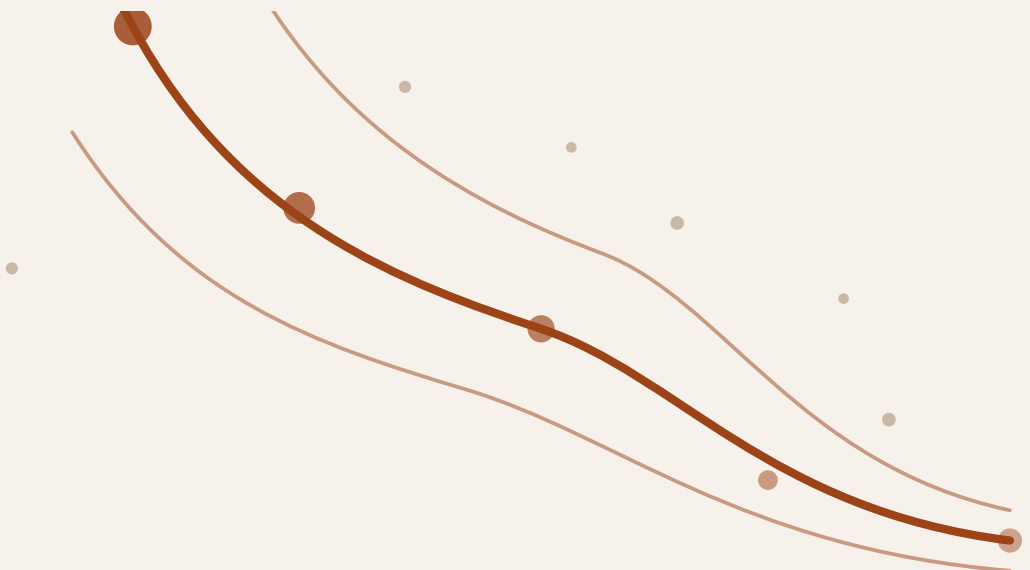


Innovation Management

From scattered initiatives
to a sustained organizational capability

Dr. Omar A. Alsamani



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Chapter 3

Leading innovation

In this chapter we examine the role of leadership in innovation management: how leading the unknown differs from leading the known, which functions fall to the leader alone, how the leader balances running the present with exploring the future, and why employees take the meaning of innovation from their leader's everyday behavior more than from what the leader says.

Introduction

Opening case: a new director (composite case)

At his first meeting with staff, a new director called for “bold ideas” and promised to back them. A few weeks later, an employee presented an idea for simplifying a procedure carried out every day, which she had tried on a small scale with two colleagues. The first question put to her in the meeting was: “Who authorized you to do that?” The idea was not rejected, its results were not discussed, and the meeting moved on to the next item.

No one in the room tried anything similar again. From a single incident they had learned a lesson that the opening speech could not erase: taking initiative is a personal risk. This is the heart of what we address in this chapter: in

innovation, leadership is measured by what people learn from everyday reactions more than by what is announced.

Learning Objectives

After studying this chapter, the reader should be able to:

- 1 Distinguish between leading known work and leading work surrounded by uncertainty.
- 2 Explain the effect of people-centered leadership on motivation and innovation in light of its theoretical foundations.
- 3 Identify the core leadership functions in innovation management.
- ε Explain the concept of organizational ambidexterity and the ways of balancing exploitation and exploration.
- 0 Recognize the leadership behaviors that encourage innovation and those that unintentionally stifle it.
- 7 Match the leadership decision and the type of evidence required to the stage of the initiative.

3.1 Leading the unknown

Traditional management is built on achieving known goals with defined resources, schedules and procedures, and the leader is held accountable for adherence to the plan. Innovation, by contrast, deals with situations in which aspects of the problem, the solution, adoption or feasibility are still unknown. The leader therefore asks of an innovation team what suits the nature of its work: clear assumptions, sound experiments, fast learning and disciplined decisions, in place of the precision expected of an operational project whose requirements are fully defined.

The leadership question shifts accordingly, from “Can we guarantee the initiative will succeed?” to “What do we need to know before we increase our commitment?” The leader’s role here is to keep ignorance from being turned into false confidence, to spread investment across stages, and to tie each stage to the evidence appropriate to it.

