INNOVATION LEADER
POINTERS — MAY 2021

# Adjusting Your Innovation Portfolio for Success

EXPERT GUIDANCE ON
INNOVATION STRATEGY

What does a healthy innovation portfolio look like? Who should be involved in helping you assess the projects in it—and how often should you do that? How can you find the right balance of Horizon 1, 2, and 3 innovation for your organization at this juncture? In this issue of Pointers, we sought to answer questions like these about portfolio management.

We asked big thinkers at Innovation Leader's strategic partner firms to send us their best tips on pruning your portfolio when necessary, collaborating with outside partners, and more. This issue is filled with actionable advice that can help you make change in your organization starting today.

We're grateful to our strategic partners for contributing to Pointers and supporting Innovation Leader's editorial mission—at our online events, in our website's Thought Leadership section, and in this series of PDF e-books. You can find prior editions of the Pointers series—covering topics like "Innovation Do's and Don'ts," "The Corporate Innovation Toolkit," and "Getting an Innovation Program Started"—on our website, at innovationleader.com/pointers.

We encourage you to share this document with others who might find it useful. And if you have topics you'd like to see us cover in future editions of Pointers, I'd love to hear from you at the email address below...

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# A Portfolio Strategy for Going Beyond Incremental Innovation

BY GINA O'CONNOR, PROFESSOR OF INNOVATION MANAGEMENT, **BABSON COLLEGE**
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Growth, innovation, breakthroughs, increased profitability. All of these terms are used to define a company's agenda as it relates to acquiring new customers, unlocking new sources of revenues, and securing its future. A company can buy growth through acquisition or grow through geographic expansion.

But to achieve continuous organizational renewal, a company needs to innovate. It needs to develop a portfolio of dynamic innovation opportunities that includes incremental and evolutionary innovation, adjacent market moves, business model changes, and breakthrough technologies.

Most portfolio management tools are geared to the proliferation of incremental innovation projects, for which time to market, development cost, market share capture, and rate of return can be estimated based on previous experience. These projects fit existing financial models, are easier to chart, and can be compared with one another in straightforward ways. However, often this focus on incremental innovation comes at the expense of developing new breakthrough business opportunities and exploring entirely new markets.

So, how do you chart and manage a strategic innovation portfolio of "beyond incremental" opportunities that cannot be reduced to their financial outcomes *a priori*? Those ventures take us into new territory, so we cannot rely on experience for our estimates. They're more difficult to chart. As a result, many companies do not address their strategic innovation investments as a portfolio. It is this struggle that we address here.

First, consider what your company's growth objectives are and whether your existing businesses or product mix can achieve them. Clearly define what is meant in your company by evolutionary, adjacent, and breakthrough innovation—and then perform an unbiased classification of your portfolio as it currently stands. What percent of your current "beyond incremental" projects fall into each category?

Now, set your objectives for where you want those allocations to be. Your allocation of resources needs to support the company's goals and strategic ambitions. So your strategic innovation portfolio should be populated in a way that is systematic and aligned with a vision of your company's future.

Consider your company ten years from now. What will it be famous for? We call these areas "domains of innovation intent." Each domain is itself a portfolio of opportunities and experiments that one day will become a new business platform for your company. Working on a few domains for a lengthy period of time enables you to hedge your risk, but also to unleash creativity by identifying guardrails for ideation and opportunity evaluation.

Although many companies may attempt to undertake an innovation journey with a call for ideas—in which any and all ideas are welcome—even the most exciting ideas rarely amount to significant, new businesses if they are not aligned with a company's vision for its future.

To create or identify domains of innovation intent, look for opportunity spaces with major industrial or societal problems that can be addressed by new or existing technologies, products, or business models. Seek large, rich opportunity spaces that require strategic focus and choices over relatively long periods of time.

For example, the domain of urban mining has recently been defined as the recycling and recovery of rare metals from discarded electronics. To recover metals, you need separation and purification processes. Business models could include a service to recycle or resell metals back to manufacturers. If you are a manufacturer, you might consider a "cradle-to-grave" strategy. An urban mining portfolio will require breakthrough innovations—and may even include incremental opportunities along the way. However, urban mining might be just one domain within your strategic innovation portfolio.

