

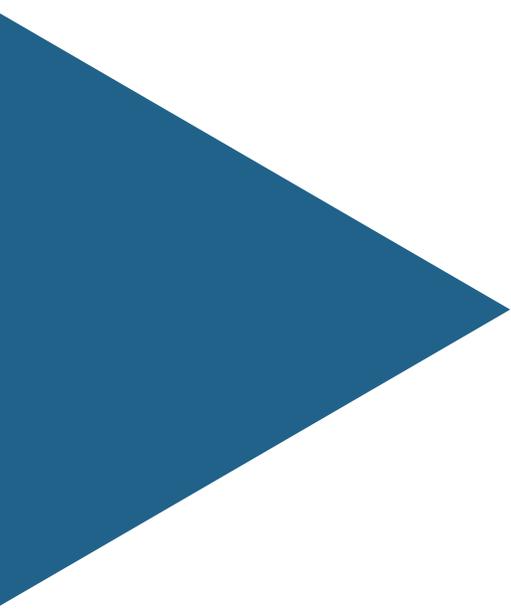


2016 Owner Trends Study:

# **INSIGHTS TO LEADING AN AGILE CAPITAL PROGRAM**

**CONTINUUM**   
Advisory Group





**“A SHIP IN HARBOR IS SAFE,  
BUT THAT IS NOT WHAT  
SHIPS ARE BUILT FOR.”**

— JOHN A. SHEDD

### **WHY ORGANIZATIONAL AGILITY?**

When thinking about both the benefits and challenges of creating an agile organization, this quote comes to mind. If we consider the ship as the organization, it is easy to see that a company that remains stagnant will ultimately become ineffective in a constantly shifting marketplace. A ship that drifts aimlessly on the open sea will eventually be carried by tide or storm to its demise. To weather changing tides and impending storms, a ship needs a strong, skilled, unified crew that is able to react swiftly to changing conditions.

The overriding theme of the 2016 owner trends study is the need for organizational agility. For owners, operational excellence in the execution of capital programs is no longer enough to build or maintain a competitive advantage in the rapidly changing marketplace. Owners require a capital construction organization that can be agile and rapidly adjust to changing needs. For the contractors and engineering firms who serve these owners, agility may be even more important; they must provide solutions to their customers that allow them to effectively manage change. This study highlights the forces driving this need for organizational agility and identifies the characteristics of agility that owners, as well as the contractors that serve them, will need in the coming years.



**This study brings a valuable focus to how organizational agility is helping industry firms succeed as the pace of change accelerates. To learn more about how leaders are coping and thriving – read on!”** –Janice L. Tuchman, Editor-in-Chief, *Engineering News-Record*

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This 2016 Owner Trends Study was built upon the efforts of a 2014 Continuum Advisory Group study, titled *Key Owner Trends: Gone Are the Days...*, during which 40 private and public owners were questioned about the trends of the next decade. One of the primary topics that arose from our discussions at that time was the increasing pace of change and resulting shifts in organizational structure and the overall industry. When asked what challenges they foresee in the next decade of capital construction and facilities maintenance, owners responses frequently included these challenges:

- ▶ The increasing pace of change
- ▶ Regulatory unpredictability
- ▶ “Right-sizing” challenges
- ▶ The demand for asset flexibility
- ▶ Tight budgets and tighter schedules
- ▶ The need for continuous reevaluation

These responses from the 2014 study each identify a growing need for organizational agility — the capability of a company to rapidly change or adapt in anticipation of or in response to changes in the market — and created a starting point for the 2016 Owner Trends Study.

For more information on the 2014 Continuum Advisory Group study, **Key Owner Trends: Gone Are the Days... Challenges of the Next Decade of Capital Construction and Facilities Maintenance**, please visit:

<http://bit.ly/244gTYs>

or contact Kelcey Henderson at [KHenderson@ContinuumAG.com](mailto:KHenderson@ContinuumAG.com) or 704.806.8246

## METHODOLOGY

This study explores how owners are managing the uncertainty inherent in an increasingly volatile industry environment, how they're managing change, and the application of organizational agility as a solution.

This study includes the following:

- ▶ Quantitative and qualitative results from the current survey of owners
- ▶ Responses from interviews with both owners and contractors
- ▶ Insights from Continuum Advisory Group's panel of owners on this topic at the 2016 CURT National Conference
- ▶ Current research on leadership and organizational agility

## 2016 OWNER TRENDS STUDY HIGHLIGHTS

*The 2016 Owner Trends Study confirmed the following:*

- 1.** We are executing capital programs in a volatile environment
- 2.** We are doing that with fewer resources and struggling to improve productivity in our industry
- 3.** We have more pressure on budget, schedule, quality and safety, especially as it ties to the ability of capital programs and facilities maintenance to support key corporate objectives such as speed to market, share price, ROI, and customer satisfaction
- 4.** We think about change, but we don't manage it well
- 5.** We know we need to be agile as organizations and departments, but there are many challenges associated with achieving organizational agility

This report shares specific input from those surveyed, interviewed, and included in the panel, academic research, and our experience with our clients on how to develop a higher level of organizational agility.

