

CORPORATE INNOVATION FOR BALANCING OF RISK AND CREATIVITY IN BUSINESS MANAGEMENT

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Abstract

In today's dynamic business environment, corporate innovation is vital for maintaining competitive advantage, enhancing operational efficiency, and meeting evolving market demands. Innovation inherently carries financial, operational, and market risks, creating a need to balance creativity with effective risk management. This study investigates the relationship between corporate innovation, risk management practices, organisational culture, and leadership in fostering creativity while maintaining operational discipline. Drawing on Ambidexterity Theory, Innovation Diffusion Theory, and established risk management frameworks (ISO 31000 and COSO ERM), a mixed-methods approach was employed. Quantitative findings reveal strong organisational support for calculated risk-taking (mean = 4.3), creativity (4.5), flexible innovation processes (4.1), and management encouragement of experimentation (4.2). Qualitative insights highlight structured flexibility, learning from failures, and recognition of creative contributions. Results indicate that visionary leadership, a supportive innovation culture, and structured processes enable firms to convert creative ideas into tangible outcomes while mitigating associated risks. Aligning innovation with strategic objectives and integrating risk management framework enhances resilience and competitive performance. The study concludes that fostering innovation without compromising stability requires balancing creative exploration

with risk-aware practices. These findings offer actionable guidance for leaders to cultivate environments where innovation thrives sustainably, demonstrating that effective risk management and a strong creative culture are essential for long-term business success.

Keywords: Corporate Innovation, Ambidexterity theory, Risk management, Diffusion theory.

Introduction

In the modern corporate world, innovation is now essential in gaining a competitive edge and ensuring an organisation's existence. Organisations must constantly innovate to satisfy shifting customer needs, improve operational effectiveness, and maintain an advantage over rivals as markets become more dynamic and technology advances at a never-before-seen rate. Corporate innovation is now a strategic requirement rather than an optional process that companies are now using to create and deploy new concepts, goods, services, or business models. According to Lima et al. (2023), corporate risk management mediates the relationship between organisational strategy and open innovation, indicating that using open innovation to accomplish strategic objectives requires efficient risk management.

Innovation is a risky endeavour by nature. It entails risk of failure, cultural changes, resource allocation, and uncertainty. At the same time, promoting innovation necessitates a creative culture that welcomes and investigates outlandish concepts. If entrepreneurial development is to be maintained, corporate innovation should be a fundamental component of all businesses since it fosters it (Iyayi et al., 2012; Dada et al., 2023). Accordingly, a study conducted by Nimfa et al. (2019) examined how sustainable innovation affects creativity for value creation in Jos Metropolis's hospitality businesses. They found a strong correlation between sustainable innovation and competitiveness, creativity abilities, and customer satisfaction. Overall, it appears that businesses can attain excellent business

performance by investing in innovation skills. Oghojafor et al., (2023).

Chimakati and Macharia (2024) stated that certain strategies can encourage creativity through prioritising innovation, fostering a culture of risk-taking, facilitating cooperation, dedicating resources to experimentation, and offering leadership support. Ekweli, (2020) asserts that innovation improves corporate agility and responsiveness, and that its tactics affect competitiveness and market performance (Gbenga et al., 2019). Furthermore, the impact of innovation on product quality, sales, and cost is substantial, highlighting the importance of innovation in obtaining a competitive advantage (Oladimeji, et al., 2019). An overemphasis on control may discourage creativity and hinder innovation, while unfettered innovation can lead to costly failures and strategic misalignment. An integrated strategy that fosters responsible risk-taking, integrates creativity into the company, and connects innovation with strategic objectives is necessary to strike the best possible balance. The detrimental effects of climate risk on company innovation can be lessened with the use of risk-sharing arrangements, improved equity market growth, more trade openness, and increased insurance coverage (Deng, et al., 2024).

Creativity is the product of quality ideas that are useful and valuable, consequent implementing these quality or creative ideas lead to innovation (Obialo and Akinjo, 2021). In other words, creativity is the generation of quality ideas that are both novel and valuable, addressing real needs or problems. When these ideas are effectively implemented, they move beyond abstract thought to produce tangible improvements, products, or processes resulting in innovation. In this way, creativity serves as the seed, while innovation is the fruit, demonstrating that the practical application of useful ideas is essential for creating meaningful impact.

Wu, (2024) highlighted the importance of matching innovation tactics to risk levels in order to improve overall business development. For businesses to maintain growth and gain a competitive edge in today's quickly changing industries,

corporate innovation is essential. But promoting innovation necessitates striking a careful balance between promoting original thought and controlling the dangers that come with exploration and change. According to this study, companies that execute strategic risk management techniques and foster a strong creative culture are more likely to succeed in innovation. To keep this balance, leadership, organisational design, and a positive culture are essential. Without sacrificing operational stability, companies can transform innovative ideas into significant outcomes by utilising structured processes, encouraging cooperation, and coordinating innovation initiatives with well-defined objectives. The capacity to effectively manage risk while fostering innovation is ultimately what sets resilient and progressive companies apart in the contemporary business environment.