3.2 Leadership functions in innovation management

Innovation remains a leadership responsibility even when a specialized department takes it on. An organizational innovation initiative begins with an explicit mandate from top leadership that gives it legitimacy, and with a sustained commitment to support those who run it and to protect them when their initiatives collide with the status quo. This is why the international standard for innovation management systems places it first among the requirements of leadership (International Organization for Standardization [ISO], 2024). The role of leadership can be summed up in seven interrelated functions:

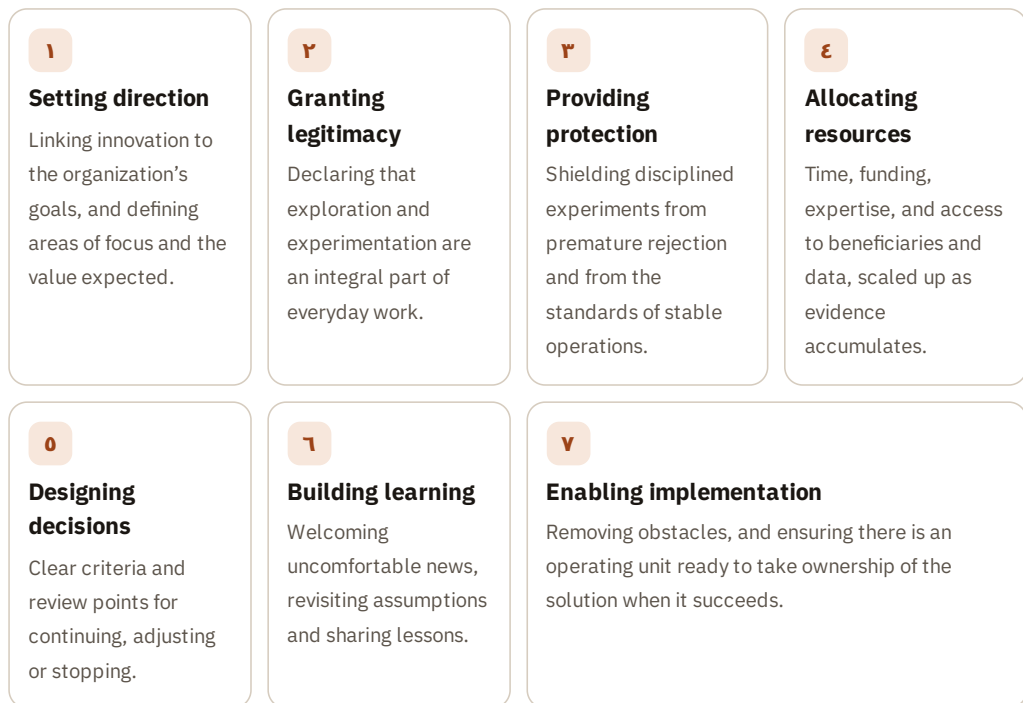


Figure 3.1 The seven leadership functions in innovation management.

In these functions the leader acts more as an architect of context than as the person with the best idea. The leader's task is to design a context in which people with diverse knowledge can discover problems and build solutions, and to make sure that effort turns into decisions and value. This role faces in two directions: **outward**, by following external realities and securing the organization's long-term relevance; and **inward**, by shaping the values, culture and structures that make innovation possible and sustainable.

3.3 Organizational ambidexterity

An organization needs efficiency and reliability to deliver its current work, and at the same time it needs flexibility and experimentation to explore the future. March described these two activities as **exploitation**, refining and deepening what the organization already knows, and **exploration**, searching for what it does not yet know. He showed that organizations tend to favor

exploitation because its returns are nearer and clearer, so that their capacity for renewal weakens over time (March, 1991). The capacity to combine the two is called **organizational ambidexterity** (O'Reilly & Tushman, 2013).

