

# LEADERSHIP CAPABILITIES AND INNOVATION PERFORMANCE, A LITERATURE REVIEW

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**Abstract.** In the current VUCA era, change leaders are needed who are expected to be able to adapt to various forms of uncertainty and dynamics of the organization's future. The internal and external dynamics of an organization are an absolute must to pay attention to and continuously update the organization's business strategy. Change leaders need competency to adapt to future uncertainty, namely dynamic capability. Organizations need to be supported by innovation performance to remain superior to others. The research aim is to determine the competencies that leaders must have to be able to work dynamically and identify the factors that influence innovation performance. The method used was a literature review of articles with the theme dynamic capabilities and innovation performance and interviews with respondents in the category of change leaders. The results of this research show that the capabilities that change leaders must have are digital capabilities, dynamic capabilities, flexibility working capabilities, environmental orientation capabilities and adaptive leadership capabilities. And the variables used to assess innovation performance in organizations are digital firm innovativeness, organizational performance, organizational sustainability, innovation performance.

**Keywords:** capabilities, human resources management, innovative performance, leadership, management.

## I. INTRODUCTION

According to David Teece, Gary Pisano, and Amy Shuen in 1997, Dynamic Capabilities is defined as an organization's ability to integrate, build and reconfigure internal competencies in the face of rapid environmental change. Innovation performance was proposed by Joseph Schumpeter, who introduced the concept of innovation and its role in the economic process. In this theory, Teece emphasizes that dynamic capabilities include an organization's ability to build, change, and configure resources to adapt to market changes. Apart from Teece, other researchers such as Gary Pisano and Amy Shuen also contributed to the development of this concept, highlighting the importance of innovation and collaboration in creating dynamic capabilities.

According to Joseph Schumpeter, innovation performance can be understood in the context of the role of innovation as a driving force for economic development. Schumpeter identified innovation as a key element that can create added value and disrupt markets through what he called "creative destruction." According to Schumpeter, innovation performance is not only about the results of the innovation itself but also about its impact on market structure and the economy as a whole. Innovation performance is defined as a measure of the extent to which an organization has succeeded in creating and implementing innovations that produce added value, whether in the form of products, services or processes. The scope of innovation performance includes the number, impact, efficiency and sustainability of innovation.

As the Ministry of Communications and Digital which has the function of being a regulator in the digital sector, dynamism and agility in mindset, knowledge and work activities are things that must be carried out continuously.

## II. RESEARCH METHODS

The methods used in this research are literature review and interviews. The literature review was carried out by collecting data from articles on the theme of leader capability and organizational performance. The article is taken from the Emerald Insight platform with the keywords: capability, leadership, innovation performance, management and human resource management. A total of 791 articles were obtained, an analysis of the title and research model was carried out and a total of 116 articles were found which were assessed as appropriate to the theme of this research. Next, the time scope was narrowed to the last five years, namely 2019 to 2024. 36 articles that match the theme and span the last five years, 36 of these articles were reviewed.

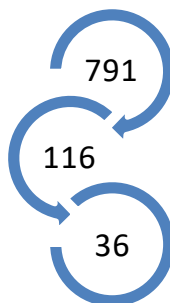
Data collection was also carried out through interviews with eight communications and digital ministry employees, who were representatives of the central organizational unit. Interviews were conducted by asking two questions and the answers were open-ended. The first question is about what capabilities are needed for a change leader in today's digital era? The second question is, in your opinion, what can be seen from the successful implementation of innovation? From the

article data, 36 articles were analyzed for the independent variable, leadership capability, which was inventoried and grouped according to capability groups. The dependent variable is analyzed which is related to innovation, performance and innovation performance. Data from interviews were analyzed and grouped based on capability, innovation, performance and innovation performance.

