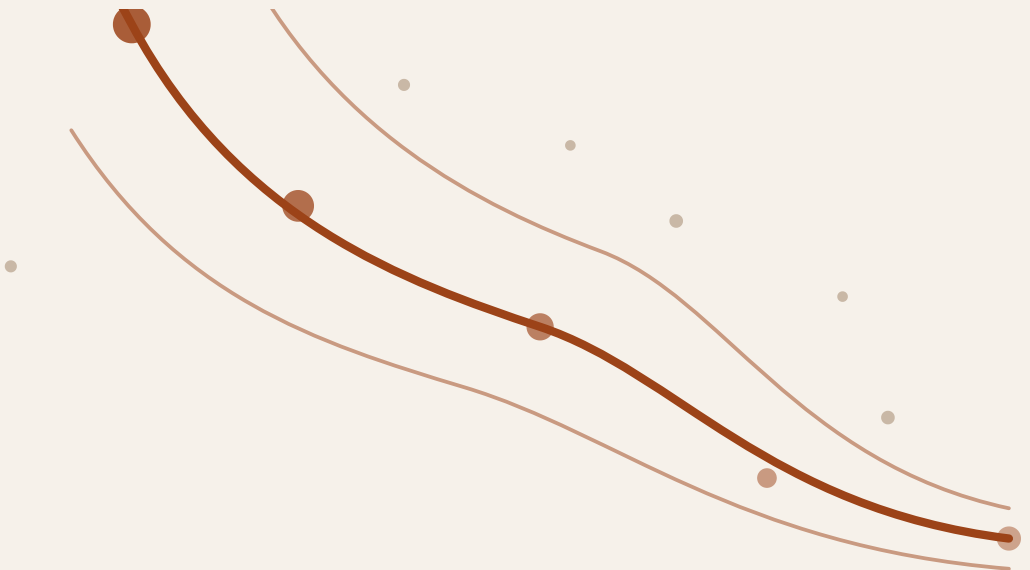


Innovation Management

From scattered initiatives
to a sustained organizational capability

Dr. Omar A. Alsamani



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First edition, 1448 AH / 2026

Legal deposit no. 1448/7324

ISBN 978-603-06-7961-4

Chapter 4

4 Innovation strategy and foresight

In this chapter we examine innovation strategy as a system of choices that determines where the organization looks for value, with what degree of ambition, and by what means. We show how strategy sets out the “what and why” and entrusts the “how” to people, and how foresight supplies it with a systematic reading of the future.

Introduction

Opening case: a strategic plan (composite case)

One organization’s strategic plan included a goal that read: “To be an innovative and pioneering organization.” A year later, its ideas platform had received more than three hundred proposals heading in dozens of directions, from improving the parking lots to building new apps. The evaluation committee could not choose among them, because no one knew which mattered most to the organization, so it picked the ones that were most appealingly presented. Only a handful were ever implemented.

There was no shortage of ideas, and those who proposed them were enthusiastic; the flaw lay in the absence of choice. “To be innovative” is a wish that never rose to the level of a strategy. It says nothing about where people should look, what the organization will decline to invest in, or the criteria by which ideas will be judged. These are the questions from which we set out toward the strategy that answers them.

Learning Objectives

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

- 1 Define innovation strategy as a set of interconnected choices.
- 2 Derive search fields and challenge questions from the organization's goals.
- 3 Identify the components of an innovation strategy and formulate it on a single page.
- ε Balance the time horizons of innovation according to the nature of the organization.
- 0 Use foresight in building and reviewing strategy.

4.1 What is innovation strategy?

An innovation strategy is a set of interconnected choices that determines why the organization needs innovation, where it will look for value, at what level of ambition, by what means, and how it will allocate its resources. Pisano observed that many organizations invest in innovation without a clear strategy, and so accumulate scattered initiatives that are hard to judge or weigh against one another; a strategy, he argued, is defined by the choices it commits to, and equally by those it rules out (Pisano, 2015).

It follows that a strategy is not a wish list, a general statement, or a table of every proposed initiative. Its essence can be distilled into two questions used throughout the strategy literature: **where** to play, and **how** to win (Lafley &

Martin, 2013). In innovation, the first refers to the arenas in which the organization looks for new value, and the second to the means by which it will get there: building internally, partnering, or acquiring a ready-made capability (Capron & Mitchell, 2012).

4.2

From organizational strategy to search fields

Innovation strategy grows out of the organization's own context. It starts from the organization's overarching goals, the challenges that hold it back, and the shifts that may affect its ability to fulfill its mission. Copying fashionable innovation themes detached from these goals is a mistake.

Broad goals are translated into **search fields**, specific opportunity areas that direct exploration, and then into **challenge questions** to which employees and partners can contribute. Instead of inviting everyone to propose any idea at all, exploration is steered toward questions such as: How can we make access to the service simpler for a group that current channels do not reach? How can we cut the time lost between two units? Such questions define the *what* and the *why*, and leave the solution open.

