Portfolio Question #3 - Does the portfolio reflect our business strategy? By business unit?

by Bill Poston

Innovation portfolio reviews are often focused on the numbers. In an earlier post, I wrote about the difficulty of dealing with uncertainty in the projections and estimates we make at the individual initiative level. It is also important to look beyond the numbers and determine whether the allocation of investment and expected return from the innovation pipeline at the corporate level matches your company’s business strategy.

Once we’ve covered top-level growth expectations, we should ask whether the allocation of investment in innovation across business units and/or product lines makes sense. If your company lacks a clearly defined business and innovation strategy, then asking this question during portfolio reviews will highlight the gap and hopefully lead to a more thorough understanding of the necessity of being thoughtful about how we allocate innovation resources.

The simplest way to set strategy is to ask each member of the portfolio committee what they believe is the optimal allocation of investment in innovation across business units, product lines, or whatever subdivisions exist in your structure.

I work with a pharmaceutical company with products covering five therapeutic areas. We went through this exercise and each of the committee members had a different idea about how to invest the corporate innovation budget. Their answers were the basis of a collaborative process that set the ideal allocation for the corporation. With that, we were able to critically evaluate the portfolio each quarter and proactively shift investment to match the strategic allocation set by the executive team.

Misallocation of investment is particularly acute when there is a dominate core business that is no longer a driver of growth. It takes a strong portfolio review committee to proactively shift investment away from that business and into smaller, but more promising, alternatives. You can do this for your company by asking this smart, but thought provoking question during your next portfolio review.

More in this series:

Portfolio Question #1: How are our recently launched innovations performing in market?
Portfolio Question #2: Will our current portfolio deliver our organic growth goals?
Portfolio Question #3: Does the portfolio reflect our business strategy? By business unit?
Portfolio Question #4: Does the portfolio contain a diverse mix of innovation types?
Portfolio Question #5: Is the portfolio balanced? More than just risk/reward?
Portfolio Question #6: Is the portfolio balanced by phase and by expected launch date?
Portfolio Question #7: Have we clearly defined and communicated the portfolio priorities?
Portfolio Question #8: What are the constraints to delivering the projects in the portfolio?
Portfolio Question #9: Which projects should we accelerate, delay, or kill completely?
Portfolio Question #10: How can we shift key resources around to deliver the portfolio?
Portfolio Question #11: What is the impact of loading proposed projects into the pipeline?
Portfolio Question #12: What's missing from your portfolio?

Originally published on www.thechiefinnovationofficer.com?

Originally published on January 7th, 2014
What's your view? Add your question or comment
About the Author

Bill Poston
bill.poston@kalypso.com

For the past 30 years, Bill has helped executives in technology-driven industries transform their competencies to deliver results. He is a highly regarded consultant, speaker, and writer on the topics of innovation strategy, product development, portfolio management, technology commercialization, and the software systems that enable innovation. Keep up with Bill's latest research and thoughts on innovation and the rising role of the Chief Innovation Officer at www.TheChiefInnovationOfficer.com.