**THE PUNCH LINE:** we need organizational agility in order to quickly and successfully implement change in reaction to market conditions, technology, regulation, consumer needs, economic conditions, global crises, etc. This report provides a more detailed description of the results of the study, including findings that support the need for organizational agility, especially agile capital program delivery, and **describes the steps your organization can take to create an agile capital program delivery process.**



During the 2016 CURT National Conference, we moderated a panel of owners discussion on the topics in this study.

The panel consisted of:

- ▶ **Paula Marino**, Senior Vice President of Engineering and Construction Services, Southern Company
- ▶ **Mike Mayra**, Construction Group Manager, General Motors
- ▶ **Teresa Magnus**, Principal, Magnus & Company

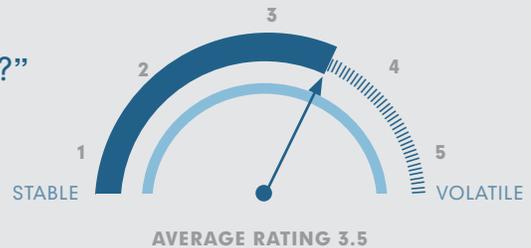
*See their commentary in the sidebars throughout this report.*

## THE VOLATILE INDUSTRY ENVIRONMENT

There is a general consensus among the participants in this study that we're operating in an increasingly volatile environment. We asked survey respondents to rate the volatility of the industry environment as a way to "take the pulse" of owners and understand how they are experiencing the current climate.

“HOW WOULD YOU RATE THE VOLATILITY OF THE CURRENT INDUSTRY ENVIRONMENT?”

**44%** RATED THE CURRENT ENVIRONMENT AT 4-5 ON THE VOLATILITY SCALE



“DO YOU THINK VOLATILITY HAS INCREASED OR DECREASED OVER THE PAST FEW YEARS?”

**78%** THINK THE ENVIRONMENT HAS BECOME MORE VOLATILE OVER THE PAST FEW YEARS



“DO YOU THINK VOLATILITY WILL INCREASE OR DECREASE OVER THE NEXT FEW YEARS?”

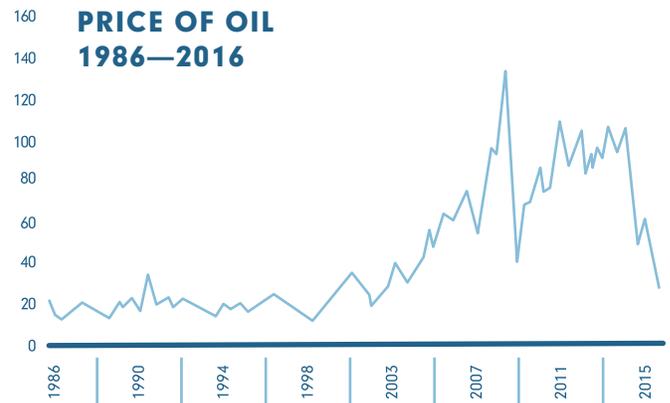
**86%** THINK THE ENVIRONMENT WILL BECOME MORE VOLATILE OVER THE NEXT FEW YEARS



SOURCE: 2016 OWNER TRENDS STUDY

In general, owners rated the current environment as somewhat volatile and the majority (78%) agreed that volatility has increased over the past few years, while an alarming 86% believe it will become more volatile over the next few years.

