

Innovation Measurement During Organizational Constraints: Opportunities and Challenges

Kinga Lundholm-Reinert and Thomas Østergaard

VIA University Collage, Denmark

reinert.kinga@gmail.com

Abstract: Businesses across the world compete to maintain market leadership, with innovation playing a central role in long-term competitiveness, growth, and resilience (Bouncken et al., 2024). For this reason, innovation is also prioritised by institutions such as the European Union through initiatives like the EU Green Deal and the EU Innovation Fund. Despite this, many organisations struggle to measure innovation effectively. Without credible measurement practices, innovation becomes difficult to justify financially, particularly during economic constraint. This study examines how the quality of innovation measurement influences innovation outcomes in a large organisation during financial pressure and governance constraints. Drawing on qualitative interviews, observations, and innovation theory, the findings reveal fragmented definitions of innovation, inconsistent expectations across organisational levels, lack of measurement ownership, and a tendency to deprioritise innovation during financially difficult periods. The study concludes that improving innovation measurement requires structural alignment and outlines recommendations for strengthening innovation processes and making innovation more visible, defensible, and sustainable.

Keywords: Innovation in large Organizations, Sustainable Innovation, Measuring Innovation, The Invincible Company, Innovation in the Green Deal

1. Introduction

Innovation has always been part of human development, but today it has evolved into a structured, strategic, and highly complex organisational activity (Moeller et al. 2008). This shift increases the need for clarity, coordination, and especially measurement, as innovation is now expected to justify investments and demonstrate value. Although innovation is widely recognised as critical, the way organisations measure it remains inconsistent or insufficient. Many companies rely on short-term or output-focused KPIs, which fail to capture the long-term and uncertain nature of innovation. As a result, innovation becomes difficult to justify when budgets tighten. This highlights the central role of measurement in shaping how innovation is prioritised and sustained. Without clear and aligned measurement practices, innovation cannot be effectively communicated or defended. This creates a gap between the intention to pursue continuous innovation and the reality of how it is managed in practice, particularly during periods of constraint.

Many organisations treat innovation as a strategic process embedded in their operations. However, despite this development, innovation remains resource-demanding and must navigate internal structures, hierarchies, and external pressures such as regulations and market conditions.

Especially in times of economic or political uncertainty, innovation becomes vulnerable within existing governance structures and financial pressure conditions. This is evident in cases such as the Danish energy company Ørsted, which faced challenges following changes in the U.S. administration (Mathis, 2025). As highlighted in the literature, innovation is often among the first areas to face budget cuts when organisations experience financial pressure and governance-driven prioritisation decisions.

Innovation typically involves cross-functional collaboration, creating opportunities for knowledge sharing and creative problem-solving. However, as organisations grow, innovation often becomes fragmented and influenced by misalignment, internal politics, and bureaucratic structures (West et al., 2004). This increases the risk that innovation is misunderstood, deprioritised, or reduced to incremental improvements.

These challenges become particularly visible during periods of financial constraint. Based on observations within a large global energy company, innovation activities were among the first to lose funding when cost reductions were required. This reflects a broader pattern where innovation is treated as optional, despite being framed as strategically important.

1.1 Research Question

How does the quality of innovation measurement influence innovation outcomes in large organisations during periods of constraint?

To address this question, the study explores how innovation is understood across organisational levels, how it is currently measured in practice, and how these factors influence innovation outcomes under financial and operational pressure.

2. Methodology

This paper follows a qualitative, exploratory case study design. Since the goal is to understand how innovation is prioritized, measured, and managed in a large organization during times of constraint and financial pressure, a case study approach was considered most suitable, providing in-depth insight into internal organisational processes. It allowed a close examination of one company from within and provided insight into how employees experience innovation work in practice beyond theoretical assumptions and surface-level observations.

The chosen case company is a large, global organization employing approximately 100,000 people worldwide. The perspective is based on one small innovation team of seven employees. The team's primary responsibility was to explore and develop new manufacturing technologies with a focus on improving manufacturability and efficiency of future products. Their work was mainly incremental, with occasional involvement in external innovation initiatives.

Given the single-case design, future research could extend this work by examining multiple organisations or innovation units to enhance comparative understanding and improve transferability of the findings.

