

## AT THE EDGE PODCAST



### SEASON 1, BONUS EPISODE 0C

### GARY COVERT – INNOVATION STARTS FROM THE HEART

Interviewed by Michael Lee

As an executive advisor, **Gary Covert** helps senior leaders execute strategically, develop exceptional teams, and innovate effectively. Gary's clients work in a variety of industries, including energy, construction, technology, healthcare, senior care, restaurants, and mining. Gary's industry experience outside of consulting includes mining, manufacturing, semiconductor, data storage, flat-panel displays, and thin-film-deposition processes. Gary is a graduate of the Thunderbird School of Global Management (now part of ASU) and earned his B.A. in Japanese from ASU.

**In this bonus episode**, Gary talks about why innovation is so important and yet so challenging for most organizations, some specific techniques he uses to address this and break through silos, and the critical nature of getting employees engaged and feeling valued – along with some methods to achieve that as well.

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#### **Michael Lee**

*We are here with Gary Covert. Gary is an executive advisor and coach who helps senior leaders execute, strategically develop exceptional teams, and innovate effectively across a wide variety of industries, including energy, construction, technology, healthcare, senior care, restaurants, mining, and I bet some others that the biography does not mention. He's the author of the book *Ridiculously Innovative*, a graduate of the Thunderbird School of Global Management, and chair of the Mackay CEO Forum. Gary, welcome.*

#### **Gary Covert**

Very happy to be with you, Michael.

#### **Michael Lee**

*Can you tell us more about your experience with innovation and why you've chosen to focus on innovation as part of your career.*

#### **Gary Covert**

The more I look at it, the one Achilles heel that I see with so many leaders is that as they go up and they expand their control, expand their responsibilities in the organisation, they're expected to improve things, they're expected to do innovation, but many of them are unprepared for it. It doesn't mean that they're not creative people. It doesn't mean that they don't see opportunities. But they just are lacking in a few different things that would help them to really raise the bar for their organisation. Many leaders don't get fundamental training or insight or development on those activities and on innovation specifically, I think that's a real problem.

**Michael Lee**

*There was a McKinsey study last year it had only 6% of executives saying that they were satisfied with innovation performance in their companies.*

**Gary Covert**

You mentioned one of my other books. Another book I wrote was called *Untenable*. I talked about three different areas. You need to have the conviction to move, the discipline to move, and the aptitude to move. If you lack conviction, then you will procrastinate. If you lack the discipline, that means you lack the inner resources so you won't get around to it just because you don't have it within yourself. If you lack the aptitude, then you'll be overwhelmed. What I think is important in terms of innovation is that we have all three, we have to have the conviction, the aptitude, and the discipline.

To get started, we need to guard against insularity. We need to make sure that we are getting enough new information into our senior leadership team to say okay, these are real things we need to think about and not be dismissive of. To share that information coming from outside or in the company, the attention needs to be put on guarding against insularity, whether it's insulating the organisation from its own ideas or from outside ideas. So what can often happen in an organisation is insularity is driven by whoever has the biggest P&I. Whoever's business operation makes the most money gets an outside political influence as to what things are addressed, what things are pursued, what opportunities are looked at.

So I think it's important for every leader, even if you're the one who runs the biggest business unit inside your company, to be aware that okay, I may have a blind spot, I need to get new thinking into my team. And that can come from outside but that could also be looking within the organisation. There's always somebody. You always look around, I know this by talking to leaders, if you look around enough, if you talk to people, if you've got good networks, there's always going to be somebody in there that's going to raise their hand up and say, hey, I've got a different way of thinking about this, my boss or my boss's boss hasn't listened to it, they're dismissive, but if they can get to the right person, sometimes the whole idea may not their idea, or a particular idea may not be the total solution, but it might be the germ or an insight that the senior leader needs to look at and say, Okay, we really need to be taking a look at that opportunity.

So yeah, I would say exactly what you said. Those two areas are important. You need to look inside, but you also need to look outside, I think you need to look at both. But the key is, I think making sure that we're not being too insular, just breathing our own exhaust.

I'm reading a book right now. It's on the building of the Panama Canal. It's by David McCullough, it's fascinating, because that was built in the early 1900s, and the technology that was required and the organisation, skills, and all that was just tremendous. But one of the key people involved with it talked about how long it takes for ideas to become apparent. And he said, it takes about ten years for the import of an idea to really sink in with people.

When I was in college, that was the first time I saw the internet. I was in a library, which is where you kept the computers at that time. And I was looking at a screen, my buddy was looking at something and he had text on the screen and had these little blue highlights on it. And I said, What's that? He says, Oh, that's a hyperlink. So what's a hyperlink? And he says, Well, you click on it, you can go on the internet. I was like, Well, that's interesting, I could use that for research or finding out what's new and things like that. But after a while me and millions of others, we started to figure out that, wow, what can you really do with all this stuff? And the idea of the internet germinated. It just takes time.