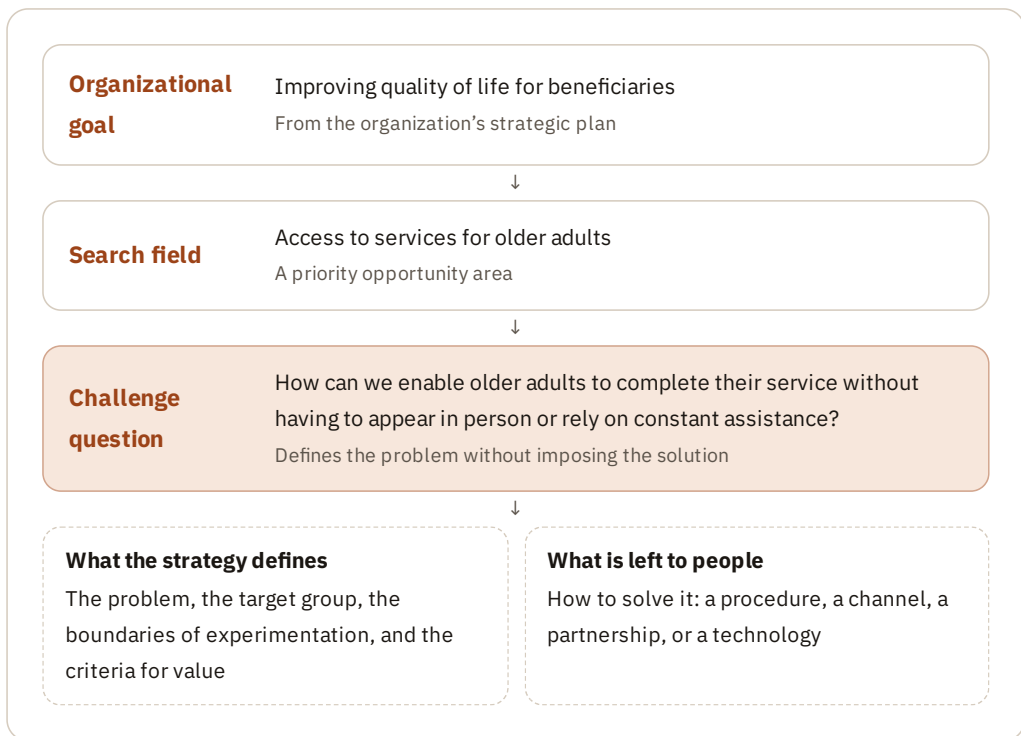


Figure 4.1 From organizational goal to challenge question: strategy defines the “what and why” and leaves the “how” open. (Illustrative example)

In this way, strategy aligns with what Chapter 3 presented on cognitive autonomy within boundaries. Search fields and challenge questions are the clear boundaries that give people freedom to think within them, and they make people’s contributions comparable and open to evaluation.

4.3 The components of strategy

A good innovation strategy has six components, each answering a specific question:

Table 4.1 The components of innovation strategy

Component	The question it answers	Example wording
Rationale	Why do we need innovation now?	Rising demand with flat resources
Target outcomes	What value do we want to achieve?	Halve the time it takes to obtain the service
Search fields	Where will we look, and where will we not look for now?	Three priority fields, with everything else explicitly excluded
Level of ambition	How do we divide our effort between the near and the distant?	Most effort on improvement, with a defined share for future bets
Means of delivery	How will we get there?	Internal development, plus partnerships with universities and startups
Principles and boundaries	What risks are acceptable, and what must never be sacrificed?	No experiment that compromises the security of personal data

Each component needs capabilities to support it, including data, expertise, funding and governance; these are the subject of the following chapters in this part.

4.4

Level of ambition and the balance of horizons

Dividing initiatives into three time horizons offers a useful language for balancing the present against the future (Baghai et al., 1999).