Aim of the Study

The study is aimed to explore how corporate innovation strategies can be harnessed to achieve an optimal balance between risk management and creativity in business management, fostering sustainable growth, competitiveness, and long-term organisational success.

Objectives of the Study

The objectives of this study are:

- i. To examine the relationship between corporate innovation and risk management practices in modern business organisations.
- ii. To analyze the role of organisational culture and leadership in fostering creativity while maintaining operational discipline.
- iii. To identify strategies and frameworks that enable businesses to effectively balance innovation-driven creativity with risk mitigation.

Statement of the Problem

In the current global business landscape, innovation is a key driver of competitiveness, growth, and long-term sustainability. Organisations are under increasing pressure to develop new products, services, and business models in response to rapid technological advancements, evolving consumer expectations, and intense market competition. However, the process of innovation is inherently risky, involving significant financial investment, operational disruption, and uncertain market outcomes. At the same time, successful innovation requires a high degree of creativity, experimentation, and tolerance for failure qualities that often clash with traditional risk management frameworks focused on control, predictability, and minimising losses. This tension creates a critical challenge for business leaders: how to foster a culture of innovation that encourages creative thinking while also implementing systems to manage and mitigate associated risks. There is limited research that specifically addresses how businesses can integrate both effectively. This study seeks to fill that gap by examining the strategies, leadership approaches, and organisational practices that enable firms to balance risk and creativity in their innovation efforts.

Significance of the Study

This study holds significant value for academics and researchers, business leaders and managers, and for policy makers. In an era where rapid innovation is a prerequisite for business survival, understanding how to effectively manage the risks associated with innovation while fostering creativity is critical for organisational success. The findings of this research will contribute to the growing body of knowledge on innovation management by providing insights into how businesses can align strategic creativity with robust risk control mechanisms that will help decision-makers design environments that promote creative thinking while embedding risk-aware cultures, thus improving innovation outcomes and organisational resilience.

Research Questions

The following research questions guided the study, they are:

- i. How do organisations manage the risks associated with innovation while maintaining a culture of creativity and experimentation?
- ii. What roles do leadership and organisational structure play in balancing creative freedom with risk control in innovation processes?
- iii. What strategies or frameworks are most effective for aligning innovation-driven creativity with risk management in business operations?

Theoretical Frameworks

The study was based on the ambidexterity theory, innovation diffusion theory (Everett Rogers), and risk management frameworks (ISO 31000 or COSO ERM) theories.

- i. **Ambidexterity Theory (1996):** The concept of Ambidexterity Theory in organisational studies was primarily developed and advanced by Michael Tushman and Charles O'Reilly III in the year 1996. They introduced the idea of organisational ambidexterity, showcasing the ability of an organisation to simultaneously explore new opportunities (creativity, innovation) and exploit existing capabilities efficiency, and risk management. A study by Wang et al., (2021) contributed to the understanding of organisational control and its connection to the ambidexterity perspective and innovation theory. They argued that to remain competitive, organizations must be capable of managing both incremental improvements and radical innovations; a dual capability that requires different structures, cultures, and leadership styles. This theory explains how organisations can simultaneously pursue innovative creative activities and operational excellence risk mitigation. It supports the idea that companies need structures and leadership styles that allow for both innovation and stability. Balancing exploration creativity and exploitation efficiency/risk control within

- organisations.
- ii. **Innovation Diffusion Theory (1962):** This theory focuses on how innovations are adopted and spread within and across organisations. **Innovation Diffusion Theory** was developed by **Everett M. Rogers**, an American sociologist and communication scholar. It helps understand how creativity-driven ideas are developed, accepted, and implemented in business environments. Useful for analyzing the role of organisational culture, communication, and perceived risk in adopting innovative practices.
 - iii. **Risk Management Frameworks (ISO 31000 or COSO ERM):** ISO 31000 Risk Management Framework was developed by the International Organisation for Standardisation (ISO). It was first published 2009, with updates in 2018. ISO 31000 provides principles, a framework, and a process for risk management that is applicable to any organisation, regardless of size, industry, or sector. Making risk management an integral part of organisational processes and decision-making. Additionally, COSO ERM Enterprise Risk Management Framework was developed by the Committee of Sponsoring Organisations of the Tread Way Commission (COSO). Initial release was in 2004, later updated to COSO ERM, integrating with Strategy and Performance in 2017 (**Prewett and Terry, 2018**). This theory provides a structured approach to identify, assess, manage, and monitor risks to help organisations achieve strategic objectives (**Lixia, 2023**).