**III. RESULT AND DISCUSSION**

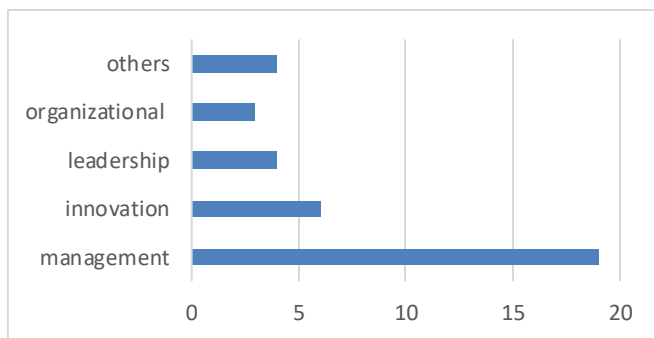
The results of the analysis of articles on the theme of leadership capability and innovation performance from the scope of numbers articles, journal publication and year of publication, are illustrated as follows:

Table 1. Numbers of Articles



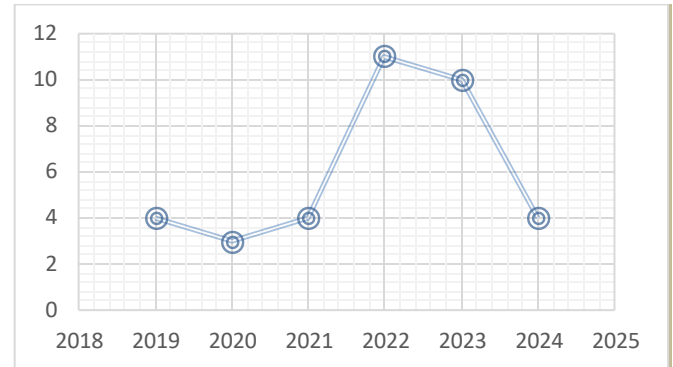
A total of 791 articles were obtained from the Emerald Insight platform, the titles and models were analyzed according to the theme of 116 articles, and limited to the last five years, namely from 2019 to 2024, to 36 articles.

Table 2. Scope of Journal Publisher



Of the 36 articles analyzed, the scope of the article publishing journal was: 19 management, 6 innovation, 4 leadership, 3 organization and 4 other articles. Most articles are published by journals within the scope of management, innovation and leadership.

Table 3. Year of Publication



The most articles published in the last five years were published in 2022 with 11 articles, in 2023 with 10 articles, in 2019, 2021 and 2024 each with 4 articles and in 2020 with 3 articles. As a result of the review of 36 articles on the theme of leadership capability for the independent variable and innovation performance for the dependent variable, information was obtained according to the following table:

Table 4. Literature Review Independent Variables

Data Leadership Capabilities

Data	Leadership Capabilities
36 articles	entrepreneurial competencies, digital capabilities, future competencies, dynamic managerial capabilities, human capital management capabilities, knowledge management capabilities, flexibility working capabilities, innovative capabilities, emotional intelligence competencies, dynamic capabilities, empowering capabilities, inclusive leadership capabilities, collaboration capabilities, power sharing capabilities, environmental orientation capabilities, adaptive leadership capability.

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A total of 16 leadership capability variables were used in the 36 articles reviewed. Leadership capability theory was proposed by David A. Garvin and Michael A. Roberto in the context of developing and managing effective leadership capabilities in organizations. They suggest that effective leadership involves a combination of knowledge, skills, and the ability to adapt to changing situations. Of the 16 leadership capabilities obtained, some capabilities that influence organizational performance and innovation performance, namely: digital capabilities, dynamic capabilities, flexibility working capabilities, environmental orientation capabilities and adaptive leadership capabilities.

**Table 5. Literature Review Dependent Variables**

Data Innovation performance measuring tools	
Data	Innovation performance measuring tools
36 articles	digital firm innovativeness, organizational performance, organizational sustainability, innovation performance, leadership effectiveness, organizational learning, climate of innovation, social innovation.