2.1 Data Collection

A major source of empirical data was nine months of work experience inside the company's innovation management team. During this time, the researcher was involved in daily activities, projects, meetings, and decision-making processes connected to innovation work. This provided access to internal challenges that would be difficult to capture externally, such as how innovation moved through the organization, who acted as gatekeepers, and how decisions were communicated.

This position made it possible to observe both formal and informal realities, including communication gaps, structural tensions, and cross-functional collaboration in practice. The observation period also covered increasing financial pressure, which ultimately led to the shutdown of the innovation team. These events supported identification of patterns and tensions within the innovation process at a structural level.

Attention was given to periods where innovation was postponed or reduced, including budget cuts and decision-making leading up to withdrawal of support. These observations helped identify conditions under which innovation was no longer perceived as sufficiently valuable during financial constraints.

To complement this, semi-structured interviews were conducted with employees across organisational levels, including innovation specialists, project managers, and leaders involved in strategic decisions. This was essential for understanding how innovation measurement was interpreted and used across the organisation.

Semi-structured interviews provided both structure and flexibility, ensuring comparability while allowing participants to share experiences not visible in formal documentation.

This observational material also functioned as a form of triangulation, supporting and contextualising the interview data within organisational governance and decision-making processes

2.2 Sampling Strategy

Interview participants were selected through purposeful sampling, meaning only employees directly connected to innovation work were included. The sample covered different organisational levels and perspectives on innovation measurement.

Participants were categorised into strategic, tactical, and operational levels. One participant worked with corporate innovation strategy, while another led a team expected to demonstrate measurable innovation value.

The focus was not the number of interviews but diversity of perspectives. A total of four in-depth interviews were conducted, which was considered sufficient given the high level of experience among participants and the emergence of recurring themes across accounts.

2.3 Data Analysis

After data collection, materials were organised and reviewed multiple times to identify initial patterns related to prioritisation, measurement, communication, and financial pressure.

Creswell's inductive coding approach was then applied, where meaningful data units were assigned initial codes and grouped into broader themes. Four key themes emerged:

- misalignment in innovation understanding
- innovation under financial and operational pressure
- tension between exploration and exploitation
- lack of structure and measurement in innovation processes and governance alignment

This approach enabled identification of inconsistencies both across organisational levels and between theory and practice.

To strengthen validity, data triangulation was used by combining interviews with nine months of observation, since the researcher was both participant and observer.

3. Innovation Theory Framework

As this study is an initial sample study of the field, a preliminary 'Snowball' literature review has been performed. The following overview synthesizes key theoretical perspectives on innovation and explains how these theories inform the conceptual framing and empirical research design of the authors work.

The selected theories collectively frame innovation as a multidimensional organizational capability influenced by structure, leadership, measurement systems, team dynamics, and external pressures. The literature highlights that innovation becomes particularly vulnerable during periods of constraint unless organizations possess clear strategic alignment and credible measurement practices. The empirical research design is therefore informed by these theoretical positions. Adams, Bessant and Phelps (2017) together with Björk, Frishammar and Sundström (2023) guide the investigation of innovation measurement quality, organizational alignment, and KPI practices. Acar, Tarakci and van Knippenberg (2019) inform the analysis of how constraints may simultaneously suppress and stimulate innovation under financial pressure. West et al. (2004; 2006) contribute a socio-organizational perspective emphasizing psychological climate, collaboration, and implementation challenges.

The empirical study therefore proposes semi-structured interviews with innovation managers, middle managers, operational employees, and executive leadership within a large organization experiencing financial or operational pressure. Observations of meetings, innovation processes, and decision-making structures would help identify how innovation is prioritized or deprioritized in practice. Document analysis of KPI systems, strategic reports, innovation frameworks, and budgeting processes would further support the investigation of how innovation becomes measurable, defensible, or marginalized during periods of constraint.

Together, the theoretical framework positions innovation measurement not as a neutral technical activity, but as a political and organizational mechanism shaping whether innovation survives during uncertainty.

However, all the authors agree on the importance and impeding necessity of performing innovation in organizations. This study on the contrary shows that even so, the innovation department in the case-organization analyzed here is fragile and subject to closure in times of crises. The various positions has been used to understand and explore the expressed perceptions of innovation in the case-study.