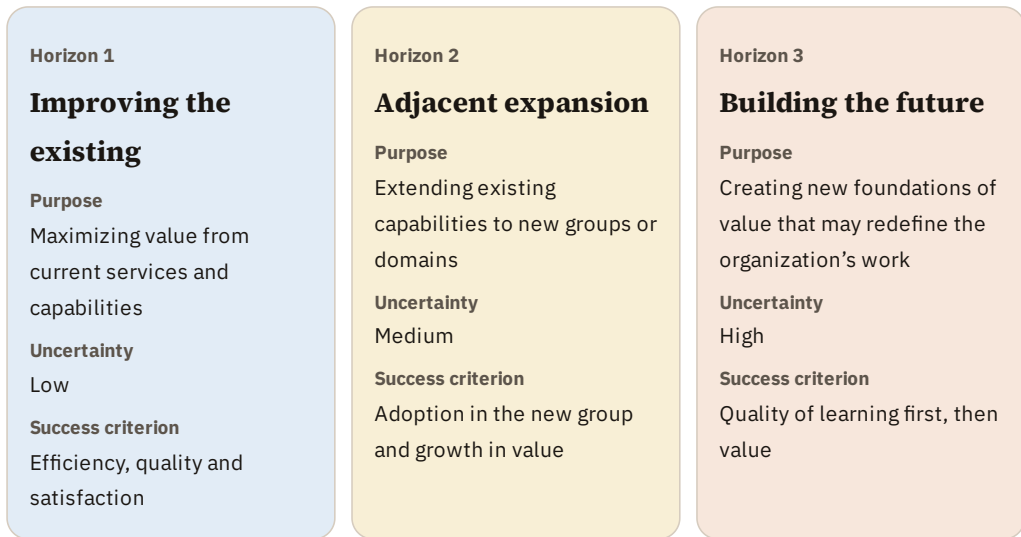


Figure 4.2 The three horizons of innovation. Source: adapted from Baghai et al. (1999).

The horizons are best understood as a flexible framework for thinking, and the common allocation ratios, such as 70/20/10, as indicative estimates; the right allocation depends on the sector, the pace of change, the organization's maturity and its acceptable level of risk. The model's core value is that it makes investment in the future visible and deliberate, and keeps Horizon 1 from dominating simply because it is the easiest to forecast and measure.

For public sector organizations, the Organisation for Economic Co-operation and Development (OECD) proposes viewing the portfolio through four facets: **enhancement-oriented innovation**, which improves the performance of what already exists; **mission-oriented innovation**, which mobilizes effort toward a specific, ambitious outcome; **adaptive innovation**, which responds to emerging changes; and **anticipatory innovation**, which explores future issues that have not yet taken shape (OECD, 2022). The national research, development and innovation priorities presented in Chapter 2 serve as an example of mission-oriented innovation.

4.5 Top-down and bottom-up

Top-down innovation, directed by leadership, identifies priority challenges and mobilizes resources around them. Its strength is clarity and alignment with strategy; its risk is that leaders assume a complete understanding of reality and close off room for discovery. **Bottom-up innovation**, emerging from employees, draws on knowledge close to the work and to beneficiaries; its risk is that it produces a great many local ideas unconnected to priorities, as in the opening case.

A balanced approach combines the two: strategy sets search fields and boundaries from the top, and employees, beneficiaries and partners fill those fields with opportunities and solutions from below. This combination is the organizational application of the principle “the what and why from leadership, the how from people.” Bottom-up innovation stays disciplined by priorities, while leadership direction stays open to solutions that were not drawn in advance. Clear fields also give participants a sense of meaning in their contribution, since they know which goal their effort serves.

4.6 Foresight

Strategy rests on assumptions about the future, and these assumptions are often implicit: that beneficiaries will keep behaving the same way, that regulations will not change, that available technology will stay as it is. Foresight is the organized effort to make these assumptions explicit and to test them against plausible alternatives.

Ansoff noted early on that strategic surprises are usually preceded by **weak signals**, that is, early and ambiguous information about a coming change, and that an organization which learns to detect them gains time to prepare before the picture becomes clear to everyone (Ansoff, 1975). Among the most widely used foresight tools is **scenario planning**, which sketches several plausible and divergent futures rather than predicting a single one, so that the organization’s decisions can be tested against all of them (Schoemaker, 1995).

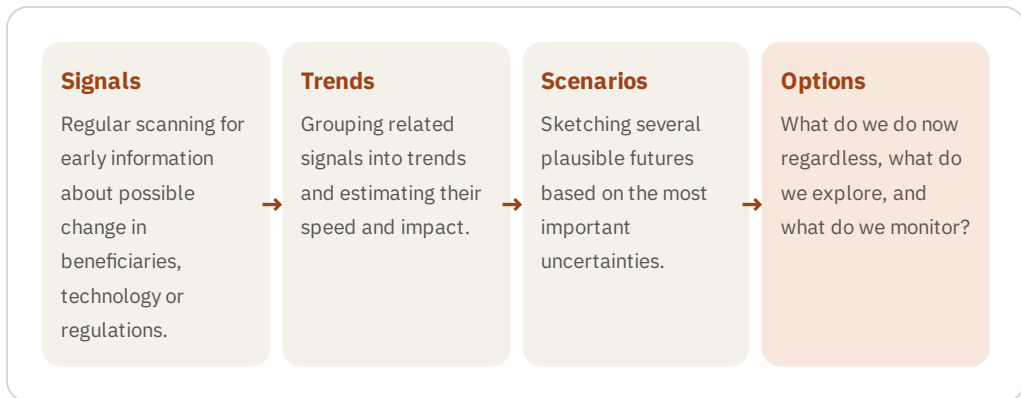


Figure 4.3 From signal to option: how foresight feeds innovation strategy.

