

Diagnosing Internal Innovation Capability in Non-Food FMCG Product Development

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ABSTRACT

Tujuan – Studi ini meneliti bagaimana kemampuan inovasi internal mendukung pengembangan produk baru (NPD) dan mengidentifikasi kesenjangan kemampuan yang membatasi pelaksanaan di industri barang konsumsi cepat saji (FMCG) non-makanan di Indonesia. **Desain/metodologi** – Studi ini menggunakan desain kuantitatif deskriptif dan benchmarking lintas perusahaan. Data survei dikumpulkan dari 49 praktisi yang terlibat dalam NPD di tiga perusahaan FMCG non-makanan anonim: perusahaan fokus, PT GCG, dan dua perusahaan benchmark, GCA dan GCB. Sepuluh komponen kemampuan dikelompokkan menjadi dua lapisan - fondasi organisasi dan pelaksanaan manajerial. Skor dinormalisasi ke skala 0-1 dan dirata-ratakan untuk membentuk Indeks Kemampuan Internal (ICI). **Temuan** - PT GCG mencatat ICI sebesar 0,506, menempatkannya dalam kelompok kemampuan moderat, di bawah GCA (0,812; sangat baik) dan GCB (0,709; baik). Skor absolut terlemahnya adalah pengembangan konsep (0,412), jaringan eksternal (0,426), dan manajemen pengetahuan (0,441). Relatif terhadap tolok ukur rata-rata, kesenjangan terbesar muncul pada struktur organisasi, keselarasan strategis, dan pengembangan konsep. Pengembangan konsep muncul dalam kedua pandangan diagnostik, menjadikannya prioritas yang paling jelas. Temuan menunjukkan bahwa skor agregat tunggal berguna untuk penentuan posisi, tetapi tidak cukup untuk tindakan. Menggabungkan kelemahan absolut dengan kesenjangan tolok ukur menghasilkan dasar yang lebih praktis untuk peningkatan kemampuan.

Purpose – This study examines how internal innovation capabilities support new product development (NPD) and identifies the capability gaps that constrain execution in Indonesia's non-food fast-moving consumer goods (FMCG) industry. **Design/methodology** – The study uses a descriptive quantitative design and cross-company benchmarking. Survey data were collected from 49 practitioners involved in NPD across three anonymized non-food FMCG companies: the focal company, PT GCG, and two benchmark companies, GCA and GCB. Ten capability components were grouped into two layers - organizational foundation and managerial execution. The scores were normalized to a 0-1 scale and averaged to form the Internal Capability Index (ICI). **Findings**- PT GCG recorded an ICI of 0.506, placing it in the moderate capability band, below GCA (0.812; very good) and GCB (0.709; good). Its weakest absolute scores were concept development (0.412), external networks (0.426), and knowledge management (0.441). Relative to the average benchmark, the largest gaps appear in organizational structure, strategic alignment, and concept development. Concept development emerged in both diagnostic views, making it the clearest priority. The findings show that a single aggregate score is useful for positioning, but not sufficient for action. Combining absolute weaknesses with benchmark gaps produces a more practical basis for capability improvement.



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INTRODUCTION

Non-food fast-moving consumer goods (FMCG) companies operate in an environment where consumer expectations shift quickly, competitors copy successful ideas, and brands are expected to launch at speed. In home care, personal care, and beauty categories, new products are not only a source of growth; they also help brands stay relevant. Yet a busy launch calendar does not guarantee repeatable success. Strong NPD performance depends on how consistently a company connects market insight, concept development, technical readiness, cross-functional coordination, and commercialization (Cooper, 2019; Falahat et al., 2024).

In practice, companies often explain a weak launch through visible market symptoms: low trial, incomplete distribution, limited promotional support, or an uncompetitive price. These symptoms matter, but they do not always explain why the same problems return across different projects. The innovation capability view looks deeper. It treats NPD outcomes as the result of organizational abilities embedded in strategy, processes, knowledge, structure, and relationships (Lawson & Samson, 2001). From this perspective, the central question is not only what went wrong in the market, but which internal capability allowed the problem to occur and remain unresolved.

Innovation capability audits offer a structured way to answer that question. Existing NPD best-practice and innovation audit frameworks cover strategy, process, organization, research, culture, commercialization, and learning (Kahn et al., 2006; Barczak et al., 2009; Yam et al., 2004). However, when all dimensions are reduced to one overall score, the location of the real constraint can disappear. Two companies may have similar index values while relying on very different strengths, and therefore need very different interventions. Evidence on component-level diagnosis and cross-company benchmarking is also still limited in the Indonesian non-food FMCG context.

