Orchestrating the process of building innovation portfolios
Relationship between Portfolio & Firm Performance

Portfolio Performance ➔ Firm Performance

Nokia ➔ Motorola ➔ Novo Nordisk
What are the key challenges in portfolio management?

- Too many projects in portfolio
- Untimely termination of projects
- Missing portfolio balance
- Poor project selection quality
- Poor transparency of project information
- Too many incremental projects
- Missing strategic alignment
- Missing innovative projects in portfolio
- Delayed project timelines
Why do they exist? 

because of underlying context that shapes portfolio process and portfolio mix.
Why do they exist?

because of underlying context that shapes portfolio process and portfolio mix

- Environmental Dynamism
- Organisational Structures
- Managerial Dispositions

Incremental Ideation Strategy

Decision criteria undervalue radical projects

Too many low value projects & risk of dry pipeline

Lower Portfolio Performance
How can we address these portfolio management challenges?

Acknowledging that portfolio process is a critical aspect of portfolio mix and performance.
What is the process of building portfolios?

Process derived based on fieldwork, theory and observations:

7 years

45 Technology Intensive Firms Across Industries

100 Portfolio Management Stakeholders & CXOs

$ - $$$ Billion Portfolio Value
What is the process of building portfolios?

Corporate Functions

Top Management Functions

Project Management Functions

Portfolio Planning

Portfolio Decision-Making

Portfolio Execution

Portfolio Governance Functions
What is the process of building portfolios?

- **Corporate Functions**
  - Portfolio Planning
  - Ecosystem Surveillance
  - Portfolio Strategy Development

- **Top Management Functions**
  - Portfolio Decision-Making
  - Business Case Management
  - Portfolio Decision-Making

- **Project Management Functions**
  - Portfolio Execution
  - New Product or Service Management

**Portfolio Governance Functions**
Portfolio Planning

Collecting Ecosystem Information
- Collecting information about entities in a ecosystem
- Choosing the level of information to be collected
- Assigning information gathering to relevant personnel/units
- Determining the budget for information gathering
- Identifying patterns & themes which business should consider

Ecosystem Surveillance

Generating Strategic Insights

Market informed Roadmaps

Better quality business cases

Quality project assessment

Corporate Functions
Ecosystem Surveillance

Collecting Ecosystem Information

Generating Strategic Insights

Case of Glass Manufacturing Firm

Portfolio Planning

Collecting information about entities in a ecosystem

Choosing the level of information to be collected

Assigning information gathering to relevant personnel/units

Determining the budget for information gathering

Market informed Roadmaps

Better quality business cases

Quality project assessment

Corporate Functions
Portfolio Strategy Development

Translating Strategy

- Breaking down high-level strategy into portfolio goals
- Identifying gaps into portfolio with respect to strategy
- Monitoring performance of existing portfolio & KPIs
- Identifying new project opportunities to fix gaps in portfolio

Analysing Portfolio

Identifying new projects

- Clear direction for portfolio decisions
- Lower risk of dried pipeline
- Better strategic alignment

Corporate Functions
Top Management Functions
Portfolio Planning

Portfolio Strategy Development

- Translating Strategy
- Analysing Portfolio
- Identifying new projects

Case of Cleaning Equipment Firm

- Clear direction for portfolio decisions
- Lower risk of dried pipeline
- Better strategic alignment

Corporate Functions

Top Management Functions
Portfolio Decision-Making

Business Case Management

Preparing project business cases
- Assigning a business case task to relevant personnel/unit
- Creating a template with information for decision-making
- Aligning business case with organisational strategy
- Multi-dimensional feasibility test of business case
- Challenging assumptions underpinning business case

Assessing project business cases

Better quality portfolio decisions
Evidence based prioritisation
Clear Business Case Ownership

Corporate Functions
Project Management Functions
Portfolio Decision-Making

Preparation of Business Cases

Assessment of Project Business Cases

Assigning Business Case Tasks to Relevant Personnel/Unit

Creating a Template Entailing Information for Decision-Making

Aligning Business Case with Organisational Strategy

Multi-dimensional Feasibility Test of Business Case

Challenging Assumptions Underpinning Business Case

Better quality portfolio decisions

Evidence based prioritisation

Clear Business Case Ownership

Corporate Functions

Project Management Functions

Case of Pump Manufacturing Firm
Portfolio Decision-Making

Monitoring Portfolio Performance

- Ensuring portfolio does not suffer deadlock scenarios
- Reviewing individual project performance and portfolio KPIs
- Making selection, termination, hibernation project decisions
- Agreeing on time commitment and budget for projects
- Communicating result of project decisions to relevant owners

Portfolio Decision-making

Clear Resource Allocation

Strategic Alignment

Higher Portfolio Value

Corporate Functions

Top Management Functions
Portfolio Decision-Making

- Monitoring Portfolio Performance
- Making decision on projects
- Reviewing individual project performance and portfolio KPIs
- Agreeing on time commitment and budget for projects

Clear Resource Allocation
Strategic Alignment
Higher Portfolio Value

Case of Medical Equipment Firm

Corporate Functions
Top Management Functions
Portfolio Execution

Allocating resources
- Making resource allocation plan and deciding its method
- Configuring Stage-Gate process for project type
- Setting up a method to capture lessons learned
- Monitoring product sales & taking corrective actions
- Monitoring success ratio of project business cases

New Product/Service Management

Stage-Gate system

Post-Lauch Tracking

Lesser Project Delays

Increased Learning

Higher Portfolio Performance

Corporate Functions

Project Management Functions
Case of Consumer Electronics Firm
Portfolio Process of Industrial Automation Equipment Firm

$$ million Turnover Annually

20+ Projects (Business Unit Portfolio)

8+ Market Segments

Project Type: New Technology, Lifecycle, Incremental
Portfolio Process of Industrial Automation Equipment Firm

- Marketing, Sales, Product
- Product, Senior Management
- Product, Senior Management
- Product, Senior Management
- Product, R&D/Engineering
- Product, Marketing, Sales

- Market Intelligence
- Product Roadmaps
- Business Model Canvas
- Portfolio Decisions
- Project Execution
- Product Launch

Portfolio Planning
Portfolio Decision-Making
Portfolio Execution
Portfolio Process of Industrial Automation Equipment Firm

Before:
Project decisions were taken by high-level comparison between projects

- No formal prioritisation criteria for assessing and comparing projects
- Unstructured & subjective decision-making process
- Unclear priorities leading to project delays and lower portfolio value

After:
Project decisions were taken by formal and structured project comparison

- Objective criteria and evidence based prioritisation
- Structured and stakeholder aligned decision-making
- Better resource allocation quality and lower project delays
Configuration Tool for Portfolio Processes
Building portfolio is a continuous journey…