Phase Gate and Portfolio Management: Two Processes, One Goal

by Austin Locke

Last month on a short flight home I was asked by my seatmate what I did for work. I told him that I worked for Kalypso, a consulting firm exclusively focused on innovation. He explained that he worked at a large food and beverage manufacturer and that for his company, like many others at the moment, innovation had become an increasingly popular topic of discussion. He inquired more deeply into exactly how we help our clients with innovation, which admittedly, is a broad topic. I began to describe some of Kalypso’s service areas and when I landed on portfolio management my new friend exclaimed, “Oh, yeah. We already have a phase gate process that we use.”

Rather than expound on the similarities and differences of phase gate vs. portfolio management during the remainder of our flight, I’ve decided to discuss this important topic here.

Portfolio management and phase gate are two different but interdependent disciplines that must both be done successfully to ensure sustained results from innovation.

Portfolio Management

Portfolio management is a process by which the organization selects the right projects to pursue. Its purpose is to ensure alignment to strategy by reviewing the overall new product portfolio and making strategic decisions about which projects and programs to pursue. Formal portfolio meetings are held every quarter, semi-annually, or as required by the business. Meanwhile, portfolio decision making happens every day as new ideas and requests are evaluated and prioritized. Portfolio management is a high level process that steers overall investment in the right direction.

If your business strategy is not reflected in your investments, your new product pipeline is backed up, or you have overworked and stressed product development processes, you need portfolio management.

Phase Gate

On the other hand, a phase gate process exists to help the organization do projects correctly, or execute on project objectives in the most effective way possible. Phase gate ensures that individual projects are on track to hit project success criteria.

Gate meetings are held every time a project reaches the end of a phase. These meetings serve as forums for making business decisions on individual projects and resourcing them through to the next phase. Phase gate is a great check and balance to ensure you deliver on what you say and target for an investment.

If you have unclear project approval decisions, poor time-to-market results, or inconsistent application of process best practices, then you need phase gate.

One Goal

Although portfolio management and phase gate are different, they are both equally important to achieving the ultimate goal of sustained results from innovation. Clearly, innovation and new product development cannot flourish in an organization unless both portfolio management and phase gate work together efficiently. Combining these two practices allows an organization to do the right projects the right way. It’s a key step in the innovation results transformation.

If you’re like my new friend in seat 6B and maintain responsibility for innovation within your organization, evaluate whether you accompany your phase gate process with portfolio management. If you have both processes in place, it will be beneficial to take a step back and assess how well they’re functioning. An evaluation of your current practices is always a great place to start when trying to advance innovation within your organization.

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