This study therefore diagnoses the internal innovation capability of an anonymized focal company, PT GCG, and compares it with two anonymized benchmark companies, GCA and GCB. It uses two complementary views: absolute weakness, based on the focal company's lowest scores, and relative weakness, based on the largest gaps from the benchmark average. Using both views helps distinguish a component that is genuinely fragile from one that is simply behind a stronger competitor. The study is intended to provide a clearer, more actionable basis for capability improvement while extending the use of innovation audits in an emerging-market FMCG setting. New product development is a cross-functional process that turns a market opportunity into an offer that can be produced, launched, and sustained. Research on NPD success has repeatedly linked better outcomes with product advantage, market understanding, technical-marketing synergy, and disciplined execution (Ernst, 2002; Evanschitzky et al., 2012). Cooper (2019) similarly argues that success rarely comes from one isolated practice. It comes from the quality of the decision system that guides the project from opportunity selection through launch.

Best-practice frameworks organize these requirements into connected dimensions. Kahn et al. (2006) and Barczak et al. (2009) place strategy, process, research, project climate, culture, and commercialization within one NPD system. Barczak and Kahn (2012) further show that strong practice is better understood as an integrated pattern than as a checklist of separate tools. More recent global evidence reaches a similar conclusion: methods may evolve, but process discipline, insight use, and organizational coordination continue to separate stronger innovators from weaker ones (Knudsen et al., 2023).

The innovation capability perspective adds an important distinction. A formal practice is not automatically a capability. A capability exists when the organization can perform an activity reliably, across projects, and learn from it over time. Lawson and Samson (2001) describe innovation capability as a combination of vision and strategy, competence, organizational intelligence, creativity, idea management, structure, culture, and technology. In other words, the value lies not in whether a process is written down, but in whether people can use it consistently to make better decisions.

Innovation audits translate this broad idea into a measurable diagnosis. Yam et al. (2004) show how capability audits can reveal internal strengths and weaknesses, while later studies extend the approach through benchmarking, multicriteria methods, and corporate evaluation frameworks (Al-Zawati & Hunaiti, 2016; Büyüközkan & Güleriyüz, 2016; Vlăduț, 2018). The practical value of an audit is therefore not the score itself. It is the structure the score provides for deciding what should be strengthened first.

That interpretation still requires care. Karlsson and Magnusson (2015) caution that an audit instrument should be judged by the clarity of its constructs, its intended use, and its ability to lead to relevant action. Anila and Aithal (2019) also note that broad audit tools can produce generic recommendations when they are detached from organizational context. Component-level reading is therefore essential: an overall index can describe position, but it cannot by itself explain the mechanism behind that position.

This study organizes ten capability components into two layers. The organizational foundation layer includes leadership support, organizational structure, innovation culture and climate, and strategic alignment. These components provide direction, legitimacy, and the conditions in which innovation work takes place. The managerial execution layer includes market and consumer insight, concept development, launch execution, knowledge management, cross-functional integration, and external networks. These components show how effectively the organization turns its foundation into project decisions and actions. The two-layer structure is consistent with the view that innovation capability depends on the connection between organizational foundations and execution routines (Pusuit & Sukavejworakit, 2019).

Table 1. Internal Innovation Capability Diagnostic Components

Layer	Component	Diagnostic focus
Foundation	Leadership support	Direction, commitment, and resource support
Foundation	Organizational structure	Role clarity and decision mechanisms
Foundation	Innovation culture and climate	Space for ideas, experimentation, and collaboration
Foundation	Strategic alignment	Connection between innovation and business priorities
Execution	Market and consumer insight	Understanding opportunities and consumer problems
Execution	Concept development	Turning insight into a clear, testable proposition
Execution	Launch execution	Readiness and coordination for commercialization
Execution	Knowledge management	Documentation, learning, and reuse
Execution	Cross-functional integration	Alignment across marketing, R&D, supply chain, and sales
Execution	External networks	Use of suppliers, partners, technology, and external expertise

Source: Adapted from NPD best-practice and innovation capability audit frameworks.

The framework treats the ten components in Table 1 as the building blocks of the Internal Capability Index. The analysis first positions each company through the overall index, then moves to the layer and component levels. This sequence is important: the index shows how far the organization has progressed, while the component scores explain where improvement should begin.