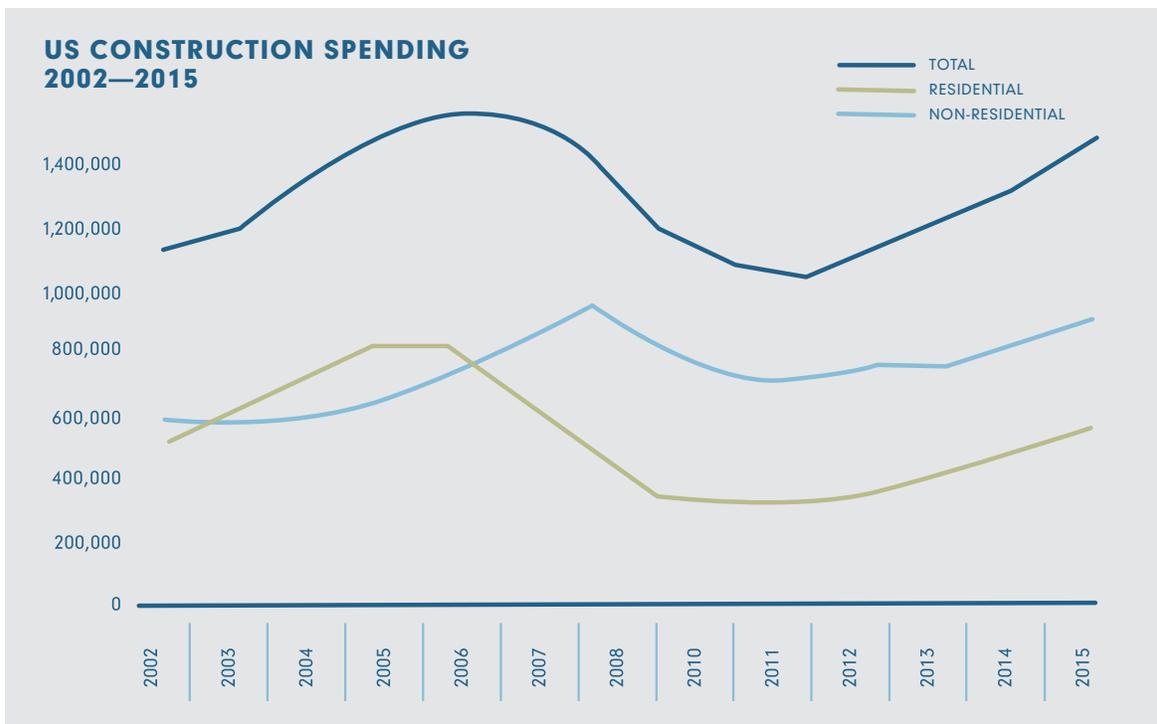
One obvious example of volatility in our industry is energy prices, which have become increasingly volatile over the past decade. From 1986 to 2003, oil traded within the range of \$10 to \$25 per barrel, but since 2003, oil has traded from \$25 to \$140 per barrel. From 2009 to 2014, the market began to adjust to high oil prices, but this stability was short lived, with prices now falling below \$30 per barrel. Natural gas also experienced volatility during the last 10 to 15 years with prices peaking above \$10 early in the 2000s and now settling below \$3.



SOURCE: ENERGY INFORMATION ADMINISTRATION (EIA)

Overall construction spending in the US has seen increasing volatility in this century as well. The first decade of the century began with an even balance between residential and non-residential spending. During the boom from 2003 to 2005, residential spending significantly outpaced non-residential — until the bubble burst and residential spending fell by two-thirds; non-residential spending also fell significantly, but is now 50% larger than residential spending.

It's clear that volatility is a fact of life in our industry for the foreseeable future and owners must find better ways to operate amidst environmental instability.



SOURCE: US CENSUS BUREAU

## DOING MORE WITH LESS

The construction industry labor shortage has been one of the most prevalent challenges discussed in the industry over the past few years. Various industry groups have formed and significant research has been conducted on how to attract talent to the industry, how to efficiently train new people, and how to retain the good talent within organizations. For the purpose of this discussion we will focus on internal owner staffing challenges, while acknowledging that trade shortages are also a significant issue. We'll also cover tightened timelines and budgets as we explore how owners are accomplishing more with less people, time, and money.



**From 2011 to 2015 we more than quadrupled our capital spend without any increase in staff. We're relying a lot more on outside firms for work we once did ourselves!"** – Michael Mayra, Construction Group Manager, General Motors

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Since the end of World War II, companies seeking to expand their work force have been able to rely on an ever-expanding pool of available workers to meet their growth needs, limiting the need to compete with other industries for available workers. This workforce expansion has essentially ended. Future growth of the US workforce is projected at 0.2% annually for the next decade. It is possible the size of the US workforce will eventually begin to contract. Companies seeking to grow in the future will increasingly need to win workers from other companies or industries or seek non-traditional sources of labor.

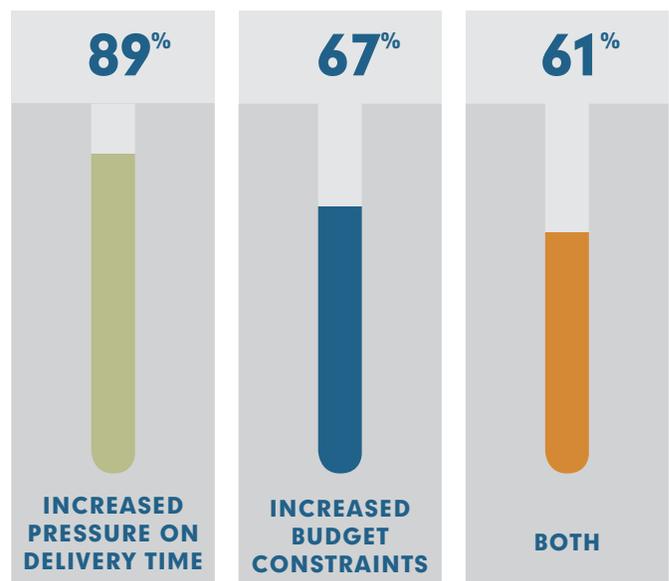
Of those who participated in this year's survey of owners, 67% said they were somewhat **understaffed**. Not surprisingly, availability of internal staffing was ranked highest in terms of impact on 2016 capital programs, followed closely by availability of funding. By way of contrast, in the 2014 survey, availability of internal staffing didn't even rank in the top three for owners.