So I think it's important for leaders to be able to see that the small things can turn into big things later.

### **Michael Lee**

*So is it more of the aptitude you think? Or is it more the discipline that's the harder thing for leaders to deal with around innovation?*

### **Gary Covert**

Organisations are pretty good about discipline, following through, because you get plans drawn, you get people focused on things, you can get to that discipline. Usually, the aptitude is where things fall apart, because to really innovate requires a different process than what you use for problem solving. Problem solving is just getting back to the standard, say, Hey, you know, sales are off by 30%, how do we get them back? Or our quality just fell off, we're having a lot more safety incidences, how do we get back to where we were? So that's problem solving. And that has many different ways to get there. Organisations have problem solving methodologies to get to the root cause, what went wrong and fix it. That's fine.

But innovation is different, because you're trying to get to a place you've never been before. You're trying to raise the standard. You're trying to create something that hasn't existed before. So there's no baseline.

What often happens is leaders will just start with, Hey, let's go get some ideas and get them on the board and just do some brainstorming. And then they will say, Let's just jump right into action immediately. And they skip some of the key intermediary steps. They don't have to take an awful lot of time, but you need to at least touch on, you need to at least be able

to screen ideas out. You need to be able to develop those ideas, and you need to turn them into rigorous plans. And then you need to execute, but often times it's just like, Hey, let's get this idea, let's go, and they skip all the intervening steps.

### **Michael Lee**

*I suppose a big problem is that like you said, the processes that they're used to are almost the opposite of what you need to do for innovation, the close control, the well monitored process, a lot of that stuff isn't going to help them come up with breakthrough new ideas.*

### **Gary Covert**

There's one tool I've started to use with clients, I call it the Innovation Nine Box. People are familiar with Top Talent Nine Boxes. So you use a grid, basically a person's potential versus their performance. I use the same idea with innovation. As we go through and we get different ideas on the board, I map them out. So to what extent does this idea have big potential, from low, medium, to high, and depending on the organisation, the scope of what is high is very different, but also ease of implementation. It's okay to have a lot of good ideas that are low value, that's okay. Little by little, we just start to improve the organisation.

Organisations are very easy to protect themselves from anything new. Because most organisations, the reason why they work is because they're well managed. And when you institute something new, then what is managed today may not have to be managed anymore. And that makes people nervous - What, we're not going to be doing that product anymore? Or, We're going to scale that product down? I'm the manager of that product, what do I do? So they get a little nervous. Or, We're not gonna do that process anymore? So innovation is really about leadership, it's about not just managing what's apparent today, but trying to get us to a higher and better future.

So back to the Nine Box. If you look at that tool, then you can start to see what are the opportunities? Are we thinking too big and too pie in the sky? Are we thinking too small and working on those things that are just low hanging fruit? If it's all low hanging fruit, my first question would be, What is it about your organisation that you didn't do this before? Why didn't you make these adjustments earlier? The other thing would be, Is it enough? Are we on a Blockbuster track? Are we on a Kodak track? Or are we on an Amazon track?

If you talk to any leader and say, Hey, would you like to have a more innovative culture? One hundred percent will say, Yes. Even if they have a very innovative culture, they're not satisfied. But when you start to ask them where is innovation occurring in your company, they'll often feel like that there could be a little bit more on the Edge, I think which is really important. I would also say that we need to be thinking both wide, within the organisation as well as deep. When I think about the Edge, I think about frontline employees, that's obviously where you're going to find some of the best ideas, the most practical ideas to shift and insights that can really shift the organisation.

Innovation at the Edge is important, but we need to really think about innovation at the heart of things. At the heart of it, it's going to be a leader who is thinking innovatively, who has the heart and courage to think innovatively and create an environment where everybody is infected by that feeling, where they feel like, Hey, you know, I can be an innovator too.

I was working with an executive team, a great bunch of people, highly engaged. They all wanted to lift the performance of the organisation, but one comment stuck with me. And it came from their senior HR leader. She said, You know Gary, I have never thought that I have a role to play in innovation. And it just blew my mind because I assumed that she knew it. She just didn't see that. She thought, I'm just the people person. I was like, What? Are you crazy? If you're the people person, you have to be involved with engagement you have to be. And she knew that, but she didn't see herself in that role. And if a leader in that role isn't seeing herself as a potential innovator, who else might not.