METHOD

This study uses a descriptive quantitative approach with cross-company benchmarking. The design was selected because the purpose is to map capability profiles, compare organizational positions, and identify specific constraints rather than test a causal relationship. The focal company is anonymized as PT GCG, while the two benchmark companies are identified as GCA and GCB.

Primary data were collected through a survey of 49 practitioners who were directly involved in NPD activities in the three companies. The respondents represented functions commonly involved in product development, including marketing, research and development, supply chain, and sales. This cross-functional coverage was intended to reduce the risk of interpreting capability from only one organizational viewpoint.

The instrument measured ten capability components using a five-point Likert scale. Four components represented the organizational foundation layer: leadership support, organizational structure, innovation culture and climate, and strategic alignment. Six components represented managerial execution: market and consumer insight, concept development, launch execution, knowledge management, cross-functional integration, and external networks.

Each component score was converted to a 0-1 range using the normalization procedure applied in the study. The Internal Capability Index (ICI) was calculated as the unweighted average of the ten component scores. The index was interpreted using four capability bands: very good (at least 0.75),

good (0.60 to below 0.75), moderate (0.45 to below 0.60), and needs attention (below 0.45). Equal weighting was used so that the initial diagnosis would reflect the observed component profile without introducing additional priority assumptions.

The analysis followed four steps. First, the ICI values were compared to establish the overall position of each company. Second, average scores for organizational foundation and managerial execution were compared to identify layer-level patterns. Third, PT GCG's lowest component scores were used to identify absolute weaknesses. Fourth, PT GCG's score for each component was compared with the average of GCA and GCB to identify relative gaps. The study is descriptive; the benchmark is used as a diagnostic reference rather than as a basis for population-level inference.

RESULTS AND DISCUSSION

The overall comparison shows a clear capability gap. GCA achieved an ICI of 0.812 and falls in the very good band. GCB recorded 0.709 and falls in the good band. PT GCG recorded 0.506, placing it in the moderate band. The gap between PT GCG and GCA is 0.306, while the gap from GCB is 0.203. These differences are large enough to suggest that PT GCG is not facing a single isolated weakness; its capability system is less mature across several connected areas.

The aggregate score, however, is only the starting point. GCA shows a relatively even profile, with particularly strong scores in leadership support, organizational structure, innovation culture, and strategic alignment. GCB is less even but stands out in launch execution, where it scores 0.856 - higher than GCA. PT GCG shows a different pattern: several foundation and execution components are close to, or below, the threshold for attention. This is why the component profile matters more than a simple rank order.

Table 2. Internal Innovation Capability Scores by Component

Capability component	GCA	GCB	PT GCG
Leadership support	0.941	0.900	0.632
Organizational structure	0.904	0.775	0.471
Innovation culture and climate	0.912	0.683	0.596
Strategic alignment	0.868	0.742	0.463
Market and consumer insight	0.757	0.650	0.610
Concept development	0.765	0.692	0.412
Launch execution	0.696	0.856	0.529
Knowledge management	0.794	0.525	0.441
Cross-functional integration	0.750	0.683	0.478
External networks	0.735	0.583	0.426
Average capability (ICI)	0.812	0.709	0.506
Capability band	Very good	Good	Moderate

Source: Authors' analysis of practitioner survey data, 2026.

The layer comparison reinforces this picture. GCA averages 0.906 for organizational foundation and 0.750 for managerial execution. GCB records 0.775 and 0.665 respectively. PT GCG averages 0.541 for foundation and 0.483 for execution. Execution is the weaker layer in all three companies, but PT GCG also has a fragile foundation. The diagnosis should therefore not be reduced to the claim that execution alone is the problem.

Within PT GCG's foundation layer, leadership support (0.632) and innovation culture and climate (0.596) are relatively stronger. This suggests that innovation has visible managerial support and that employees may have some room to contribute ideas. The more serious weaknesses are organizational structure (0.471) and strategic alignment (0.463). Support and enthusiasm are present, but they are not yet fully translated into clear roles, decision rights, resource priorities, and a shared portfolio direction.

Market and consumer insight is PT GCG's strongest execution component at 0.610. This indicates that the company is not entirely disconnected from customers or category dynamics. The problem appears later in the chain. Insight is not consistently converted into a strong concept, connected to external expertise, or captured as reusable learning. A company can therefore have research and still struggle to turn it into a repeatable innovation advantage.