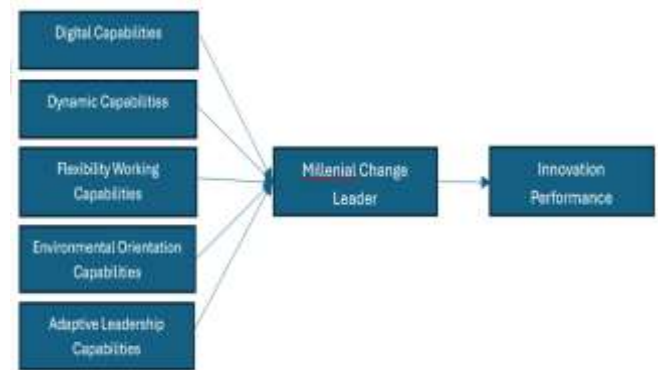
36 articles on digital firm innovativeness, organizational performance, organizational sustainability, innovation performance, leadership effectiveness, organizational learning, the climate of innovation and social innovation. Of the 36 articles, an analysis of the dependent variable related to measuring innovation performance was carried out. A total of 8 variables were obtained. Tushman and O'Reilly developed a theory linking innovation performance to an organization's ability to balance exploration and exploitation in innovation. Exploration focuses on seeking new opportunities through experimentation and creativity, while exploitation involves using existing knowledge to increase efficiency. Relevance for innovation performance, organizations that can balance exploration and exploitation have a greater chance of succeeding in creating impactful innovations and sustaining long-term performance. Of the 8 variables obtained, an analysis was carried out on which was most related to innovation performance: digital firm innovativeness, organizational performance, organizational sustainability, innovation performance. The results of interviews with 8 communications and digital ministry employees obtained the following results:

**Table 6. The Results of Interviews**

Respondens	Q1 : What capabilities do change leaders need to have in today's digital era?	Q2 : In your opinion, where can the impact of successful innovation be seen?
Responden 1	digital capabilities	organizational performance
Responden 2	flexibilities working capabilities	innovation performance
Responden 3	adaptive capabilities	HR welfare and organizational performance
Responden 4	dynamic capabilities	innovation performance
Responden 5	innovation capabilities	effective and efficient work time
Responden 6	digital capabilities	HR and organizational performance
Responden 7	colaborative capabilities	Innovation performance
Responden 8	dynamic and adaptive capabilities	organizational performance

From the interview results, the majority of information was obtained the same as the research variables in the article that have been analyzed, namely the capabilities that change leaders must have in this digital era are digital capabilities, adaptive capabilities, dynamic capabilities, innovation capabilities and flexibility working capabilities. And the level of innovation success can be seen in innovation performance and organizational performance. Based on the overall analysis of both review literature and interviews, a research model on leadership capability and innovation performance can be formulated as follows:

**Table 7. Research Model**



This model is the result of analysis and modification of information from literature reviews and interviews conducted, then a model was formulated by including a new variable, namely millennial change leader. Millennial change leaders are a picture of current strategic leadership, the leadership level in organizations is mostly filled by the millennial generation who are appointed as change leaders. Can be tested for the influence of the independent variable, namely digital capabilities, dynamic capabilities, flexibility working capabilities, environment orientation capabilities, and adaptive leadership capabilities on the dependent variable, namely innovation performance through or mediated by the variable millennial change leader.

**IV. CONCLUSIONS**

From the literature analysis, theoretical studies and interviews that have been conducted, it can be concluded that the capabilities needed by change leaders today are digital capabilities, dynamic capabilities, flexible working capabilities, environmental orientation capabilities and adaptive leadership capabilities and the success of innovation can be seen from digital firm innovativeness, organizational performance, organizational sustainability, innovation performance. A new research model was also formulated with a pattern of testing the influence of variables digital capabilities, dynamic capabilities, flexibility working capabilities, environment orientation capabilities, and adaptive leadership capabilities on the dependent variable, namely innovation performance through or mediated by the variable millennial change leader.

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