So I think it's so important before we even get to the Edge is get to the center. And when I say center, I'm pointing at the center of my heart. People need to feel it intrinsically and say, You know what, you don't need to be an engineer to be creative. You don't need to have great computer skills to be innovative. Innovation is applied creativity. You're a person, you have some creativity, you have some insight, and you can apply it. So if you can meet those two criteria, and I know you can, you all have potential to be to be an innovator.

And innovation is a contact sport. Marshall Goldsmith talks about leadership as being a contact sport. I think innovation is a contact sport. The rare individual is that one that can just sit in a lab or an environment and just innovate by themselves. Most of the time, it doesn't work that way. It works by these happy coincidences and collisions, and good positive energy and good discipline, and people having deep experience or new experience that they share about what's going on in the market or technology, these kinds of things, making a happy little melting pot to get people together and these ideas percolating. So, yeah, Edge is important. But I also think it starts with the heart.

### **Michael Lee**

*Most leaders, it seems, or a lot of them, are lacking the innovation aptitude, we've come to that conclusion. And it sounds like a lot of that is playing in the wrong sport, in a sense. When you say it's a contact sport.*

### **Gary Covert**

It's so interesting you bring up the sport metaphor. One of the leaders that I admire the most, he always talks about playing with the jersey. And what he means is playing with the front of the jersey, so that meaning the team. In American football, your name is typically written on the back of your jersey. And so many people in organisations play their own game, they're not playing a team game. And their own game might be, This is my particular business unit, my particular product, I'm just gonna play to win with my team, or I'm in the finance group, so I'm going to make sure that finance group looks great. And I lose track of the fact that we're all in one big team together, we're going to win together, we're going to

lose together. And it really takes some managerial courage from the executive team to give some latitude within the organisation to make sure that people get rewarded for the right things, so that they're not solely rewarded for getting today's dollars, but they're also being rewarded for creating tomorrow's opportunities. And that may not come from optimising their own little silo.

There's a great little book called *Collaboration*, by I think it's Hanson. In there, he talks about this concept of being T-shaped. A company is great, or a team is great, or has great power by being siloed. We focus our attention, that's the long part of the T. But we also need to branch left and right and be able to have some interactions with other people to really leverage the power of collaboration. And I think the same can be said about innovation, that we need to be T-shaped in terms of innovation.

We need to get our job done. That's why we're siloed. That's why we're organized the way that we are, so that we can get specific tasks done. But we also need to be looking left and right. How can you and I our teams work together so we can create something new or improve a process or raise the bar in all sorts of different areas.

Sometimes as organizations we think too small about where we need to be innovating. And we can innovate in so many different areas. We can put this tool, this capability of innovation to fix so many different areas, or improve so many different areas. And they can be in terms of - I've written on this as well - diversity and inclusion, we can innovate in that area. We can innovate in terms of even law or finance or safety. It's not always just about products and process.

### **Michael Lee**

*What do we even mean when we say innovation? Because innovation on a certain level, the mindset shift is that anyone can innovate. Isn't the basic business of most companies, especially today, to innovate? Isn't that the basic idea of what companies need to do?*

### **Gary Covert**

Yeah, it's an obvious fit, but it's something that often doesn't get executed on. And I think the reason is just people get busy, leaders get busy. Look at what leaders have been doing for the last eighteen months. A lot of them have been busy fixing things. And none of that is what you just described, which is staying at the leading edge of stuff, being attractive to new clients, creating new products, positioning ourselves in the marketplace.

So I think that we really have a stark choice. The stark choice is to be dangerously innovative, so innovative that people really notice us and we stay top of mind with our clients and really delight them. Or we can be dangerously irrelevant. So we need to continuously be challenging ourselves in a positive way. And we need to make sure that we don't make it a grind, but look at it as a growth opportunity. And look at it as a positive expression for one another.

When I do engagement surveys with clients, one of the number one things that pops up, people talk about money and remuneration. But one of the biggest things that comes up with people, as far as an engagement driver, is they want challenge and want opinions valued. They don't want to be bored. They want people to recognise that they have valuable things to say.

**Michael Lee**

*We talked about engaging your own workforce as a leader. How do you play both ends? In other words, how do you get Innovation at the Edge AND at the heart at the same time?*

**Gary Covert**

It's like a chicken and egg isn't it? You need engagement in order to innovate. But like you've said earlier, innovation itself can become an engagement tool. Let's think about what engagement is. Engagement is the state at which people are willing to give their discretionary effort, give a little bit above and beyond.