PT GCG's three lowest absolute scores are concept development (0.412), external networks (0.426), and knowledge management (0.441). All three fall in the needs-attention band. Weak concept development suggests difficulty turning an opportunity into a focused value proposition supported by evidence and clear assumptions. Weak external networks limit access to supplier expertise, technology options, and outside problem-solving capacity. Weak knowledge management means that lessons from previous launches are not consistently retained or reused.

These weaknesses are connected. More consumer research will not necessarily improve performance if the organization lacks a disciplined way to frame concepts, test assumptions, and make cross-functional decisions. Similarly, supplier collaboration creates little lasting value when the knowledge gained remains inside one project or one team. The result supports Lawson and Samson's (2001) view that innovation capability is a system of interdependent abilities rather than a collection of separate activities.

Absolute scores tell only part of the story, so the study also compares PT GCG with the average of GCA and GCB. The largest relative gaps are in organizational structure (0.369), strategic alignment (0.342), and concept development (0.316). This second view changes the priority discussion. Concept development is both one of PT GCG's lowest scores and one of its largest benchmark gaps, making it the most consistent weakness across both diagnostic lenses.

External networks and knowledge management remain urgent because their absolute scores are very low. Their relative gaps are smaller, however, because the benchmark companies are not equally strong in these areas. By contrast, organizational structure and strategic alignment are not among PT GCG's three lowest absolute scores, but they are far behind the benchmark. Ignoring them would leave the company with weak governance around otherwise promising innovation activity.

Table 3. PT GCG's Priority Gaps against the Average Benchmark

Component	PT GCG	Benchmark	Gap
Organizational structure	0.471	0.840	0.369
Strategic alignment	0.463	0.805	0.342
Concept development	0.412	0.729	0.316
Leadership support	0.632	0.921	0.289
Launch execution	0.529	0.776	0.247
Cross-functional integration	0.478	0.717	0.239
External networks	0.426	0.659	0.233
Knowledge management	0.441	0.660	0.219
Innovation culture and climate	0.596	0.798	0.202
Market and consumer insight	0.610	0.704	0.094

Source: Authors' analysis of practitioner survey data, 2026. Benchmark is the average of GCA and GCB.

The benchmark profiles also show why copying a competitor's single strength would be misleading. GCA performs strongly and consistently across most components. GCB has a more distinctive profile: it excels in launch execution but is weaker in knowledge management and external networks than in its other areas. A company rated 'good' overall can therefore still carry meaningful internal gaps. Benchmarking is most useful when it reveals patterns, not when it simply produces a league table.

The managerial implications follow a clear sequence. The first priority is concept development. PT GCG needs a more explicit path from consumer insight to concept statement, benefit, reason to believe, key assumptions, screening criteria, and cross-functional approval. The second priority is governance: decision ownership, portfolio forums, and a visible link between projects and growth priorities. The third priority is to build knowledge and external partnerships that support the first two priorities rather than operate as stand-alone activities.

These interventions should not be treated as one-off training programs. Capability improves when routines, tools, and governance change together. A post-launch review should produce decisions that can be traced into the next project. Supplier involvement should begin with a defined problem and end with knowledge transfer. Concept evaluation should use the same success language across marketing, R&D, supply chain, and sales. The objective is not to add more activity, but to make decisions more consistent and learning more reusable.

The study also adds a methodological insight. The ICI is useful for showing an organization's general position, but intervention choices require a component-level and benchmark-based reading. The contribution is not a new list of capability dimensions. It is the combined use of two diagnostic lenses - absolute weakness and relative gap - to separate the most fragile internal capabilities from the widest competitive distances. This distinction makes the audit more actionable for managers.

CONCLUSION

PT GCG's internal innovation capability is in the moderate band, with an ICI of 0.506, below GCA and GCB. At the component level, concept development, external networks, and knowledge management are its main absolute weaknesses, while organizational structure, strategic alignment, and concept development show the largest gaps from the benchmark average. Concept development is the strongest priority because it appears in both views. The findings show that PT GCG's innovation challenge is not simply a lack of leadership support or an unsupportive culture; it lies in the incomplete connection between intent, governance, execution, and learning. The company should strengthen the conversion of insight into concepts, clarify portfolio governance and decision ownership, formalize external collaboration, and establish routines that carry learning from one project to the next. The study is limited by its descriptive, cross-sectional design, its focus on three companies, and its reliance on practitioner perceptions rather than direct market-performance measures. Future research should include more companies and categories, test measurement quality and subgroup differences, and examine whether capability scores predict product performance over time.

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