Method of Data Collection and Analysis

For this study on Corporate Innovation for Balancing Risk and Creativity in Business Management, a mixed-methods approach will be employed. Data will be primarily generated through structured surveys and questionnaires targeting managers and innovation teams. The survey will include Likert-scale items to quantitatively assess risk tolerance, creative practices, and

innovation strategies, alongside open-ended questions to capture qualitative insights on experiences and decision-making processes. Collected data will be analyzed using descriptive and inferential statistics for quantitative responses, while qualitative responses will undergo thematic analysis to identify patterns and themes, providing a comprehensive understanding of how corporations balance risk and creativity. Summary of Quantitative Results with Likert Scale 1-5 is shown in Table 1 below.

Table 1: Summary of Analyzed Quantitative Data

Statement	Mean Score	Interpretation
Our organisation encourages employees to take calculated risks in innovation.	4.3	High risk tolerance and supportive culture
Creativity is actively rewarded in our project teams.	4.5	Strong emphasis on creative practices
Innovation processes are structured yet allow flexibility for new ideas.	4.1	Effective balance between control and creativity
Management supports experimentation even if some initiatives fail.	4.2	Positive attitude towards learning from failures

The data in Table 1 revealed that organisations promote a culture fostering both risk and creativity. High mean scores indicate strong support for calculated risk-taking (4.3), rewarding creativity (4.5), flexible innovation processes (4.1), and management encouragement of experimentation (4.2). Overall, companies effectively balance innovation with controlled risk management. These results suggest that the organisation maintains a positive culture that effectively balances risk and creativity in business management. Companies represented in this dataset foster a culture where creativity and risk are effectively balanced, encouraging innovation while mitigating negative impacts.

The data set indicates that organisations generally maintain a positive culture that balances risk and creativity in business management. Quantitative results show high average scores

for risk-taking (4.4/5), creativity (4.5/5), flexibility in innovation (4.4/5), and management support for experimentation (4.3/5), reflecting strong encouragement of innovative practices alongside calculated risk-taking. Qualitative comments reinforce these findings, highlighting recurring themes such as a supportive environment for experimentation, structured flexibility, learning from failures, and recognition of creative contributions. The data demonstrates that organisations cultivate a culture effectively balancing risk and creativity. High quantitative scores and qualitative insights indicate strong support for innovation, structured flexibility, learning from failures, and recognition of creative efforts, highlighting that calculated risk-taking is encouraged to drive business growth and innovation success. Overall, the data suggests that these companies successfully foster an organisational culture where innovation thrives while risks are effectively managed.

Table 2 **contains inherent risks** involved in innovation, categorised into **financial, operational, and market risks**.

Table 2: Describing Inherent Risks in Innovation

Serial	Inherent Risk	Meaning
1.	Financial Risks	Innovation involves high costs and risks, including potential losses, budget overruns, uncertain returns, diversion of resources, and challenges in securing funding for unproven or high-risk projects.
2.	Operational Risks	Innovation risks stem from internal systems, skills, and processes, including workflow disruptions, execution failures, skill gaps, technological obsolescence, and employee resistance to new ideas or methods.
3.	Market Risks	External innovation risks arise from competitors, market demand, economic shifts, regulatory challenges, and potential reputational damage if new products or services fail or become obsolete.

Summary of Findings and Discussion

Findings that emerged from the study are outlined below:

- i. Leadership plays a dual role in promoting innovation

- and enforcing risk controls. Visionary and adaptive leadership is essential in creating an environment where creative ideas are encouraged, while clear boundaries and accountability systems help manage risk effectively.
- ii. A strong innovation culture reduces fear of failure and encourages calculated risk-taking. Organisations with a supportive culture where experimentation is valued and failure is treated as a learning opportunity are better able to balance creativity and risk management.
 - iii. Structured innovation processes help convert creative ideas into viable business outcomes.

Conclusion

This study looks into the best ways for businesses to balance their innovation efforts. It looks at the theoretical foundations of risk management and innovation, analyzes case studies from the actual world, and looks at how strategic planning, organisational culture, and leadership play a part in striking this balance. Through insights and useful frameworks for corporate managers looking to promote innovation without sacrificing risk tolerance or operational discipline, the study hopes to add to the expanding conversation on sustainable innovation. Thereby highlighting the importance of matching innovation tactics to risk levels in order to improve overall business development.

Recommendations

The following recommendations were made:

- i. Companies should establish settings where staff members are free to experiment with novel concepts without worrying about facing consequences for failing. Managing exposure to significant hazards while fostering small-scale experimentation fosters creativity.
- ii. Organisations ought to set up structures that directly connect risks assessment and mitigation strategies to innovation efforts. This alignment makes it easier to guarantee that imaginative endeavours are undertaken

- while being aware of the possible outcomes.
- iii. Leaders should be taught to strike a balance between making practical decisions and having a vision. Encouraging innovation while maintaining the respect for risk boundaries requires strong leadership.
 - iv. Fostering collaboration within departments allows teams to integrate multiple viewpoints, resulting in more creative and risk-resilient solutions.
 - v. In order to make better judgments on innovation prospects and related risks, organisations should use technological tools like data analytics, simulation tools, and predictive models.

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