Table 1: Innovation Theory Overview.

Perception of Innovation	Theoretical Ideal / Definition	Organizational Premises	Challenges & Opportunities
Moeller, Stolla, and Doujak (2008)	Defined as a strategic, long-term organizational discipline in which innovation is embedded into management and business development processes rather than treated as isolated creativity.	Innovation requires intentional structures, managerial commitment, dedicated resources, and explicit strategies. Innovation must be organizationally legitimized and connected to long-term planning.	Structured incentives and organizational support can encourage innovation and continuity. However, overly rigid systems, excessive control, and bureaucratic processes may suppress experimentation and reduce innovative flexibility.
Acar, Tarakci, and van Knippenberg (2019)	Innovation is stimulated through productive constraints. Constraints are not necessarily barriers, but can increase focus, creativity, and problem-solving capability when managed constructively.	Organizations should create environments where limitations are strategically framed rather than avoided. Scarcity, deadlines, and restrictions can motivate teams to rethink assumptions and generate unconventional solutions.	Constraints may increase creativity, agility, and resource efficiency. However, excessive pressure, lack of psychological safety, or unrealistic constraints can reduce experimentation and discourage innovative risk-taking.
Adams, Bessant and Phelps (2017)	Innovation is a measurable organizational capability that must be assessed systematically across processes, culture, strategy, and outcomes rather than only through financial KPIs or product outputs.	Organizations need integrated innovation measurement systems aligned across departments and management levels. Innovation metrics should include learning processes, collaboration, capabilities, and long-term value creation.	Better measurement practices improve strategic alignment, accountability, and legitimacy of innovation investments. However, organizations often struggle with fragmented metrics, unclear ownership, and overreliance on short-term indicators.
Björk, Frishammar, and Sundström (2023)	Innovation measurement is a dynamic and contextual process requiring multiple complementary indicators rather than singular universal metrics.	Organizations should adopt flexible and multidimensional measurement systems adapted to strategic goals and innovation maturity.	Effective measurement can strengthen innovation performance and strategic prioritization. Poor measurement systems may distort innovation activities or create uncertainty regarding innovation value.
Bouncken, Aslam, Dragoi, Bogers and Kraus (2024)	Innovation is closely linked to entrepreneurial orientation and strategic adaptability.	Organizations require innovation strategies that support openness, collaboration, entrepreneurial thinking, and cross-functional integration.	Strong innovation strategies can enhance organizational performance and competitiveness. However, innovation may weaken if organizational strategy lacks alignment or measurable direction.
West, Sacramento and Fay (2006)	Innovation emerges through the interaction between creativity, team processes, and implementation capability.	Organizations need psychologically safe environments, collaborative work groups, supportive leadership, and sufficient autonomy for innovation implementation.	Moderate levels of challenge may stimulate innovation, while excessive demands or stress may reduce collaboration and implementation quality.
West et al. (2004)	Innovation is both a psychological and organizational phenomenon involving idea generation, implementation, and collective learning.	Organizations should foster participative leadership, interdisciplinary collaboration, trust, communication, and cultures supportive of experimentation.	Innovation benefits from collaborative and learning-oriented cultures. However, hierarchy and bureaucracy may inhibit creativity and implementation.

3.1 Innovation as a Strategic Organizational Process and its Scalability

As a foundation for understanding innovation in large organizations, a range of theoretical perspectives were reviewed. (Moeller, Stolla, & Doujak, 2008) argue that innovation should be seen as a strategic, long-term organizational discipline - not as a random creative spark or occasional coincidence. According to them, innovation requires intentional structures: managerial commitment, dedicated resources, and explicit strategies for transforming ideas into value. However, they also point out that these very structures can sometimes work against innovation when managed poorly. In such cases, promising ideas may be overlooked, blocked, or simply never supported.

To illustrate this, the authors describe situations where following the established structure was actually harmful to innovation. They highlight exceptions—such as the well-known Apple example—where an idea owner bypassed the formal process and directly contacted Steve Jobs after being rejected by the system. Because the idea received approval at the top level, it ultimately influenced Apple's strategic direction. This example shows that formal innovation processes alone are not always sufficient; organizations also require a certain level of flexibility and leadership willingness to support unconventional or disruptive ideas.

