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Teams at the Top: Tackling the Innovation Challenge

By Rusty Sherwood and Emily Livorsi

How to develop an engineering and construction organization that values, cultivates and fully leverages innovation at all levels.

When our clients think of innovation, their minds often go to new and disruptive ideas that will change the trajectory of their businesses for the better. Maybe they want to find more creative approaches to prefabrication methods on the shop floor or identify processes in need of automation. They could be spotting growth opportunities on the horizon that may demand a shift in strategy, or perhaps they're preparing for disruptive technologies.

Whatever the motive, successful innovation includes three key components to move from great ideas to executing on those innovative ideas. Put simply, innovation moves beyond the process of identifying an idea that meets a market need or solves a challenge by “thinking differently” to include three key components:

- Ideas that may create value
- Careful yet decisive evaluation of innovation ideas
- Effective execution

In a recent study, researchers surveyed executives and professionals to determine their perceptions about primary barriers for effective innovation. Results showed that both stakeholder groups think very differently about this topic: Executives cited insufficient talent across the organization as the main barrier for innovation. All others suggested it was an issue of senior leadership failing to model and create an innovation culture.¹

¹ Joanna Barsh, Marla M. Capozzi, and Jonathan Davidson. “Leadership and Innovation.” McKinsey Quarterly. January 2008.

Unfortunately, the executive mindset unveiled in this study—where the emphasis to innovate is placed across all talent—may underemphasize the importance of innovation at the top. Interestingly, it's often at the most senior leadership levels that we see engineering and construction (E&C) firms fail to innovate effectively. In fact, during FMI's ongoing work with executive teams, we've found three broad patterns of innovation issues on executive teams: (1) insufficient ideation, (2) strategic misalignment and (3) poor execution. In this article, we explore these challenges and provide solutions that E&C firms can use to break through these barriers.

The Insufficient Ideation Trap

After a recent executive team meeting, the president of a mid-sized specialty contractor in the Midwest contacted one of FMI's consultants to debrief. After quick pleasantries, he said, "Look, I know we need to innovate to stay alive. It's part of our vision after all. But not one of my leaders thinks differently. Every executive meeting is more of the same. We download operational issues, lament over personnel challenges and say we plan for strategy, but it's really business planning—just setting growth targets and identifying obvious internal initiatives to invest in." He went on to say, "I'm just not sure I have the leaders around the table to bring new and fresh perspectives into the business."

This scenario is not uncommon in the E&C industry. Leaders who have been promoted for excellence in operational roles were likely not rewarded for their innovative thinking skills, whether it be about emerging market trends or disrupting technologies (or even new ways to streamline operational processes). Instead, they've honed their abilities to be strong at execution versus strategic thinking and creativity.

Here are three ways to break through this barrier:

1. **Make innovation a priority.** Too often, teams with an operational lens make innovation an afterthought on agendas or strategic plans. And for good reason, as conversations that challenge our skill sets as leaders can be frustrating, perceived as inefficient and "wheel-spinning." It's natural to delay what is most difficult. However, leaders attempting to make innovation a priority create a sense of urgency and commitment around innovation and hold people accountable for their tasks and responsibilities.
2. **Work the problem in reverse.** Teams that struggle to identify innovative ideas and solutions sometimes find value in "pre-mortems." Working in reverse, executive teams ask themselves some variation of the following questions:
 - a. Let's look at an existing problem in our organization—What is causing that problem?
 - b. What would happen if we failed to address it?
 - c. What could we do to address that problem effectively?
3. **Burst the bubble.** On the flip side of a pre-mortem, executive teams may look at areas of the business in which they are doing incredibly well. Great teams don't take these areas for granted. Executive teams may set aside time to identify things that are going incredibly well (e.g., booming work in the health care market). In this situation, teams could drive a conversation around what would happen should the market for health care disappear tomorrow.



Strategic Misalignment

Unfortunately, innovation activities are rarely tied to strategy. In a recent Harvard Business Review article, the author suggests that one of the primary reasons innovative efforts fail is that they are “not deeply connected to a business need and intentional strategy.”²

One design executive recently shared an example of how his team failed to effectively innovate. “We all have a lot of great ideas. That’s not typically the problem. The problem is that they are so disconnected from our vision that we end up with a dozen interesting means for innovating that distract us from what we ultimately need to do. As a result, we invest in half-baked ideas that are mostly pet projects for very capable individuals who could otherwise be making a meaningful difference for us. As a leadership team, we need to more closely evaluate how an idea is tied to our organizational goals. If it’s not, maybe it’s a great idea for tomorrow. But for today, we have work to do on achieving our long-term goals in the organization.”

This innovation trap is most common when the senior leadership team is composed of highly entrepreneurial and creative minds that are empowered to act on behalf of their businesses but that may act in siloed or disconnect ways. While this team composition can lead to highly innovative ideas, pushing for alignment with strategy and challenging ideas effectively will more likely lead to strong implementation.

Here are three ways to break through this barrier:

- 1. Start with a strong vision.** Knowing your core ideology (why you exist and how you operate) and where you are going in the long term is critical for vetting innovative ideas. Without clear grounding about your organization and where it’s going, executive teams fail to vet innovative ideas effectively.
- 2. Engage in healthy conflict and challenge assumptions.** When presented with an innovative idea, leaders should ask their peers, “How will this initiative align with our existing strategy to do X?” and “How will this initiative add value to our organization in the near term, midterm and long term?”
- 3. Know when to kill an idea.** Successful leadership teams know when an idea is not feasible, will fail to be implemented effectively, lacks adequate resources or leadership, or simply is not a strategic priority. Highly innovative teams can have the difficult discussions and commit to putting an idea to rest permanently (or temporarily) after deeply evaluating the potential innovation.