An important aspect of defining domains of innovation intent is that the definition and strategy will be unique to your company. Others may be pursuing similar markets and avenues, but your company's approach should link the domain(s) to your capabilities and those you'll need to acquire, and to your company's aspirations. This leads eventually to corporate renewal.

Further, just as you need to set objectives for resource allocation across incremental, evolutionary, and breakthrough innovation, you need to set clear objectives with regard to your domains of innovation intent. You must decide how many domains your company needs, how to ensure they're diverse, and how many opportunities a domain must generate in order to be worthwhile.

Not every domain converts to a new business. Some will be too incremental. Others might simply end up not fitting the vision you have for your company's future. Even best-practice companies have only about a 60 percent success rate in moving the domains all the way from their inception to new businesses.

Once you have established your domains and identified a rich set of opportunities to learn about within each of those domains, you need to monitor your entire portfolio.

**Gina O'Connor**
Babson College

**Ron Pierantozzi**
Babson College

First, treat each domain as a portfolio. Now, look at the opportunities and experiments occurring within each domain and assess:

- The impact it could have on the market.
- The impact it could have on the company's growth and renewal. What is the potential for the domain to contribute to filling your company's growth gap? How big does it need to be?
- The impact on your capabilities. Does it foster the development of new capabilities? Does it repurpose existing capabilities?
- The maturity of each project or opportunity in the portfolio. Don't tackle opportunities that either are not promising on their own or that cannot be combined with others in the domain to create something bigger.

Sometimes an opportunity appears small in and of itself, but it contributes significantly to the overall business. That's valuable. While opportunities need to be interesting, at the end of the day it is the domain that is the business. Also, the domain needs to comprise enough opportunities to achieve the growth objective. You must also recognize that many of those opportunities may start out as small, niche markets that are worth pursuing, and others may not work out.

Notice that none of these dimensions are expressed as a financial value. Instead, they're about opportunity spaces and the progress you're making in your learning to grow the business. Conversations with your team as they progress through their learning loops and checkpoints will help answer the questions above, so your company can create a set of meaningful metrics that can be used to assess the portfolio.

Track the learning by reviewing the conversion of assumptions to knowledge. Your goal is to learn fast and to do so with small investments, in order to reduce uncertainty before major investments.

As you can see, a strategic innovation portfolio is actually a "portfolio of portfolios." Each domain is a portfolio of opportunities that is being worked on. Sometimes, you conclude that a domain of innovation intent is too small, narrow, or incremental to continue investing in, and you fast-track it to a line of business or sell it off. But as long as you have several varied domains in the works, you'll create new streams over time that become whole platforms of business with multiple product lines, use cases, and addressable markets.

A strategic innovation portfolio is not simply a collection of ideas to be pursued. It is a purposeful approach to innovation. Instead of stopping and starting, it provides a steady investment in creating your company's future.

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Learn more about Babson at www.babson.edu

# What Does a Healthy Innovation Portfolio Look Like?

BY STEPHANIE CREECH, VICE PRESIDENT OF PRODUCT MANAGEMENT & STRATEGIC MARKETING, EZASSI

The concept of an innovation portfolio may still be new to some, but it's been a topic of conversation among innovation professionals for years.

In 2014, Harvard Business Review published the article "Managing Your Innovation Portfolio." They found that high-performing organizations focus 70 percent of their innovation resources on core or incremental offerings, 20 percent on adjacent offerings, and 10 percent on transformational initiatives. Even though the average was a 70:20:10 spread, they still reference other successful models depending on industry, level of ambition, and allocations.

The biggest takeaway from the HBR report is: For an innovation program to be successful, the focus should be a mix of incremental (core), adjacent, and transformational initiatives. This mix will deliver results both in the near term and long term.

In a 2017 Inc. article called "If You Want to Innovate—and Disrupt—Rethink the 70:20:10 Rule," Jeffrey Phillips looks at the factors that can impact this rule. He concludes that while it may work for some, it will not work for industries looking to create disruptive innovations every six to eight months.