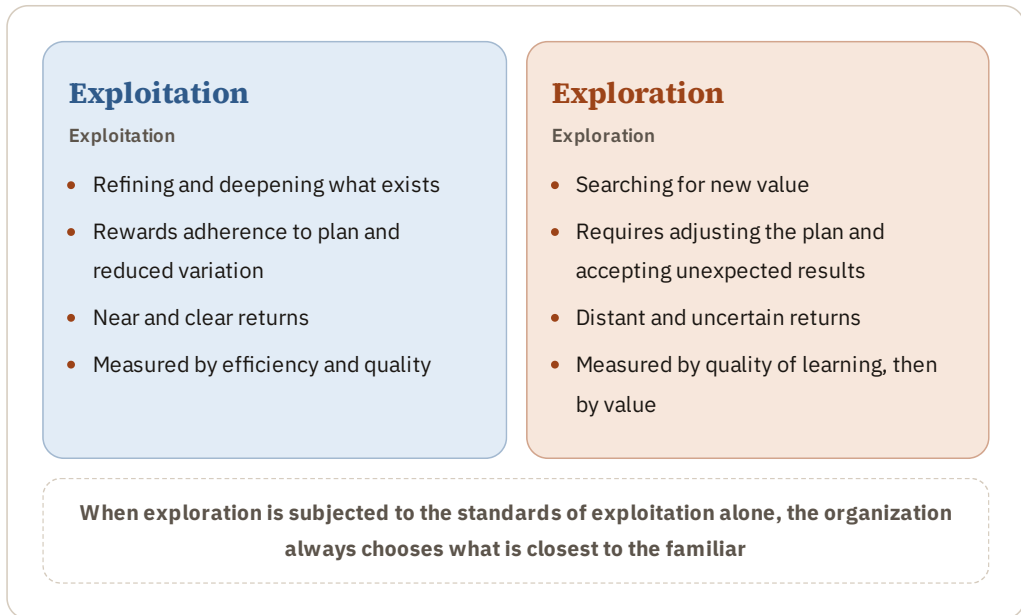


Figure 3.2 Exploitation and exploration: two different logics that the organization needs together.

The tension arises because the operating system rewards adherence to the plan, while exploration requires changing it. When the usual profitability or productivity criteria are applied to emerging initiatives, the organization will mostly choose ideas close to the familiar. When exploration is left without controls, it turns into scattered activity. Organizations handle this tension in one of two ways, or by combining them: **structural separation**, which creates separate units or budgets for exploration that report to top leadership; and **contextual ambidexterity**, which enables individuals and teams to divide their time between the two logics within the same job (O'Reilly & Tushman, 2013). In both cases the aim is to provide a temporary space for learning, and then to build an orderly bridge to operations.

3.4 The leader as shaper of the environment

At the highest levels of leadership, people work for the leader more than they work because of the leader's authority to assign tasks: because the leader values their effort, is mindful of their circumstances and trusts their ability. This kind of leadership has foundations in research that go beyond personal temperament and disposition, and they explain why it leads to deep work and loyalty, and why innovation needs it in particular.

The first foundation: social exchange and the sense of support

Social exchange theory holds that working relationships rest, alongside the formal contract, on an unwritten exchange of trust and care (Blau, 1964). When employees perceive that their organization and their leader value their contribution and care about their well-being, they develop a sense of obligation to reciprocate, which shows in stronger attachment to the organization, greater effort and a readiness to go beyond what is required. A broad review of research on perceived organizational support has confirmed this relationship (Rhoades & Eisenberger, 2002). Innovation is, at its core, work that goes beyond what is required: no one is obliged to expose a problem, propose an alternative or take the risk of an experiment.

The second foundation: basic psychological needs

Self-determination theory shows that intrinsic motivation grows when three basic psychological needs are met: **autonomy**, the sense that one chooses what one does; **competence**, the sense of capability and progress; and **relatedness**, the sense of being valued and connected to others (Gagné & Deci, 2005). An empathetic leader meets these needs by trusting the team and giving it room, acknowledging its progress, and treating its members as partners in the work. The theory connects with what has come earlier in this book: intrinsic motivation is the foundation on which creativity stands (Amabile, 1996).

The autonomy meant here is cognitive autonomy in how people think and solve problems, and it remains tied to the organization's purposes. The leader sets out clearly the **what** and the **why**: the problem to be solved, the needs of the system the solution serves, and the constraints that must not be crossed; then leaves the **how** to the team. Amabile put it this way: people are more creative when they are given freedom to choose how to climb the mountain, without necessarily choosing the mountain itself (Amabile, 1998). Autonomy in this sense is consistent with the book's starting point that innovation begins from a priority problem.