### RANK THE FOLLOWING IN TERMS OF IMPACT ON YOUR CAPITAL PROGRAM FOR 2016



SOURCE: 2016 OWNER TRENDS STUDY

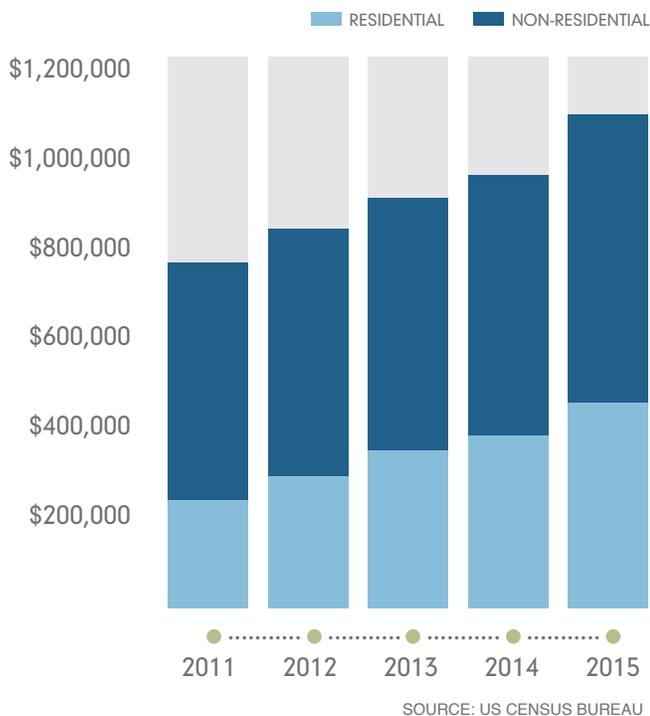
In addition to trying to do more with fewer people, owners also have more pressure on budgets and timelines to support corporate objectives. The two heightened pressures that came through loud and clear in both the survey of owners and subsequent interviews with owners were tightened budgets and shorter schedules. While 89% of respondents said that the pressure on delivery time has increased, 67% are dealing with increased budget constraints and 61% are managing both simultaneously.



SOURCE: 2016 OWNER TRENDS STUDY

The strategic role of engineering and construction in supporting overall business objectives with innovative solutions is becoming increasingly important. Engineering and construction must innovate in order to reduce cost and time and contribute to organizational success. Continuum Advisory Group is currently conducting a secondary study on this topic in partnership with the Construction Industry Institute (see sidebar).

## US CONSTRUCTION SPENDING 2011-2015



As the economy has recovered from the Great Recession, capital construction has grown. Businesses are increasing their capacity with minimal increases in staffing. There is industry-wide pressure to improve production, apply Lean practices, and actively pursue innovation in order to complete projects with fewer people and stretch budgets for all they're worth. Now more than ever, owners are feeling the pressure to do more with less, which begs the question: *how are they accomplishing it?*

The Construction Industry Institute (CII) and Continuum Advisory Group have partnered to conduct a ground breaking study in the industry to better understand the relationship between the engineering and construction department and the overall corporate strategic plan.

There is increasing pressure for organizations to be able to quickly and effectively execute projects. The pace of change is rapidly increasing which makes it critical to better understand these links. For example: the construction leader of a large computer manufacturer recently shared that they must cut 30% of cost and 50% of time out of capital construction or their company could cease to exist. What role does engineering and construction play in the overall success of the company?

Through direct interviews, we're obtaining both the engineering and construction perspective as well as the business operations perspective on the need to strategically link engineering and construction with the overall corporate goals and objectives. How do engineering and construction departments most effectively enable corporate success relative to key performance metrics such as share price, return on assets, and speed to market?

The findings will be presented at the 2016 CII Annual Conference: August 1-3, 2016 at the Gaylord National Convention Center in National Harbor, Maryland. More information at [www.construction-institute.org](http://www.construction-institute.org)



### WE POSED TWO QUESTIONS TO OUR PANEL:

- ▶ How can owners do more with less?
- ▶ How can contractors help them?

### THEIR THOUGHTS:

Consider the total or life-cycle cost during planning, especially with regards to supplier selection

Ask contractors to do more upfront work

Use contractors for their expertise, such as scoping and estimating

Transition from Design-Buy-Build to Design-Build

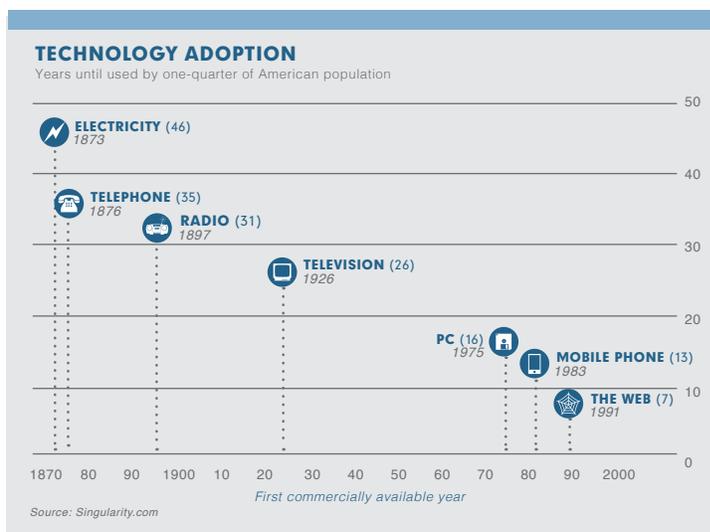
Challenge contractors to take responsibility for improving productivity

Strategically partner with contractors to reduce both risk and cost

## CHANGE MANAGEMENT

While we're doing more with less, we're also doing more in an environment of nearly constant change. Interestingly, when asked if we are prepared for change, we think we are. We're thinking about it, but are we effective in managing it? The answer is no.