A gym that I used to go to, it was on the second floor of a building, and it had this big bay of windows. As I'm working out, I can look into this area that does car detailing. They clean up cars and vacuum cars, but it's in the backside of the lot where nobody sees it. And I would see this guy and he would be on his phone while he's doing all this work. He'd have his left hand up to his ear at the same time as he's buffing the car and vacuuming the car, and he would be talking the whole time. And I'd be on a piece of cardio equipment and I'd be watching for thirty or forty minutes. This guy definitely didn't have his heart in his job. And he only had one hand. So he's getting the job done, basically, but he was definitely not engaged in his job. To innovate, we need two hands and somebody's head in the game. They need to be in that state that they're willing to give their discretionary effort.

So much of it requires that we hit their engagement hot buttons. Everybody's a little bit different. Many people are engaged by wanting challenge and they are engaged by wanting people to listen to them. But not everybody. Some people just want to come in and do their job. I think what we need to do is, number one, re-establish the relationships that we have with our with our teams, make sure that we are engaging them in ways that they want to be engaged with, and addressing the needs that are important to them.

I was working with a team where we took them through this as a larger team. And we took them through an innovation cycle. We started off with doing a strategy session, What are the high things, high key activities that we want to accomplish here in the next twelve to eighteen months? We get those out there and everybody's aligned. And then from there we can start an innovation sprint. And of course, we got great ideas to improve the business and those were quantifiable. The leader was very happy with - going back to that Nine Box - the quality of the ideas that we got, and how quick we could get them done, and more opportunities for some big thinking - happy with the results.

But what he also mentioned, and I was waiting for it, and he said, You know what, Gary, what else I saw was just how much people liked being engaged in the process that many of

them had not been asked before to be in part of this process. Or to be tapped as a challenge leader. The ancillary benefit is that he saw his team was more engaged, he saw that they were enthusiastic about what they were doing, they could see new opportunities for themselves, and they had closer connections with their team.

So I think you can use it, if you use it with the right heart, you can use the innovation process to bring people together. But if you do it without the heart, and just say, Hey, we just need ideas to improve the business and just, you know, submit your ideas, and you'll get a gift card or something, it usually lands very flat and doesn't do a darn thing.

I remember one company I saw, and we're talking about this subject, and they said, Oh yeah, we're hugely innovative, we do all sorts of the programs that you're talking about. Well, tell me about it. Well, last year, we ran a whole big program, and we got great ideas. They got a handshake from the CEO, and they got accolades in the company newsletter and all that sort of stuff. I said, Oh, that's great. What happened to those ideas? What do you mean? So you had this one idea that had a huge amount of potential? Yep. And you had a second idea, huge amount of potential? Yep. What did you do with those ideas?

The gist of it was that these ideas that they had highlighted so strongly to the organisation were impractical, and they had no interest in using them to improve the business. So they had a whole lot of activity to generate these ideas and get people involved in that contest and it just went nowhere. So now the organisation is jaded, they think, Okay, well, this was just innovation theatre, this was nothing about really improving the business, you just wanted to go through the motions. And that can be hugely damaging.

So we need to make sure that we're doing this with the right heart, we're doing it with the right intention, we're using it to improve the business in a real way. But we're also using it in a way that's supportive of people, that recognises the talent of people and the unique genius that comes from people. If you do it the right way, it's hugely beneficial. If you do it the wrong way, it'll go flat.

### **Michael Lee**

*To sum it all up, what would you say leaders should be thinking about, if they really, genuinely want their company to innovate? If they're part of that large percentage that says it's important, and they mean it. But they're also finding it's not working. What would be the tip?*

### **Gary Covert**

Nobody gets good at anything right away. If you have a dream that you want to be a better runner, you just don't jump off the couch and go run a marathon. You start to build yourself up. And innovation, the process is like a muscle. You can start to show them a process that they need to follow and that the team is going to follow about going from ideation to screening ideas, and to making a plan and to execute, selection and then executing.

And then the fact that everybody has a role to play, this is not something that's going to be done behind closed doors, where you don't know about it, it's going to occur as part of what our team does in the normal course of business. It will give you a way to recognise and measure innovation on an individual basis.

Many organisations have innovation as a core value, or they have it as a piece of an individual development plan or performance review cycle. Evaluate this employee based on how innovative they are. And that's usually one of the most subjective, fuzzy areas for evaluation. But if you actually do innovations, if you start to get into action, now you have real ways to evaluate people. To what extent were you collaborative? To what extent were you able to bring in new information to the organisation? To what extent were you a great executor? You can start to point to those real behaviours that will indicate, Hey, I've got an innovative culture.

People love to be on winning teams. I mean, look at Google or some of these other places that people are just clamouring to work for. The reason they want to work there is because they're so darn innovative. And if you want to attract some of the very best and brightest, you get a reputation for being innovative too.

**Michael Lee**

*Cool. Well thank you for taking the time to be with us. This has been Gary Covert, beaming in live from Arizona.*

**Gary Covert**

Thank you very much, Michael. I appreciate it.