Another important point raised by Moeller, Stolla and Doujak, is that innovation becomes significantly more complex as organizations grow. Scale introduces hierarchy, bureaucracy, compliance demands, and additional layers of decision-making. These factors can slow down innovation or shift it into a more controlled and risk-averse process. In this environment, incremental innovation tends to dominate, as it is easier to justify, measure, and integrate into standardized structures. At the same time, incremental innovation is often the first to be cut during financially difficult periods, as it lacks immediate or clearly visible payoff.

This view aligns with West et al. (2004), who emphasize the social side of innovation. As organizations grow, silo mentality, communication barriers, and conflicting priorities make collaboration more difficult. Even cross-functional teams, which are often popularized as innovation drivers, may struggle due to differences in language, expertise, and expectations. West et al. also highlight that psychological conditions, such as: trust, autonomy, shared ownership are just as crucial as structural settings.

Reviewing these two theoretical strands created a baseline for understanding innovation in large organizations. They supported the interpretation of observations from the case company by providing a reference point for identifying recurring barriers, delays, and misunderstandings in innovation work. These could then be related back to the structural and social factors described by the authors. Adding a measurement lens to this perspective made it possible to examine whether more appropriate or aligned innovation metrics could better support innovation within such complex systems.

3.2 Innovation Under Constraints: Budgeting, Prioritization and Financial Vulnerability

Although innovation is widely recognized as essential for long-term competitiveness, it is also highly vulnerable when companies face uncertainty and financial pressure under governance-driven prioritisation frameworks. Traditional corporate budgeting tools prioritize predictability, operational efficiency, and short-term financial outcomes—all of which conflict with the experimental and uncertain nature of innovation. To better understand different approaches to financing innovation, multiple theoretical perspectives were reviewed.

Denning (Forbes) argues that standard budgeting logic is fundamentally incompatible with innovation, as innovation often depends on iteration, learning, and uncertainty. Strict financial cycles typically leave little room for the unpredictable nature of innovative work. Similarly, literature from Harvard Business School suggests that although budgeting is essential for control, it often constrains experimentation and long-term exploration.

On the other hand, Acar, Tarakci, and van Knippenberg (2019) show that constraints can stimulate creativity, but only when supported by autonomy, intrinsic motivation, and psychological safety. In practice, however, constraints in large organizations more often result in reductions in staffing, time, or funding rather than supportive boundaries. As a result, organizations may unintentionally weaken their innovation capabilities precisely when long-term thinking is most needed.

Additionally, Christensen, Kaufman, and Shih (2010) add another dimension to this discussion. They argue that traditional financial tools (NPV, DCF, ROI, etc.) systematically undervalue innovation—especially disruptive innovation—because they are based on assumptions of predictability and stable markets. These tools were not designed for long-term or uncertain projects, yet they remain central to decision-making processes. This creates

a structural bias, where innovation may appear too risky, too slow, or too costly on paper, despite its potential long-term value.

Taken together, these theoretical perspectives supported the interpretation of both the interviews and the case company's situation. They made it possible to examine whether the quality of measurement could reduce the vulnerability of innovation under constraints—for example, by making value more visible, clarifying purpose, or strengthening alignment between innovation teams and upper management.

3.3 Complexity of Innovation Measurements

Since this paper focuses on the role of innovation measurement and its influence on outcomes, it was important to review theoretical work specifically addressing this area.

Despite the expertise of innovation management, many organizations still struggle to define what innovation measurement should actually capture. Because innovation is uncertain, long-term, and often quite risky, its outcomes are not always financially visible in early stages.

Björk, Frishammar, and Sundström (2023) describe this challenge clearly. They argue that companies often rely on output metrics (like number of new products, patents, or savings) while ignoring learning-based or capability-building indicators. When measurements focus only on visible results, innovation becomes reduced to something like a reporting tool—rather than a strategic process of exploration.

They further emphasize that innovation measurement must be strongly aligned with strategy and context. Without shared understanding across roles—executives, managers, innovation teams—measurement becomes misaligned, misunderstood, or even weaponized. When this happens, innovation appears either as a cost or a risk, making it easy to deprioritize during financial pressure.

