Do you have a clear innovation strategy that directly links your innovation investment decisions to expected results? If not, while you can take comfort in knowing that you’re not alone, you can bet this strategic void is derailing innovation at all levels of your organization. Even worse, not having an innovation strategy erodes the benefit you deliver to your customers, impacting the results your organization has the potential to achieve.

Here are four ways to determine if you’re lacking a clearly defined innovation strategy:

1. **Leadership** can’t make proactive decisions because there is no guiding plan they are managing towards. How do they know if they are investing in the things that will drive the best results?

2. **Project Teams** are working hard, overburdened, and not sure why. All development pipelines are chronically overloaded. Wouldn’t it be rewarding for people to know their hard work is going towards strategically important projects?

3. **Planning or Resource Managers** face a constant tug-of-war between short term and long term initiatives. Deciding what to prioritize is a shot in the dark because there is no assessment of the impact on desired results. Shouldn’t managers be able to make informed opinions on the right approach and communicate recommendations to senior leaders?

4. **You and your peers** cannot consistently answer these questions:
   - How much should we be investing in innovation?
   - What are our key initiatives to deliver innovation results?
   - How much growth or profit do we expect from innovation?
   - How do we handle taking on an influx of short term requests? What if these requests are coming from our customers?

If you don’t have these answers, portfolio management can shine a light on the gap and motivate executives to set an innovation strategy.

**Get Started and Close the Gap Quickly with Portfolio Management**

Portfolio management is a low-investment discipline with an immediate and impactful return. With a simple project list and a few metrics, you can paint a picture of how current investments stack up, start making better decisions, and expose the need for executives to clarify innovation strategy.

Start by assembling information about each project in your pipeline. Ensure that in cases of financial returns, you are collecting data year-by-year so you can convey what long term results your organization can expect.

Next, create visuals and analyses that help convey a story. How is the portfolio constructed today and what resources will be required for the upcoming quarter or next six months? This information is basic yet powerful enough to facilitate a conversation among leadership that will be filled with “ah-ha” moments as they see reality and try to make strategic decisions — without a strategy!
Sound like this might take a really long time? One division of a $2.8 billion dollar food manufacturer completed this exercise in only six weeks. Their executives immediately started to work on clarifying innovation and customer response strategies, and to communicate clear innovation priorities to teams.

Ask the Right Questions

There is a set of essential questions to ask during an initial portfolio conversation. Answering these questions will be difficult if your organization lacks a clear innovation strategy, but is certain to cause executive discomfort, resulting in serious attention to defining strategy and setting goals.

1. **Will our current portfolio deliver our organic growth goals?** This question will quickly reveal a lack of clear target setting for the organization. Without goals in place, how can we know if each business unit is living up to its true potential in delivering new innovations our customers/consumers will fall in love with?

2. **Does the portfolio reflect our business strategy?** By business unit, brand, channel, geography? When we are missing strategy “mix guidelines,” we aren’t letting each segment of our offerings, distribution avenues or target markets play their best role in our innovation results story. Leadership will have no idea if they are investing in the right proportions.

3. **Does the portfolio contain a diverse mix of innovation types?** Determining the right amount of investment in short term vs. long term is impossible without an innovation strategy that demands a number of truly innovative initiatives. These are the ventures companies depend on to fund the future, but they must be evaluated against what it takes to delight customers in the immediate term.

4. **Is the portfolio balanced across risk/reward? Markets? Technologies?** “Evenly balanced” isn’t necessarily the right answer. We need an innovation strategy in place to help direct what the appropriate levels of risks are for our investments. For example, if we are very focused on new-to-the-world efforts, we will see a skew to the riskier quadrant, which is ok.

5. **Have we clearly defined and communicated the portfolio priorities? Which projects should we accelerate, delay, or kill?** What is the impact of loading proposed projects into the pipeline? Without a clear strategy and results target in place, we will simply be giving our best guess on which initiatives are most critical to drive results. Accurate communication is essential to help our teams feel good about their contribution.

6. **What are the constraints to delivering the projects in the portfolio?** How can we shift key resources around to deliver the portfolio? If we understand what results are at risk for the long term because of capacity constraints, innovation fares a better chance at receiving the funding it needs to stay on track, while empowering project teams to be successful and meet goals.

7. **Are there white space opportunities that are not being addressed?** Innovation strategy should dictate if we are investing enough in the “R” of R&D to push our own boundaries.

Asking these questions will demonstrate that while portfolio visibility is great, making sound decisions is hard without a framework.
Leading companies like the above mentioned food manufacturer use portfolio management to their advantage to facilitate a conversation about what the organization needs demands from innovation. With portfolio management and an innovation strategy, leading companies find that:

- **Leadership** makes better decisions that drive significant benefit for customers.
- **Project Teams** have confidence that their hard work is truly delighting customers and driving results.
- **Planning & Resource Managers** are better armed with the information they need to provide fruitful recommendations to the leadership team on which initiatives to undertake and the impact to innovation goals.

Getting started isn’t hard — just some basic analysis and a conversation. Then the focus shifts to getting better and transforming capabilities that drive results.