Before we dive deeper into different rules and how your industry and initiatives impact your strategy, let's review the types of innovation initiatives and the short/long-term return potential:

- Incremental/core—largest investment, smallest potential long-term return
- Breakthrough/adjacent—medium investment and some potential long-term return
- Disruptive/transformational—smallest investment, largest potential long-term return

For the short and long-term potential of an innovation portfolio, we'll use the Three Horizons of Growth, created by McKinsey & Company. Today, some will argue that this model no longer applies. In that case, we use it as a guide for prioritization.

- Horizon 1: Core/incremental innovation, with a timeline of up to one year
- Horizon 2: Emerging/adjacent innovation, with a timeline of one to three years
- Horizon 3: Disruptive/transformational innovation, with a timeline of over three years

## 70:20:10 Innovation Portfolio Model

Google CEO Eric Schmidt pioneered this model. And with additional research, Google confirmed that the companies that followed this model typically outperform their peers by a margin of 10 to 20 percent (P/E ratio). They also concluded that the long-term returns for each type of investment are actually the inverse of the resources invested.

When we place innovation activities into these three "horizons," the general rule of thumb is that most companies should be doing 70 percent incremental, 20 percent breakthrough, and 10 percent disruptive innovation. Note that this rule of thumb assumes that innovation is ongoing and that other activities are underway, sometimes simultaneously.

## 85:10:5 Innovation Portfolio Model

For risk-averse organizations, the 85:10:5 model is more conservative. This model works well for consumer goods companies. The most significant focus is on the incremental, while allocating resources for adjacent and transformational innovations.

## 55:30:15 Innovation Portfolio Model

Organizations that are risk-tolerant may want a more aggressive 55:30:15 portfolio model. This model focuses on the core or incremental initiatives, but allocates more resources for adjacent innovations and focuses on transformational innovations.

## 40:40:20 Innovation Portfolio Model

Organizations looking to be more aggressive may want to consider a 40:40:20 innovation model. Technology companies striving for transformational innovations focus more of their resources on being disruptive. There is more risk with this model, but the industry has inherent risk.

Take, for example, the cell phone industry. Imagine trying to innovate with a 70 percent incremental goal when every other handset manufacturer tries to create breakthroughs or disruptive innovations. In industries with a faster pace or more dynamic change, we may find a more aggressive investment strategy that makes more sense.

## Conclusion

While 70:20:10 is a well-balanced innovation portfolio recommendation, organizations with greater risk-aversion or risk-tolerance should consider adjusting these proportions according to their growth needs. When considering any model, make sure it aligns with long-term innovation goals. There is no standard rule of thumb that works for all organizations, and decisions need to be made based on a company's needs.

Learn more about Ezassi at www.ezassi.com

Stephanie Creech
Ezassi

# How to Think About, Manage, Accelerate, or Prune Innovation Projects

BY JOHN PIPINO, PROJECT LEAD, **DOBLIN**, **A DELOITTE BUSINESS**

Many companies are fortunate to have an abundance of good ideas that become growth projects. The collective projects are always too much for the available resources, so leaders must ponder which ones to support. A frequent conversation Doblin colleagues have with client leadership teams is centered around just that: how to think about, manage, accelerate, or prune innovation projects.

We've studied the topic for more than a decade and first published our thoughts in Harvard Business Review in May 2012. There, we shared a way to aggregate projects into the Innovation Ambition model, a perspective that lets companies see innovation as a portfolio and helps leaders be deliberate about the distribution of projects at varying levels of ambition. Since then, we've updated our perspective and talked with hundreds of executive teams. Here are some points often heard in those conversations.

**A healthy portfolio consists mostly of familiar, less-risky bets and a smaller amount of bolder and bigger ones**. Rough proportions for these projects vary by industry, but there is no specific benchmark ratio for industries or players. Two forces are driving this. One, it's hard for companies to estimate what they are spending on innovation initiatives today—leading, we have found, to over-estimates of innovation activity beyond incremental improvements. We have also found that precision in these estimates matters less than it once did, but higher ambition projects are more important than ever to stay competitive.