Because this paper asks:

- “How does the quality of innovation measurement influence innovation outcomes in large organizations during periods of constraint?”

these theoretical perspectives are particularly relevant, as they help explain how measurement quality shapes innovation outcomes under conditions of uncertainty and financial pressure. They illustrate how misalignment in measurement systems can increase the vulnerability of innovation by affecting how it is interpreted, prioritised, and justified across organisational levels.

Taken together, the theories suggest that improving measurement quality is not only a matter of clarity, but may also strengthen the position of innovation during constrained periods by making its value more visible, supporting more informed decision-making, and improving alignment between strategic and operational levels.

These theoretical perspectives help explain why innovation—although very often celebrated across companies and strategically important—often becomes misunderstood, constrained, or deprioritized in large organizations. Strategic ambition, structural complexity, silos, inside politics, financial pressure, and measurement misalignment create a paradox: innovation is praised in theory but vulnerable in practice.

For this article, these theories support the methodological choices by providing a lens through which interview narratives and organizational observations can be interpreted. They make it possible to analyze not only “what happened” in the case company, but also why these dynamics might have occurred. Finally, they help position measurement as a potential lever for strengthening innovation resilience, improving communication between organizational levels, and supporting innovation in periods when it is most at risk.

4. Analysis

The analysis follows a qualitative approach inspired by Creswell, where interview data and observations were coded and grouped into themes. These themes reflect recurring patterns across organisational levels and allow for a structured understanding of how innovation is interpreted, practiced, and evaluated.

The insights developed in this chapter address the sub-questions and contribute to answering the main research question:

- How does the quality of innovation measurement influence innovation outcomes in large organisations during periods of constraint?

The following sections should be read in conjunction with Table 3, which summarises the key findings across organisational levels for each theme.

Table 2: Overview of Interview Insights Across Organisational Levels.

Theme	Strategic Manager	Middle Manager	Operational Manager	Innovation Manager
Misalignment in Innovation Understanding	"Another zone which is innovation... which can work independently."	Innovation seen as difficult to justify and as "extra work"	"We need to go sort of with the flow and shape our processes along the way."	"Some do, many don't." – On if people across organization understand what innovation means.
Innovation Under Financial Pressure	Innovation should be protected from short-term financial comparison	"I didn't have a business argument having a full team... that's how I made that decision."	Innovation not prioritised due to operational KPIs and workload	Innovation described as vulnerable and easily deprioritised
Exploration vs. Exploitation Tension	Focus on long-term growth and opportunity creation	Focus on short-term performance and delivery targets	"There are (processes)... but specifically innovation, there is not... we go with the flow."	Early-stage innovation lacks visibility and support
Lack of Structure, Governance, and Measurement	No clear system to evaluate innovation consistently	Unclear how innovation is measured or reported	No formal process; inconsistent approaches across teams	"You don't measure it... and that's the problem."

4.1 Misalignment in Innovation Understanding Across Organisational Levels

Innovation is not only a technical or procedural activity; it is shaped by people's assumptions, expectations, and mental models. The interviews and observations highlighted that innovation is not a shared concept. Instead, it carries different meanings, levels of importance, and perceived risks depending on one's position in the organisational hierarchy.

One of the clearest findings from the data is that the meaning of innovation shifts drastically across levels. There is no shared definition, no unified understanding of its purpose, and no common approach to carrying it out. This reflects how innovation responsibilities in large organisations are fragmented, leading to inconsistent expectations and competing priorities.

At the strategic level, innovation is framed as a driver of long-term growth and new opportunities. It is understood as an activity that should be protected in the budgeting process. This reflects innovation as a long-term investment that requires autonomy and protection from short-term pressures.

In contrast, middle management perspectives are more constrained. Innovation is acknowledged as relevant but is framed as an operational cost, especially during financially challenging periods. It is perceived as additional work and becomes difficult to justify when clear business arguments are required.

At the operational level, innovation is described as lacking a clear process, requiring teams to shape their approach as they go. It is often reframed as cost optimisation rather than strategic growth.

From the innovation management perspective, innovation work is described as vulnerable and often misunderstood across the organisation, with limited shared understanding between functions.