The third foundation: people-centered leadership styles

Transformational leadership includes a dimension called "individualized consideration," attending to each person's needs and supporting their growth, and a meta-analysis of study findings has shown a positive relationship between this style and employee creativity (Koh et al., 2019). **Servant leadership** goes further, making service to followers and attention to each one's needs and growth an end in itself rather than merely a means of raising performance (Eva et al., 2019). A meta-analysis of 130 studies found that this style has explanatory power beyond that of transformational leadership, and that its effect operates through trust in the leader, a sense of fairness, and the quality of the leader-employee relationship (Lee et al., 2020).

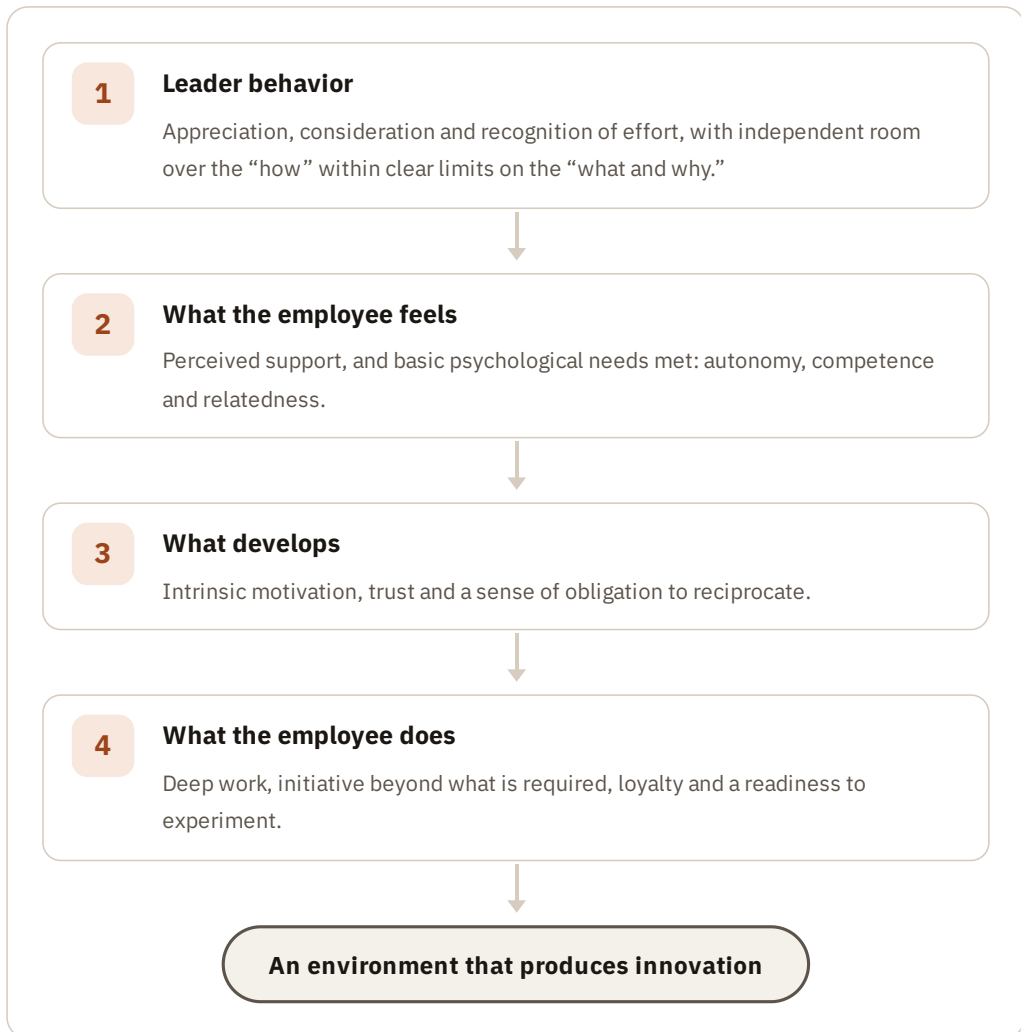


Figure 3.3 How people-centered leadership turns into innovation: a synthesis of social exchange theory, self-determination theory and leadership theories.

