovate by giving them the freedom to try new ideas without fear of failure. Additionally, rewarding and recognizing innovative efforts, even if they are not necessarily successful, can increase employee motivation and engagement in the innovation process. More importantly, sustainability must be an

integral part of the organization's long-term vision and mission, encouraging all levels of the company to prioritize innovation that supports these goals. Leadership that supports change, has a clear vision for sustainability, and is committed to long-term transformation will play a critical role in shaping an organizational culture that is more open and receptive to innovation for a more sustainable future.

The Need to Maintain Profitability

One of the major challenges organizations face in adopting sustainable innovation is how to balance the goal of remaining profitable with the need to invest in solutions that support sustainability. Investments in green technologies, renewable energy, or environmentally friendly processes often require large upfront costs, which can be a concern for companies focused on short-term profits. Organizations often find it difficult to prioritize large expenditures on sustainable solutions when faced with financial and market pressures. This is particularly felt by small and medium-sized companies that may have limited resources to innovate significantly in terms of sustainability.

To address these challenges, organizations can look for ways to increase efficiency in their operations, focusing on reducing waste, increasing productivity, and implementing circular economy principles that focus on reusing, recycling, and reducing waste. For example, implementing more efficient technologies can reduce energy or raw material usage, which in turn can reduce long-term operating costs. Additionally, sustainable innovation can open up new, previously unexplored market opportunities, such as environmentally friendly products becoming more desirable to consumers. This not only creates opportunities for long-term growth and profitability, but also strengthens the company's position in a market that is increasingly focused on sustainability and social responsibility. Thus, investing in sustainable innovation can be a catalyst for healthier and more responsible growth, while helping organizations remain profitable in the long term.

By identifying the challenges faced in the innovation management process and implementing appropriate solutions, organizations can create a solid foundation for achieving long-term sustainability. This will not only strengthen the company's position in facing the dynamics of the global market that increasingly prioritizes social and environmental responsibility, but also provide broad benefits to society and the environment. Sustainability is not only a driving factor in creating economic value, but also a commitment to providing a positive, sustainable impact for future generations. With the right approach, sustainable innovation can connect economic, social and environmental interests, allowing organizations to thrive in harmony with the world around them and play a vital role in creating a better future.

4. Conclusions

This study shows that innovation management has a very important role in supporting organizational sustainability. The key challenges facing many organizations are how to align innovation with existing business strategies, manage the risks associated with major investments in new technologies, and create a culture that supports long-term change. However, organizations can address these challenges by adopting a more flexible approach to risk management, engaging stakeholders in the innovation process, and developing more holistic performance indicators that encompass economic, social, and environmental impacts. In addition, the study emphasizes the importance of a balanced approach between financial goals and the need to invest in sustainable solutions. By leveraging circular economy principles, improving operational efficiency, and exploring new market opportunities arising from sustainable innovation, organizations can maintain profitability while contributing to long-term sustainability goals. Overall, innovation management focused on sustainability will help organizations not only achieve economic benefits but also have a positive impact on society and the environment,

creating sustainable value for future generations

References

- Adams, R., Bessant, J., & Phelps, R. (2006). Innovation management measurement: A review. *International journal of management reviews*, 8(1), 21-47.
- Afuah, A. (2020). Innovation management-strategies, implementation, and profits.
- Bettis, R. A., & Hitt, M. A. (1995). The new competitive landscape. *Strategic management journal*, 16(S1), 7-19.
- Bilton, C., & Cummings, S. (2010). *Creative strategy: reconnecting business and innovation* (Vol. 3). John Wiley & Sons.
- Büschgens, T., Bausch, A., & Balkin, D. B. (2013). Organizational culture and innovation: A meta-analytic review. *Journal of product innovation management*, 30(4), 763-781.
- Distanont, A. (2020). The role of innovation in creating a competitive advantage. *Kasetsart Journal of Social Sciences*, 41(1), 15-21.
- Drucker, P. F. (1999). Knowledge-worker productivity: The biggest challenge. *California management review*, 41(2), 79-94.
- Gambardella, A., & McGahan, A. M. (2010). Business-model innovation: General purpose technologies and their implications for industry structure. *Long range planning*, 43(2-3), 262-271.
- Gupta, A., & McDaniel, J. (2002). Creating competitive advantage by effectively managing knowledge: A framework for knowledge management. *Journal of knowledge Management practice*, 3(2), 40-49.
- Hervani, A. A., Helms, M. M., & Sarkis, J. (2005). Performance measurement for green supply chain management. *Benchmarking: An international journal*, 12(4), 330-353.
- Hjalmarsson, A., & Lind, M. (2011). Challenges in establishing sustainable innovation. *AIS*.
- Hogan, S. J., & Coote, L. V. (2014). Organizational culture, innovation, and performance: A test of Schein's model. *Journal of business research*, 67(8), 1609-1621.
- Hollstein, B. (2011). Qualitative approaches. *The SAGE handbook of social network analysis*, 404-416.
- Kak, A. (2002). Sustainable competitive advantage with core competence: a review. *Global Journal of flexible systems management*, 3(4), 23-38.
- Kokol, I. N. (2023). The Concept and Significance of Sustainability in Strategic Management. *Journal of Islamic Financial Studies*, 83.
- Seebode, D. (2011). Sustainable innovation. *Philips*. Available online: http://www.philips.com/hared/assets/global/sustainability/downloads/sustainable_innovation_paper.pdf (accessed on 21 February 2016).
- Teece, D. J. (1992). Competition, cooperation, and innovation: Organizational arrangements for regimes of rapid technological progress. *Journal of economic behavior & organization*, 18(1), 1-25.
- Teece, D. J. (2007). Explicating dynamic capabilities: the nature and microfoundations of (sustainable) enterprise performance. *Strategic management journal*, 28(13), 1319-1350.
- Teece, D. J. (2010). Business models, business strategy and innovation. *Long range planning*, 43(2-3), 172-194.
- Tidd, J., & Bessant, J. R. (2020). *Managing innovation: integrating technological, market and organizational change*. John Wiley & Sons.
- Watson, R. T., Boudreau, M. C., Chen, A., & Huber, M. (2008). Green IS: Building sustainable business practices. *Information systems*, 17, 17.
- Westergren, U. H. (2011). Opening up innovation: the impact of contextual factors on the co-creation of IT-enabled value adding services within the manufacturing industry. *Information Systems and e-business Management*, 9, 223-245.