Observations further support these differences. At the operational level, innovation is typically understood as process improvement. Employees often see it as additional work rather than part of their core responsibilities, and it is not prioritised during periods of high workload. Innovation initiatives are also experienced as unclear due to inconsistent communication, shifting platforms, and undefined processes.

Overall, innovation is interpreted differently across organisational levels, leading to a fragmented understanding that directly influences how it is prioritised, supported, and evaluated.

4.2 Innovation Under Financial and Operational Pressure

Across interviews and observations, innovation consistently appears vulnerable in financial constraint and operational pressure.

At the middle management level, innovation is often deprioritised when resources are limited. It is seen as additional work that competes with delivery responsibilities and becomes difficult to justify when immediate results are required. This was evident in the closure of an innovation team following budget constraints, despite recognition of its value.

Operational teams are measured on delivery, cost, quality, and safety, with no formal indicators related to innovation. As a result, innovation is not prioritised in daily work, particularly when workloads are high.

Observations also showed that when financial pressure increased, innovation activities were among the first to be affected. Innovation projects were shut down without explanation, feedback, or evaluation. The teams involved were not informed about the reasoning behind these decisions, and no learning process followed.

This suggests that innovation is not sufficiently embedded in decision-making structures to withstand financial pressure. Instead, it is treated as a flexible activity that can be paused or removed when constraints arise.

4.3 Tension Between Exploration and Exploitation in Innovation Activities

A clear tension exists between long-term innovation activities and short-term priorities. At the strategic level, innovation is positioned as future-oriented and growth-driven. However, this perspective is not consistently translated into operational practice. Middle managers are structurally incentivised to focus on short-term performance, which creates a disconnect between long-term innovation ambitions and daily decision-making.

This tension is also visible in how innovation is evaluated. At higher organisational levels, innovation performance is associated with measurable outcomes such as signed agreements, external funding, and customer traction. These indicators focus on results that are close to market implementation.

At the same time, early-stage innovation activities such as experimentation, learning, and idea development are not systematically captured. As a result, only projects that reach a certain level of maturity become visible, while exploratory work remains unmeasured.

This creates a situation where innovation is expected to deliver long-term value but is primarily evaluated based on short-term, outcome-oriented criteria.

4.4 Lack of Structure, Governance, and Measurement in Innovation Processes

The analysis shows that the organisation lacks a coherent system for monitoring and measuring innovation. Interviews revealed that managers responsible for innovation could not identify consistent metrics used to evaluate performance. In several cases, they indicated uncertainty regarding how innovation was being measured, or whether it was measured at all.

Innovation work is often reported through informal updates, but these do not feed into a structured system. There is no shared definition of innovation performance, no consistent evaluation criteria, and no common reporting framework.

At the same time, different parts of the organisation use different approaches. Some areas rely on indicators such as signed projects, external funding, or customer agreements, while others have no formal measurement at all. This results in fragmented and inconsistent evaluation practices.

The absence of a shared innovation process further complicates measurement. Teams follow different methods or define their approach as they go, making it difficult to track progress or compare outcomes across projects.

Communication gaps reinforce this issue. Teams are often unaware of what is expected from them in terms of reporting, and management does not consistently communicate how innovation success is evaluated. This leads to situations where innovation work becomes invisible within the organisation.

In addition, information silos limit knowledge sharing. Teams do not consistently share progress or learnings, which results in duplicated work and fragmented insights.

Finally, ownership of innovation is unclear. No single function is responsible for defining KPIs, governing measurement processes, or ensuring accountability. Without ownership, measurement remains inconsistent and underdeveloped.

Overall, the lack of structure, clarity, and alignment makes it difficult for the organisation to measure innovation effectively. As a result, innovation activities remain difficult to evaluate, compare, and justify — particularly in periods of financial constraint.

5. Discussion

Based on the findings, the consequences of weak measurement practices became clear, enabling a direct answer to the research question:

How does the quality of innovation measurement influence innovation outcomes in large organisations during periods of constraint?

The analysis showed that innovation measurement cannot function effectively without foundational elements such as shared definitions, clear processes, communication structures, ownership, and strategic direction. When these are weak, measurement becomes fragmented or absent, negatively affecting innovation outcomes—especially during financially constrained periods.