What research shows about everyday behavior

These foundations show up in small everyday details. Amabile and her colleagues analyzed some twelve thousand daily diary entries written by 238 individuals in 26 teams across seven companies. They found that a leader’s small daily actions, such as listening, recognizing work, and giving or withholding support, affected people’s sense of being supported and their creativity, and that reactions to negative actions were stronger than reactions

to positive ones (Amabile et al., 2004). Detert and Burris likewise showed that a manager's openness to suggestions is associated with employees voicing their ideas and concerns, and that this link runs through their sense of safety (Detert & Burris, 2007).

Behaviors that stifle innovation

- Asking who is to blame for a mistake before asking what we learned
- Demanding a guarantee of success before an experiment
- Preferring an attractive presentation to evidence
- Approving many initiatives without adequate resources
- Treating a stop as a personal failure

Behaviors that support innovation

- Asking for evidence behind ideas, and distinguishing opinion, assumption and fact
- Welcoming information that contradicts expectations
- Setting the limits of an experiment rather than forbidding it
- Giving teams direct access to beneficiaries
- Admitting what one does not know, and explaining the reasons for one's decisions

It follows that employees infer the culture of innovation from how their leader deals with the first unfamiliar idea, the first experiment that does not succeed, and the first person who disagrees with the prevailing view. We return to this relationship between individuals and their environment in more detail in Chapters 7 and 8.

Caution

Empathy does not mean lowering standards or avoiding accountability. The environment best able to innovate combines genuine care for people with high expectations of them, as Chapter 8 shows in its discussion of psychological safety. The loyalty meant here is a commitment to the purpose and the team that leaves room for dissenting views.

3.5**How management unintentionally stifles innovation**

Few leaders declare their opposition to innovation, yet an organization can suppress it through practices that each seem reasonable on their own. Among the most common:

- Making innovation extra work, to be done after the full operational workload is finished.
- Demanding a detailed feasibility study for an idea that still rests on untested assumptions.
- Putting a small experiment through the same chain of approvals required to roll out a solution across the whole organization.
- Leaving ideas unanswered, crediting them to the wrong people, or implementing them without involving those who proposed them.
- Rewarding error-free operations alone, without recognizing the discovery of problems or the quality of experiments.

The greatest danger lies in the message others learn from the rejection of a single idea. When employees realize that exposing problems adds to their workload, and that ideas vanish without a response, they learn to stay silent.

The literature on employee voice shows that when individuals withhold their suggestions and concerns, the organization is deprived of information that may be critical (Morrison, 2014).

3.6 Executive sponsorship

An executive sponsor has a real role that goes beyond having their name listed on the initiative document. The sponsor's job is to link the initiative to strategy, to secure legitimacy and access for it, to intervene when departmental interests clash, and to ensure that there is a unit ready to adopt it. The sponsor's tasks also include taking under their wing ideas that belong to no particular department in the existing structure, even though they may be the basis of future value. Studies have shown that innovations usually need someone to take them up and defend them against resistance, and that this role extends beyond formal authority to persuasion and coalition building (Howell & Higgins, 1990).

The sponsorship rule

Good sponsorship protects the team so that it can learn; it does not protect the idea from testing. If the evidence shows that the need is weak or adoption difficult, it is the sponsor's responsibility to support adjusting or stopping the initiative.

3.7 Leadership decisions across the stages

The nature of the decision differs with the stage of the initiative, so the information a leader asks for should increase step by step as the stages progress. A detailed feasibility study at the outset of a highly novel idea may produce figures that look precise but rest on weak assumptions. It is better for the precision of decisions to develop as the evidence develops.

Table 3.1 The leader's question and the type of evidence at each stage

Stage	Leader's question	Sufficient evidence
Opportunity	Is it consistent with our priorities, and does it merit exploration?	A clear description of the need, and early indications of its importance
Development	Have we understood the problem, and what have we learned?	Stated assumptions, and results of small experiments
Pilot	Are the ethical, operational and regulatory risks acceptable?	A pilot plan with clear limits and stopping conditions
Scaling	Will the solution last and retain its value at a larger scale?	Evidence of adoption, actual cost, and an operating unit ready to take it on

One of the most damaging forms of leadership decision for innovation is making no decision at all. An idea that is neither accepted nor rejected, and hangs between meetings, dies without anyone learning from it, and its originator learns not to try again. Not deciding is in fact a decision, but one that relieves the decision-maker of responsibility and squanders the chance to learn. In Chapter 10 we present governance mechanisms that keep initiatives from remaining in this zone.