"There is no 'new normal,' some future state where change will cease." This was the opening statement in Continuum Advisory Group's 2014 study on the key owner trends of the next decade. The familiar technology adoption chart below portrays the increasing pace of change over 130 years. Change is a given in this increasingly volatile industry environment. Political turmoil, regulatory unpredictability, the ever-fluctuating price of oil, and economic instability are all constant sources of change within our world. The constant connectivity created by modern technology only acts as a high-speed conduit — an accelerant to inevitable change.



As the graphic depicts, the American population became increasingly faster at adopting new technology over the past century. We concluded our 2014 study with the advice that successful organizations proactively scan the environment searching for drivers of change in order to effectively create strategies and tactics to address those changes.



### WE POSED THIS QUESTION TO OUR PANEL:

► What do you do well when managing change?

### THEIR THOUGHTS:

Dedicate resources to anticipating change and managing outcomes; for example, establishing a group to explore potential new regulation and affect rule-making decisions when possible

Engage in scenario planning on a regular basis

Scan the marketplace and increase involvement in relevant forums

Encourage employee training in change, conflict, and leadership

Empower employees in the field to make decisions and manage change

Select contractors early in the process; allow them to play a role in key decisions on planning and strategy in project execution

This year's survey confirmed our suspicions that owners are feeling the accelerating pace of change more than ever. We asked owners if they feel the speed and rate of change has increased over the past few years; an overwhelming majority (94%) replied "yes". In fact, those who replied "no" commented that "it's always been fast" or "it's consistently high." When we asked if they think their company is prepared for change, 83% said they are. But when we asked how well their companies manage change, only 33% rated themselves above mediocre.



SOURCE: 2016 OWNER TRENDS STUDY

Owners must bridge the gap between being prepared for change and effectively managing change in order to survive the volatile next decade. During interviews with CURT owner members we explored the reasons behind the huge disconnect between preparing for change and effectively managing change. Owners spoke a lot about the size and complexity of their organizations. Layers and functional units, red tape and security measures all create significant barriers to change.

Many of the organizations we spoke to are actively taking steps to overcome those barriers. They're restructuring, they're searching for and developing Lean applications for construction, and they're streamlining processes. However, the barrier that everyone mentioned, but no one seems to directly address, is cultural resistance to change. This Anne Pramaggiore quote from our 2014 study hits home. It's a "soft" topic. Creating a culture of change isn't straightforward; there are no agreed-upon guidelines to follow. But embarking on strategic initiatives to address and manage change without creating a culture that thrives on change is ineffective at best and disastrous at worst.

### Survey respondents explained the challenges of managing change:

"it's a **LONG-CYCLE BUSINESS**"

"there are **SO MANY LAYERS** above us"

"this is a **COMPLEX ORGANIZATION**"

"our **CULTURE** is a **BARRIER...**"

"our **SIZE** makes **CHANGE DIFFICULT**"

“

**I am a devotee of Peter Drucker and his insight that 'culture eats strategy for breakfast.' You can make progress on a strategy for change in an organization without addressing culture, but you simply cannot sustain change without addressing the organization's DNA – that is its culture."**

– Anne Pramaggiore, President and Chief Executive Officer, ComEd

Owner organizations agree that they are operating in a volatile industry environment and no one seems to be disillusioned about the environment stabilizing any time soon. They're meeting the challenge of doing more with less head-on, and, whether they like it or not, owners know that change is happening fast. To cope, we must begin to view change management as a required leadership skill set. Leaders must ask themselves and their organizations: "how can we better manage change?"

## **ORGANIZATIONAL AGILITY: A KEY COMPONENT OF SUCCESSFUL CAPITAL PROGRAM DELIVERY**

As noted in the introduction to this study, organizational agility is commonly defined as "the capability of a company to rapidly change or adapt in anticipation of or in response to changes in the market." Put another way, organizational agility is the constant and strategic use of the prefix "re": reviewing, redefining, reallocating, reassigning, redesigning, redeploying, renegotiating, re-visioning. Agile organizations are constantly shifting. They've truly developed a process mentality and one of their greatest skills is self-organization (or re-organization)!



SOURCE: 2016 OWNER TRENDS STUDY

We asked both owners and contractors what it means for an owner organization to be agile. Overwhelmingly, we heard about the importance of cultural shifts within the organization and empowerment of employees. Giving employees the power and the responsibility to react as needed is key to developing organizational agility. Furthermore, creating a change-culture in an atmosphere focused on growth and innovation is absolutely necessary.