5.1 A Lack of Innovation Outcomes or Reduced Output

During financial pressure, innovation is the first area to be cut because its metrics fail to demonstrate value beyond cost. Without defined performance indicators, teams cannot communicate their contribution or defend ongoing activities.

Early-stage projects are frequently shut down before reaching maturity—not due to lack of value, but due to inability to measure it.

Outcome: A reduced or empty innovation pipeline, fewer prototypes, fewer experiments, limited learning. In practice, this can result in no innovation outcomes during periods of constraint.

5.2 Low Innovation Performance

When innovation is not clearly measured or communicated, decision-makers cannot identify high-potential projects. Prioritisation becomes inconsistent and is often based on cost rather than strategic value or learning potential.

Outcome: Low innovation performance, misaligned priorities, and decisions focused on short-term savings rather than long-term value creation.

5.3 Decreased Organisational Innovation Capability

When measurement focuses on traditional KPIs such as cost optimisation rather than learning, progress, or capability-building, the organisation loses its ability to develop future innovation capacity. Without learning loops and experimentation, teams do not evolve.

Outcome: Weakened innovation capability, reduced skill development, and limited mechanisms for continuous improvement—ultimately reducing competitiveness.

5.4 Loss of Innovation Legitimacy

When innovation is evaluated mainly through cost metrics, it becomes perceived as a financial burden rather than a strategic investment. Motivation declines, and innovation loses influence in decision-making.

Outcome: Innovation is seen as non-essential, loses strategic importance, and struggles to justify its existence.

5.5 Explore: Exploit imbalance

Without frameworks distinguishing between Explore and Exploit activities, organisations tend to prioritise low-risk, short-term improvements.

Outcome: Incremental innovation dominates, while radical innovation is deprioritised, increasing organisational risk-aversion over time.

In summary, weak measurement practices shape innovation outcomes by reducing output, lowering performance, weakening capabilities, and shifting focus toward exploitation. During financial constraint, this makes innovation vulnerable and unable to demonstrate value or secure resources.

If innovation is not measured properly, organisations cannot expect strong or consistent outcomes.

6. Conclusions

Based on the findings from interviews, observations, and theory, which revealed weaknesses in innovation foundations, measurement systems, and outcomes, the following recommendations are proposed.

These aim to support the development of an innovation function that is understood, strategically prioritised, and able to demonstrate value—especially during financially constrained periods. The recommendations align with Strategyzer frameworks such as the Innovation Metrics Matrix and Explore–Exploit principles.

6.1 Strengthen Innovation Measurement Foundations

A shared and clearly understood measurement framework is essential for improving innovation performance. It ensures that innovation is seen as value creation rather than cost, and that outcomes are comparable across teams.

Distinguishing between Explore and Exploit activities is particularly important, as they differ in purpose and timelines. Early-stage initiatives should be measured using learning-based indicators rather than financial KPIs, to avoid premature termination of projects that have not yet matured.

6.2 Establish an Innovation Governance Structure

A clear governance structure is necessary to ensure consistent and transparent handling of innovation activities. A dedicated group or board can oversee initiatives, standardise evaluation criteria, and reduce reliance on subjective managerial decisions.

This becomes especially important during financial pressure, where structured governance enables more objective decision-making.

6.3 Involve Financial Stakeholders and Customers Early

Early involvement of financial stakeholders and customers strengthens alignment and reduces misunderstandings. It also allows organisations to apply more appropriate evaluation models, such as cost-to-learn or option-based value.

Training financial decision-makers in innovation logic can support more balanced and informed investment decisions.

6.4 Adapt Innovation Activities During Constraints

Innovation teams should be informed early about financial or structural changes. This allows them to adapt their scope instead of being shut down entirely.

Smaller-scale experiments, reduced-cost initiatives, and external funding options can maintain progress during constraints. Measurement expectations should also adjust accordingly, reflecting limited resources and exploratory conditions.

6.5 Clarify Innovation Structure and Definition

A shared definition of innovation is necessary to reduce confusion across the organisation. This includes clarifying what innovation includes, how it differs from optimisation, and where it applies.