Chapter tool: The leader's mirror

Answer the following items honestly for the past three months, then ask your team to answer them anonymously in assessing you, and compare the answers. The gap between your self-assessment and your team's assessment of you is the most important thing this tool reveals.

The leader's mirror

1 = rarely · 5 = always

1	When I am presented with an unfamiliar idea, I ask about the evidence and assumptions before judging it.	1	2	3	4	5
2	When an experiment fails, I ask what we learned before asking who is responsible.	1	2	3	4	5
3	People with ideas receive a clear response from me or from the relevant unit within a known period.	1	2	3	4	5
4	I allocate real time or resources to exploration.	1	2	3	4	5
5	I set the permitted limits of an experiment for the team rather than requiring my approval for every step.	1	2	3	4	5
6	I admit to the team what I do not know, and explain the reasons for my decisions.	1	2	3	4	5
7	I support stopping an initiative when the evidence points that way, even if I was enthusiastic about it.	1	2	3	4	5
8	I publicly credit ideas and efforts to the people behind them.	1	2	3	4	5

Reading the results: what matters are the items with the lowest scores and the items on which the leader's rating and the team's rating differ by two points or more; these say more than the total.

Chapter Summary

- Leading innovation is, at its core, leading the unknown: it calls for clear assumptions, sound experiments, fast learning and disciplined decisions.
- Leadership has seven functions in innovation management, beginning with setting direction and granting legitimacy and ending with enabling implementation.

- An organization needs both exploitation and exploration, and combines them through structural separation, contextual ambidexterity, or both.
- Employees learn the meaning of innovation from their leader's everyday behavior, and small negative actions weigh more heavily than positive ones.
- Leadership that people work for rests on foundations in research: social exchange, basic psychological needs, and transformational and servant leadership. It produces the deep work and initiative that innovation needs.
- Management can unintentionally extinguish the spark of innovation through practices that each seem reasonable on their own; the most dangerous are those that teach people silence.
- Good sponsorship protects the team so that it can learn, while keeping the idea subject to testing.
- The precision of decisions develops as the evidence develops, and leaving an initiative undecided is the worst decision of all.

Key Terms

Exploitation Exploitation	Refining and deepening what the organization already knows in order to achieve efficiency.
Exploration Exploration	Searching for new knowledge and opportunities under uncertainty.
Organizational ambidexterity Organizational ambidexterity	An organization's capacity to combine exploitation and exploration at the same time.

Employee voice Employee voice	Employees' expression of their ideas, suggestions and concerns with the aim of improving work.
Servant leadership Servant leadership	A leadership style that makes serving followers and meeting their needs and growth an end in itself.
Perceived organizational support Perceived organizational support	An employee's belief that the organization values their contribution and cares about their well-being.
Executive sponsor Executive sponsor	A leader who links an initiative to strategy, secures legitimacy and resources for it, and removes its obstacles.

Review and Discussion Questions

- 1 Why is the question "Can we guarantee success?" unsuited to leading innovation? What is the alternative question? Understanding
- 2 Which of the seven leadership functions is weakest in your organization? What effect does this have on initiatives? Analysis
- 1 Propose a way of applying organizational ambidexterity in a department working under heavy operational pressure. Application
- 2 Return to the opening case: what should the director have said? What effect would that have had on the team's behavior? Application
- 3 "Not deciding is worse than rejecting." Discuss this statement. Evaluation
- 4 Using self-determination theory, explain why an employee might put exceptional effort into working for a particular leader without any material incentive. Analysis

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How does an organization move from scattered initiatives that celebrate innovation to a sustained capability to produce it?

This book traces the path of innovation from the first signal to a solution adopted in practice that creates value, and analyzes the organizational foundations that make this path a settled practice: strategy, systems, culture, governance, teams and measurement, with people at the center.

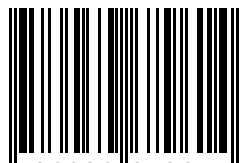
It rests on three pillars: a clear, high-priority problem; motivated people whose needs are met; and a system that connects them and turns effort into repeatable results. It combines international research evidence with the Saudi context, and pairs each chapter with a tool that can be used in a real organization.

Its twenty chapters are organized in five parts: foundations; institutional foundations and people; the initiative journey; value and the ecosystem; and an application to the university innovation ecosystem.

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