



Getting more out of your Innovation Portfolio: Where do you start?



We all know the **strategic and competitive benefits** of having a well-balanced portfolio of innovation projects: Diversification and risk management; improved predictability of cash flows and returns, the ability to place some big bets, balanced with safer, incremental advances; and ultimately using resources the most effectively and efficiently for long term value creation.

If you are reading this, you probably know that your product or project portfolio could be improved. Maybe your portfolio seems overwhelming, has too many small projects eating up time and resources? Maybe your organization can't agree on how to consistently prioritize one project over another? Or you simply don't have a comprehensive view of the entire range of ongoing investment activities? If this sounds familiar, you know that your product development portfolio could be managed better ... but you might ask yourself, **how do I get started?**

It turns out that companies often lack the most **fundamental foundations for effective portfolio management** processes. Case in point: We asked the leadership team of a Fortune 500 company how much revenue was generated by new innovation. The answers ranged from 10% to well over a third. The problem was not just different perceptions – it was a lack of consistent definitions and levels of understanding: What counts as new innovation? For how long? Do we consider net sales or incremental sales as the contribution made by innovation? A new package, a new administration form, a new flavor – are they innovations or merely life-cycle management? What about launching an existing product in a new market? Without clear answers to these questions, the organization is in no position to strategically manage their innovation portfolio, to assess whether their R&D investments are generating the returns needed, and to know whether and where to commit more (or cut) resources to improve the overall portfolio performance.





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Step 1 starts with a simple assessment of the **current state (perceptions)** of Portfolio Management and Performance. Ask a group of business leaders responsible for innovation management in your organization about their views on what constitutes innovation projects, how their value is measured, and what we expect from innovation. Regardless of whether innovation is managed centrally or more decentralized, if you get divergent answers, you know where to start.

In **STEP 2**, you begin to **unpeel the onion**: Collect the facts on the following five areas to identify specific improvement opportunities and to build the case for mobilizing the organization to take action.

- ❑ **Strategic Goals:** has senior management articulated longer term portfolio objectives (not project level) that provide guidance for investment direction and priorities?
- ❑ **Governance:** who has decision rights for which parts of the total pipeline?
- ❑ **Target Setting:** which metrics are pipeline owners held accountable to?
- ❑ **Metrics Definitions & Baseline:** have portfolio metrics been defined and is a baseline available? Which ones?
- ❑ **Data Inventory:** what data about development projects is CONSISTENTLY defined, measured, and tracked on a global basis (i.e., every business unit, every region, every project is measured the same way)?

To find the best starting point for getting more out of your innovation investment portfolio, a structured assessment covering the topics above can provide clarity. It can be implemented in weeks – we know the questions to ask first, and we tailor the assessment to the organization’s current level of sophistication.

The bottom line:

In our experience, the process is a continuous cycle: make step-wise improvements, generate results and new insights will follow. For one client, the early assessment questions and the first published comprehensive pipeline metrics generated substantial organizational momentum - ultimately resulting in a company-wide commitment to become more innovative, making portfolio management a much higher priority in the overall business strategy, and increasing investments to make its innovation management capability a lasting competitive advantage.

If you would like to learn more about Cogent’s Portfolio Management Assessment, please contact us at info@cogent-hc.com.