### **WHAT OWNERS ARE SAYING ABOUT CREATING AGILITY:**

- Employee empowerment
- Scenario planning
- Streamlining processes
- Mental shifts: accepting change, being ready to move
- "It's all about simplification"
- Cultural shifts: agile work environments breed collaboration
- Partnering with contractors that are advancing innovation and productivity

### **WHAT CONTRACTORS ARE SAYING ABOUT AGILE OWNERS:**

- Push responsibility down to the local business unit
- People onsite are empowered to solve problems
- People at all levels feel connected to the success of the project — they work harder
- Issue prevention...and quicker reaction when issues arise
- Focus on creating a culture of innovation



## Organizational Agility as a Solution

"Agile" and "nimble" have become industry buzzwords recently. The issues we've explored in this study all indicate a growing need for flexibility. The volatile and unpredictable environment, the requirement to do more with less, and the constantly changing nature of projects and external factors all create a need for organizational agility.

For the purpose of this discussion, we aren't viewing organizational agility as the next big corporate initiative, but as a solution to all of the challenges we've discussed thus far. For example, one owner explained that shortened time-frames mean there are a lot of unknowns going into a project, resulting in a lot more change during the project than ever before.

A shortened cycle impacts everyone in the whole value stream: engineering's time is shorter, so information comes in later and many changes are made all the way up to the end of construction. He explained that his organization must be agile in order to react faster with less information.

### WE ASKED OUR PANEL WHAT THEY ARE CURRENTLY DOING TO DEVELOP AGILITY AND FOR THEIR SUGGESTIONS FOR IMPROVEMENT.

#### THEIR RESPONSES:

Communicate the message that change is inevitable and that it's not bad!

Challenge leadership with articulating a vision of agility in the face of change

Address the cultural challenges; for example, developing high-performing teams in partnership with contractors and trades

Develop trust in contractor relationships in order to maximize skills and optimize performance

Invest in building team culture and processes at the start of every project

Implement processes that incentivize contractors as a way to increase "speed off the blocks" and increase agility throughout the project; for example, strategic sourcing, target value design, cost sharing, integrated project delivery

Plan for change: pace design and construction so that you don't get too far ahead of inevitable changes

Empower employees and drive decision-making to the lowest level or area where expertise lies

Make employees accountable and reward high performers

Trust teams to make decisions for themselves

Allow craft to participate in the planning and design of the work; remove layers of inexperienced engineers from the process

Encourage risk-taking by spotlighting versus laser-focusing on mistakes; teams should be watched, but innovation requires a certain amount of risk

**A shortened cycle impacts everyone in the whole value stream: engineering's time is shorter, so information comes in later and many changes are made all the way up to the end of construction.**

As one owner put it, agility is effectively combining flexibility, speed, and culture in order to manage the challenges of continuous change. Building an agile organization requires adjusting **all aspects** of the organization to rapidly adapt to change. People, technology, structure, process and culture all play a role in developing and sustaining organizational agility. The right mix of characteristics will vary for each organization and industry; organizational agility by its very nature does not come about from a one-size-fits-all solution.

Every owner we spoke to mentioned employee resistance to change as a barrier. This response indicates a strong need for shifting mental models within the organization, but change of that nature must come from the top. Many owners mentioned that there was change management training available for their employees, but that their staff doesn't utilize it. Without change-focused leadership, no amount of available training resources is going to have an impact on your organization. If leaders want their organizations to get better at managing change, they're going to have to drive it from the top. *(See sidebar for characteristics of agile organizations and leaders.)*

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**Agility is effectively combining flexibility, speed, and culture in order to manage the challenges of continuous change. Building an agile organization requires adjusting all aspects of the organization to rapidly adapt to change.**

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Organizational agility has become an increasing focus of research regarding business success. Building an agile organization is an enormous yet critical leadership challenge that today's executives face. The following are research-based characteristics that provide a starting point to begin the process of increasing your organization's agility as well as a list of the leadership characteristics that drive agility.

#### **CHARACTERISTICS OF AGILE ORGANIZATIONS:**

- **Agile organizations plan for change by:**
  - Focusing upon short- and long-term success
  - Seeking nontraditional sources of information and viewpoints
  - Developing alternative future scenarios
  - Monitoring the changing forces of the environment
- **Agile organizations create a culture that embraces change by:**
  - Accepting change as a constant
  - Building individual and organizational internal capabilities and knowledge
  - Hiring quick learners and promoting learning, innovation and diverse thinking
  - Rewarding people not for tenure, but for current performance and alignment
- **Agile organizations structure themselves for change by:**
  - Abandoning traditional hierarchies in favor of virtual organizations able to quickly reconfigure
  - Driving shared leadership and decision-making at the lowest level
  - Promoting teamwork and collaboration at every level
  - Employing knowledgeable workers that can quickly learn and change job responsibilities
- **Agile organizations are able to implement change to:**
  - Achieve speed, flexibility and adaptability
  - Rapidly develop products to meet new needs
  - Implement multi-dimensional strategies simultaneously
  - Survive, thrive and remain competitive