² Gary P. Pisano. “You Need an Innovation Strategy.” Harvard Business Review. June 2015 Issue.

Poor Execution

In the absence of effective execution or change management, innovative ideas often fail to launch. Large-scale innovations, such as a hefty investment in prefabrication, can be a resource drain when the organization does not embrace the change. At the top, we have seen leadership teams fail to set up the organization for effective execution.

“At the executive level, we present each other with a lot of well-intentioned innovations, whether it’s a new internal innovation or a client-facing one,” said one senior leader at a large, global engineering firm. “We tend to start well, seeing value in new ideas, but then the ideas never realize their potential. One of the reasons is that we go so slow; we overthink all the details and mechanics as the innovation moves forward, constantly second-guess issues, lose steam, and then an initiative trails off.”

Leadership teams that face poor execution in this scenario often have a deep analytical bias. We often use the term “paralysis by analysis” to describe teams that see value in ideas but get caught up in reluctance or exercise extensive caution before implementation. Indeed, large-scale innovation initiatives take time to vet, evaluate and invest in. But leaders who fail to act quickly on an innovative idea may miss the boat and find themselves surrounded by disengaged employees.

Here are three ways to break through this barrier:

1. **Set, measure and adapt.** Great executive teams can set clear goals around innovations, develop key performance indicators (KPIs) that help them measure progress on such goals, and then adapt based on reflection and learning. When executive teams build this cycle, they move more closely from paralysis to agility in their decision-making and innovation efforts.
2. **Don’t poison the well.** An executive team that collectively commits to a well-thought-out innovative investment—but that sabotages the idea in other groups—will lead to ineffective execution and undermine change management efforts.
3. **Create structured time to re-evaluate innovative efforts.** Don’t allow executive team agendas to stray into an evaluation of what change or innovation efforts aren’t working and why. Set up structured time to evaluate an effort, understand its efficacy and decide on a path forward.

Developing and Selecting a More Innovative Senior Leadership Team

In our work with senior leadership teams, they tend to have a predominant style around these innovation “traps”—be it a lack of ideation, insufficient strategic alignment or poor execution. That said, striking a balance on an executive team is feasible even if there is a strong predisposition toward one of these traps.

Creating Roles That Strike a Balance

In senior leadership teams that have a strong bias toward one of the aforementioned innovation traps, creating specific innovation roles is a helpful tool to build strengths where there were previously gaps. This is a process in which teams create greater clarity around each leader’s innovation role, which can be a powerful method to encourage more innovative leadership at the top.

When working with a senior leadership team from a large contractor on the West Coast, we noticed that the leadership team tended to defer to execution without deep thinking. To address this, FMI worked with the team to create greater role clarity, emphasizing the value of roles that added depth of thinking to the team. To best leverage this team's individual skills, leaders developed roles like "vision-thinker," "creativity maven" and "master of execution." That way, when a new concept was presented, each leader paused, put on his or her "hat," and then fulfilled these respective roles.

Collectively, the team would arrive at the best decision, evaluate the idea and identify a path forward in relation to the pursuit of an innovative idea. Team leaders wound up leaning further into innovation ideas and began to feel accountable to their peers to do their part in avoiding innovation traps.

Selecting Innovative Senior Leaders

Faced with leaders on an executive team who struggle to innovate in some respect, executives may wonder whether they've selected the right group of leaders to help them innovate. This often leads to a conversation around finding future leaders who can infuse new blood into a team of executives who struggle with innovation.

Here are three ways to select leaders for greater innovation at the top:

1. **Start with the end in mind.** Does your strategy really demand a push toward innovation? Not all strategic plans demand an innovation component. However, if innovation is an important component of your strategy, understanding if you have the right people on deck to support it is critical.
2. **Build out the desired profiles.** If innovation is a must at the top (and quite often it is), what kind of competencies are critical for your future senior leaders? Mental flexibility, curiosity, team player or a change management mindset—all are potential competencies to consider to foster greater balance on your senior leadership team. From FMI's research on what it takes to lead innovation, leaders who are most effective in innovating tend to have the following traits.³
 - a. Focus on people and culture first—the rest will follow
 - b. Identify innovative opportunities in every situation
 - c. Have the courage to take a risk and face the tough questions
 - d. Share ideas as often as possible—both internally and externally
 - e. Continually push their (and their team's) thinking
 - f. Understand their limitations
3. **Select with objectivity.** If your team has a strong bias toward leaders who think or approach innovative ideas in a certain way, selecting a leader who thinks differently may be challenging. Utilizing assessments and a rigorous selection process to carefully identify leaders who possess the needed competencies is a great starting point.

³ Kim Morton and Ron Magnus. "Leading Innovation: Insights From Industry Executives." FMI Quarterly: The Innovation Collection. 2017.

As E&C firms find themselves operating in an increasingly complex business world, the innovation drive is sure to continue. By avoiding the innovation “traps” outlined in this article and using the strategies to break through the barriers, E&C companies can get on the innovation train while ensuring ample support from their leadership and executive teams. The companies that embrace these realities and put both time and effort into developing more effective executive teams will be in the best position to win in the long term.



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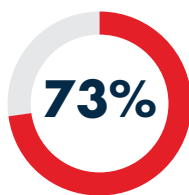
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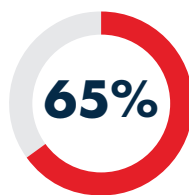
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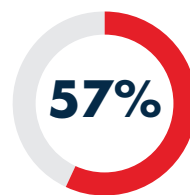
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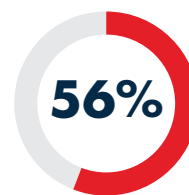
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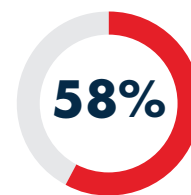
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