Additionally, aligning tools, platforms, and processes reduces friction and improves participation. A coherent structure supports innovation as a stable strategic capability rather than a temporary function.

6.6 Strengthen Cross-organisational Alignment

Innovation should be integrated across organisational levels through shared platforms and transparent communication. This reduces silos, prevents duplication, and improves knowledge sharing.

Regular reviews, clear measurement logic, and accessible dashboards can improve alignment, transparency, and engagement.

These recommendations support the development of a more structured, measurable, and strategically anchored innovation system.

By improving measurement quality, organisations can better communicate value, align decision-making, and protect innovation during periods of uncertainty—strengthening long-term resilience and competitiveness.

Ethics Declaration

This study was conducted in accordance with general ethical research principles. The research did not require formal ethical approval, as it did not involve sensitive personal data, vulnerable populations, or interventions.

All participants were informed about the purpose of the study and participated voluntarily. No identifiable personal or organisational information has been disclosed. The case company remains anonymous, and all data has been handled with confidentiality and used solely for academic purposes.

AI Declaration

Artificial Intelligence (AI) tools, specifically ChatGPT, were used as a supportive tool in the preparation of this paper. The use of AI was limited to language refinement, including grammar correction, sentence restructuring, and improving clarity.

References

- Acar, O. A., Tarakci, M., & van Knippenberg, D. (2019). Why constraints are good for innovation. *Harvard Business Review*. <https://hbr.org/2019/11/why-constraints-are-good-for-innovation>
- Adams, R., Bessant, J., & Phelps, R. (2017). Creating better innovation measurement practices. *Research-Technology Management*, 60(1), 43–52.
- Björk, J., Frishammar, J., & Sundström, L. (2023). Measuring innovation effectively—Nine critical lessons. *Research-Technology Management*, 66(2), 17–27. <https://doi.org/10.1080/08956308.2022.2151232>
- Bouncken, R. B., Aslam, U., Dragoi, G., Bogers, M., & Kraus, S. (2024). The role of innovation strategy in enhancing entrepreneurial orientation and organizational performance. *Innovation & Entrepreneurship*. <https://doi.org/10.1186/s13731-024-00381-9>
- Creswell, J. W. (2014). *Research design: Qualitative, quantitative, and mixed methods approaches* (4th ed.). Sage Publications.
- Dansk Industri. (2024). Navigating EU funding for green innovation – A guide by Danish Industry.
- Denning, S. (2019, April 28). Why budgeting cripples agile and innovation. *Forbes*. <https://www.forbes.com/sites/stevedenning/2019/04/28/why-budgeting-cripples-agile-and-innovation/>
- European Commission. (2020). The European Green Deal. https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en
- Galbraith, J. R. (1999). Designing the innovating organization. Center for Effective Organizations, University of Southern California. https://ceo.usc.edu/wp-content/uploads/1999/03/1999_07-g99_7-Designing_Innovating_Org.pdf
- Harvard Business School Online. (n.d.). Why is budgeting important in business? 5 reasons. <https://online.hbs.edu/blog/post/importance-of-budgeting-in-business>
- Jagran Josh. (2024). First invention of the world. <https://www.jagranjosh.com/general-knowledge/first-invention-of-the-world-1820002488-1>
- Mathis, W. (2025, August 25). Orsted faces growing crisis after Trump halts work at wind farm. *Energy Connects*. <https://www.energyconnects.com/news/renewables/2025/august/orsted-faces-growing-crisis-after-trump-halts-work-at-wind-farm/>
- Menzel, H.-C. (2007). On the way to creativity: Engineers as intrapreneurs in large firms. *Technovation*, 27(11), 676–686.
- Moeller, M., Stolla, C., & Doujak, A. (2008). Strategic innovation: Building new growth businesses. Neuwaldegg.
- West, M. A., Sacramento, C. A., & Fay, D. (2006). Creativity and innovation implementation in work groups: The paradoxical role of demands. *European Journal of Work and Organizational Psychology*, 15(3), 183–205.

West, M. A., et al. (2004). Innovation and creativity at work: Psychological and organizational strategies.
1st Mile. (n.d.). EU's Innovation Fund. <https://1stmile.dk/eus-innovation-fund/>