#### **CHARACTERISTICS OF THE LEADERSHIP OF AGILE ORGANIZATIONS:**

- Exploring and understanding the need for change
- Creating a culture that supports organizational agility
- Building a structure that supports the culture
- Communicating vision, mission and strategies
- Empowering, motivating and rewarding employees
- Demonstrating democratic and ethical leadership
- Understanding yourself as an impediment

## Agility-Based Strategies for Doing More with Less & Managing Change

We know resources are constricted: schedules are shortened, budgets are tight, owners are short-staffed internally, and skilled trades are becoming harder to find. Further impacting these constraints, changes to scope, schedule, and budget have become more and more frequent — and not just at the beginning of a project. Owners are challenged to do more with less money, fewer people, and less time in an environment of constant change.

Through the course of this study, we gathered some great strategies from owners who are having success applying agility as a solution to these challenges. We also spoke with several contractors who offered advice for owners as well. We've consolidated this input with our own suggestions based on experience working with owners actively trying to improve their organizational agility and grouped it into three broad strategies:



### FURTHER READING:

During our panel discussion at the 2016 CURT National Conference, we discussed several books that provide further insight into strategies for developing organizational agility:

- ▶ *The SPEED of Trust*, Stephen Covey
- ▶ *All You Gotta Do is Ask*, Chuck Yorke & Norman Bodek
- ▶ *The Art of Engagement*, Jim Haudan



## SCANNING *and* PLANNING

BEING PREPARED FOR LOOMING CHANGES GIVES OWNERS A HEAD-START ON MANAGING THEM WELL. One owner indicated that they have a process improvement team responsible for **scanning the market for best practices** and bringing them in house. Others mentioned that they make use of forums like CURT to see change coming and take action sooner rather than later. Think of a quarterback scanning the field – he has to read the coverage in order to react with agility and place the ball ahead of his receiver.

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**FRONT-END PLANNING** MAKES ALL THE DIFFERENCE. Having the plan in place enables owners to move out of scoping and into a detailed engineering process more quickly.

.....

IN A VOLATILE ENVIRONMENT WROUGHT WITH CHANGE AND UNCERTAINTY, THE ABILITY TO **ENVISION DIFFERENT FUTURES** AND PREPARE FOR THEM IS KEY. One owner we talked to put together a team that can develop alternate future paths and advise the organization on the likelihood of each and how to prepare.

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ONE OWNER DESCRIBED HOW INCREASED REGULATORY REQUIREMENTS HAVE CREATED A NEED FOR AGILITY: *“In the rush to get out new regulation, by the time rules are implemented, the timelines for implementation aren’t realistic.”* That owner is using **scenario planning** as a way to plan for potential regulations before they’re firm so they have a path forward and are ready to move as soon as regulation is in place.

.....

APPLY THE LEAN PRACTICE OF JUST-IN-TIME DURING PROJECT PLANNING IN ORDER TO LIMIT REWORK WHEN CHANGE OCCURS. **Set the pace of design and construction so that you have the ability to react to changes** and adjust the path forward.



**The ability to envision different futures and plan for them is prime. We’ve established a group dedicated to scenario planning so that whichever future scenario unfolds, we’ve already done a certain amount of planning to move us down that path. We’re using technology to be sure we have the right information to make decisions and access to the resources needed to execute.”** – Kim Flowers, Vice President of New Generation Projects and Construction, Southern Company



## STREAMLINING PROCESSES *and* EMPOWERING EMPLOYEES

DEVELOPING **STRONG, YET STREAMLINED, PROJECT DELIVERY PROCESSES** enables organizations to empower both their employees and their contractors to react to change quickly and avoid delays.

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ESTABLISHING STRONG PROCESSES AND EXPECTATIONS also has the benefit of fulfilling people's innate need for stability, **enabling employees to be more comfortable when facing change**. The more trust an organization has, the faster it moves.

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**A CLEAR ISSUE RESOLUTION PROCESS IS THE KEY TO ORGANIZATIONAL AGILITY.**

Problems should be solved at the lowest level possible, and escalated according to a clear process when necessary. Creating a discipline around process allows for agility in practice.

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LEAN PROCESSES CAN BE A SOLUTION AS WELL. Many owners are actively developing ways to **apply traditional Lean production processes to construction**. As one owner put it: "We see Lean practices as a solution to market volatility. Lean enables us to be agile."

.....

TAKING THE TIME UPFRONT TO **BUILD THE TEAM CULTURE** AND DEVELOP PROCESSES NEEDED FOR THE SUCCESS OF THE PROJECT can have huge payoffs when change inevitably occurs during the course of a project. Develop a culture where all are working toward a common goal and constantly considering what is best for the project.

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IMPLEMENTING PROCESSES such as **target value design, integrated project delivery, and strategic sourcing** can drive innovation and also save significant time and cost. One owner who successfully implemented a new strategic sourcing process reported saving as much as 10 weeks in program timing.



