Portfolio Management Objectives
by Bill Poston

I recently spent a Sunday afternoon preparing to deliver a training session on portfolio and pipeline management practices. It was easy to pull together a bunch of overview materials and a case study for small groups to work through a portfolio review using sample data from a real company. As I went back over the presentation materials I realized that I had jumped into tactics without adequately addressing the strategic objectives of these business disciplines.

Losing sight of the purpose of portfolio and pipeline management is easy to do. Preparing for a portfolio review can be a labor intensive exercise. Sometimes it can become a rote turning of the Excel crank.

Let’s remind ourselves why we bother. The strategic objectives of a well-designed portfolio management business system are:

1. **Maximize Value:** Every innovation portfolio is constrained by either human or financial resources. Optimizing the risk-adjusted expected commercial value of the innovation pipeline within those constraints is the primary objective of portfolio management. Making better investment decisions increases returns.

2. **Achieve Balance:** Portfolios should attempt to balance investments and initiatives across a number of dimensions including both risk and reward, but also across product lines, geographically, by phase and launch date, and by innovation type. There are a number of important analyses that will help portfolio review committees answer questions regarding mix and balance in the pipeline.

3. **Maintain Alignment:** Innovation portfolios should be congruent with the business and innovation strategies articulated by the organization. This starts with the question of whether the pipeline is capable of delivering against the organic growth goals of the organization. We should also be aligning investment individual business unit or product line objectives.

Keep these objectives in mind as you prepare for your next portfolio review. It might be a good idea to start your meeting with a discussion of these objectives before jumping into a review of the analyses.

Originally published on [www.thechiefinnovationofficer.com](http://www.thechiefinnovationofficer.com)

*Originally published on June 17th, 2014*

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