The value of foresight is measured by what it changes in decisions. What it should yield is new challenge questions, adjustments to search fields, or exploratory initiatives in Horizon 3. Here foresight connects with the external realities scanning matrix introduced in Chapter 2: the matrix is its tool for regular scanning, and scenario planning its periodic tool.

4.7 Strategy as a living document

Assumptions, markets, technologies and legislation all change, so an innovation strategy is reviewed periodically, and also whenever a strong signal emerges that alters the organization's understanding of its situation. The purpose of the review is to verify that the search fields are still the most important, that resources are not all concentrated in Horizon 1, and that experiments have not exposed an error in a strategic assumption.

A strategy does its job when it reaches beyond those who wrote it to those who carry it out. It should be translated into clear challenge questions, published evaluation criteria, funding priorities, and messages explaining why these fields were chosen, and every sector or unit should know its role in it: discovering opportunities, contributing expertise, running experiments, or adopting solutions.

In Practice

Write down the names of five innovation initiatives your organization is working on now, and ask of each: Which search field in the strategy does it serve? Which challenge question does it answer? If you find initiatives that serve no field, then either the strategy is overlooking a genuine priority that needs to be added, or the initiative is consuming resources outside the chosen direction.

Chapter tool: innovation strategy on a single page

Formulate your organization’s innovation strategy on this single page, then discuss it and share it. If you find you cannot fill in one of its boxes clearly, there is a decision that has not yet been made.

Innovation strategy canvas			Reviewed at least once a year
1. Rationale Why do we need innovation now? What is the change, challenge or ambition?	2. Target outcomes What value do we want within three years, and how will we know we have achieved it?	3. Search fields Three to five priority fields, each with a challenge question.	
4. What we will not do for now Fields or types of initiative that are explicitly excluded.	5. Level of ambition The approximate share of effort in each horizon, and the reason for this allocation.	6. Means of delivery Internal development, partnerships and others, and who leads each.	
7. Principles and boundaries Acceptable risks, ethical and regulatory safeguards, and what must never be sacrificed.			
8. Strategic assumptions and review triggers What are we assuming about the future? What signal, if it appeared, would lead us to review the strategy?			

Chapter Summary

- Innovation strategy is a system of interconnected choices, defined as much by what it rules out as by what it commits to.
- Strategy rests on two inseparable questions: where we innovate, and how we reach our goal.
- The organization's goals are translated into search fields, and then into challenge questions that define the “what and why” and leave the “how” to people.
- Strategy has six components: rationale, outcomes, search fields, level of ambition, means of delivery, and principles and boundaries.
- Balancing the three horizons makes investment in the future deliberate, with the allocation set according to each organization's circumstances.
- A balanced approach combines top-down and bottom-up innovation, giving people freedom within clear fields and a sense of meaning in their contribution.
- Foresight feeds strategy by turning weak signals into trends, scenarios and options on which decisions can be made.

Key Terms

Innovation strategy

Innovation strategy

A set of interconnected choices that determines why the organization innovates, where, with what ambition, and by what means.

Search field / Innovation arena

Search field / Innovation arena

A priority opportunity area that directs exploration efforts.

Challenge question Challenge question	A formulation of a priority problem that specifies what is needed without imposing the solution.
Three horizons Three horizons	A division of initiatives according to their distance from existing operations and their degree of uncertainty.
Mission-oriented innovation Mission-oriented innovation	Mobilizing effort and resources toward a specific, ambitious outcome.
Weak signals Weak signals	Early, ambiguous information about a coming change.
Scenario planning Scenario planning	Sketching several plausible futures against which to test decisions.

Review and Discussion Questions

- 1 Why is the statement “To be an innovative organization” not a strategy? Reformulate it so that it meets the conditions of a strategy. **Application**
- 2 From one of your organization’s goals, derive a search field and a challenge question that defines the problem without imposing the solution. **Application**
- 1 How is your organization’s current effort distributed across the three horizons? Is this distribution consistent with the changes it faces? **Analysis**
- 2 What is the relationship between search fields and the principle of cognitive autonomy within boundaries presented in Chapter 3? **Analysis**

- 3 Choose a weak signal in your sector, build two different scenarios around it, and then identify an option that works in both. **Evaluation**

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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.

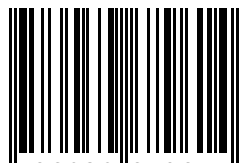
It rests on three pillars: a clear, high-priority problem; motivated people whose needs are met; and a system that connects them and turns effort into repeatable results. It combines international research evidence with the Saudi context, and pairs each chapter with a tool that can be used in a real 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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ISBN 978-603-06-7961-4



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