## PARTNERING *for* INNOVATION

OWNERS ARE RELYING MORE HEAVILY ON THEIR SERVICE PROVIDERS THAN EVER BEFORE. One owner explained their strategy to spend more time with contractors up front and assess their abilities; they want to know their capabilities and be able to **match a qualified contractor to the level of risk inherent in a project** in order to mitigate that risk and execute effectively.

ONE OF THE KEY WAYS FOR OWNERS TO BE ABLE TO REACT QUICKLY TO CHANGES IN THE MARKETPLACE IS TO PARTNER WITH EXPERTS IN THEIR SUPPLIER BASE who are already **developing competencies around innovation**. By nature, contractors already have exposure to best practices and innovative solutions throughout the marketplace making them a great source of knowledge. Owners are actively seeking partnerships with contractors who are advancing Lean practices and productivity. They want contractors who create efficiencies so they can execute with less. These are the new requirements for success.

ONE OWNER DESCRIBED HOW THEY ARE REDUCING THE OVERALL NUMBER OF SUPPLIERS and keeping them involved more strategically on a program rather than project basis. They've quit bidding out every job and have found it to be a much more efficient way to work overall, while allowing them to focus on their core business. It is important **to consider the total or life-cycle cost** in order to realize the cost savings inherent in strategically partnering with expert contractors. The ability to have upfront knowledge of service provider capabilities, clearly defined processes, and a strong working relationship will ultimately result in greater shared savings over working with the lowest bidder on each project.

PARTNERING ALSO **BUILDS THE TRUST NEEDED** to put more responsibility on contractors, creating a more streamlined process.

ONE CONTRACTOR WE SPOKE TO ADVISED THAT OWNERS NEED TO GET BETTER AT COLLABORATION. His message is that contracts should be a vehicle to promote partnership in a non-adversarial environment. **Success should be interdependent** and will only result from the owner and contractor being aligned with the success of the project.

Owner organizations who apply these three broad strategies: 1) Scanning the market environment, planning for the unknown, and planning with change in mind; 2) Developing streamlined processes and empowering employees; and 3) Partnering strategically for innovation – will be well on their way to developing more agile organizations. We charge you to consider these strategies, as well as the characteristics of agile organizations and leaders, and to consider how you might bring even a few of them in-house. What small shifts can you make in your organization this year to improve your overall agility? What bigger changes can you plan for over the next five years? One thing is certain: if you wait until 2020 to begin thinking critically about organization agility, it will be too late.

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## CLOSING THOUGHTS

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These three areas of focus: scanning and planning, streamlining processes and empowering employees, and partnering for innovation, align perfectly with the concept of organizational agility. All of the ideas, strategies and tactics noted by our respondents can help organizations to become more agile. Developing an organizational framework that allows for employee engagement and empowerment, and requires crisp, focused, and fast decision making will enable a company to realize the transformational potential promised by these ideas.

### HALLMARKS OF THIS TYPE OF FRAMEWORK INCLUDE:

- ▶ A robust internal communication culture where information flows freely throughout the organization using formal and informal means. Good and bad news are received as “news” then followed by appropriate adjustments rather than punishment.
- ▶ Exceptional employee engagement. Engagement is measured regularly, rewarded and addressed with concrete actions as needed.
- ▶ Decision making authority is obsessively matched to individuals’ responsibilities and pushed as close to the field as possible.
- ▶ Visually documented processes that are available for all to see and understand. Recommendations for adjustment are encouraged.
- ▶ A system is in place to encourage idea generation throughout the organization and evaluate suggestions such as those listed above from our respondents.
- ▶ Service providers, viewed as partners, who are integrated into the organization’s communications, decision making and feedback infrastructure just as employees are. Service provider engagement is also measured regularly, reported to the organization and addressed as needed.
- ▶ Feedback loops are built into as many processes as possible so that the organization is able to monitor existing processes and quickly and accurately assess the effectiveness of various ideas in prioritizing and implementing changes.

Human beings are constant learners. We have a vast capacity for adaptation. Just visualize all of the incredibly diverse and challenging environments and circumstances where humans not only survive, but thrive on this planet. We also instinctively create barriers to external threats. Our survival instincts tend to bias most of us to avoid change as risky and potentially dangerous. People crave stability in the workplace, but stability doesn't result exclusively from a static, unchanging work environment; stability results from knowledge. In an ever-changing environment, leaders of agile organizations can provide stability through transparency and through listening to the robust feedback coming from within their organizations. Leaders of agile organizations must overcome the perception of change as a threat, and help their people learn to view it as an opportunity. Successful leaders will support their people with clear and efficient processes that enable their organization to constantly realign to shifts in the market in order to adapt and thrive.

For more information on the research included in this report or how your organization can achieve greater organizational agility, contact **Kelcey Henderson** at [KHenderson@ContinuumAG.com](mailto:KHenderson@ContinuumAG.com) or **704.806.8246** or **Greg Palmer** at [gpalmer@curt.org](mailto:gpalmer@curt.org) or **513.981.2770**.

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