**A healthy innovation portfolio is one that is regularly producing new growth opportunities and engaging your workforce**. Your customers and talent—and especially your competition—can see and respect your company as an industry leader. Most projects refine existing offers, many develop new offers for customers you already serve, and a few aim to transform your company, industry, and customer experience. The right ratio differs across industries, but it's never inverted. And each year there is movement toward new areas of exploration for companies. The economic gains will come from work emphasizing new offers and new customers.

No tea leaves will tell us which projects will succeed. Some projects will address known problems; this increases the likelihood of success, but too often does too little for growth. For the more growth-oriented candidates in a portfolio, our experience suggests that an evaluation of an idea by three factors will help leaders make educated guesses:

1. Do customers desire it?
2. Can it become a viable business offer?
3. Is it feasible? Can the company deliver on it, both from talent and technology perspectives?

Like many forms of analysis, this evaluation process can be rudimentary or sophisticated. Nimble skills with visualization, prototyping, and piloting can lower the risk of making too high an investment into a low-performing project. Test early and often with customers and team members while the stakes are lower. For those projects that do not get uptake, be clear about closing them out before they consume too much time and energy—but keep an eye open during the shutdown. Orphaned innovation projects are often puzzle pieces that might nicely fill holes in other work.

While that eye is open, never miss a chance to see how your industry peers are thinking about the future. A weekly dive into the newsletters and videos of futurists around you can seed your thinking without driving you to distraction. Ask for help from your leadership team here, too: What you may see as incremental, others may see as existential once a missing ingredient is added. Once a month, get this group together to talk (and contribute to your dossier of potential competitive threats while you're at it).

If your firm has an outside investment or acquisition fund, it is tempting to believe you can buy your way into your future. This may be so, especially if your talent is strong in valuation; you have or can see a solid on-boarding process for a new unit; and your enterprise memory generates a widely-shared confidence that an acquisition will thrive in its new home. But the best paybacks come with acquisitions of scalable ideas and skills, where your future vision must be sharpest. If the skills and interests are already strong for certain projects in-house, organic innovation is less costly. It's also a great expression of confidence in your colleagues, a key factor in talent retention.

Innovation teams need the presence of technology, insights, strategy, and customer experience skills. These might be project-based, where teammates sign up for the duration but expect to return to their previous roles, or role-forging, where the development team has the chance to become leaders of a new unit or offer. In some enterprises, a central service model works well, offering specialized skills to the businesses. It's hard to tell the right amount of activity for your teams, but it's easy to tell the wrong amount: You are under-active if there are no new offers shipping to customers, and overactive if customers are confused by a blizzard of changes which do not make meaningful difference in their lives. (Overworked talent fleeing the company is a

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sure sign, too.)

When your teams have enough guidance and their assembled projects are finally viewable as a portfolio, in most cases a quarterly or semi-annual review will help you sense changes. You will need executive, financial, R&D, customer insight, and human capital involved, but only a light presence. An over-engineered portfolio review process will guarantee a poor turnout for the next one. Some teams will be able to make financial estimates only within an order of magnitude; be patient with this and study the assumptions the teams are making, rather than the imprecise numbers they are using.

Ask your teams to help leadership understand progress, challenges, long-term plans and immediate ones, and how their projects will be desirable and viable once they are feasible. Their collective account will make great additions to your next board meeting.

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Learn more about Doblin, a Deloitte business at www.doblin.com

# Seven Lessons Learned from Building and Managing a Healthy Innovation Portfolio

BY JENNIFER DUNN, DIRECTOR OF CUSTOMER SUCCESS, **HYPE INNOVATION**

Don't let anyone tell you that innovation is all about collecting ideas and gathering data, or is as simple as relying on artificial intelligence. While working as an innovation program manager in the past, I learned many painful lessons. In fact, at a certain point, I was nearly ready to walk away and never look back. Luckily, I found the right partner to help guide me through the strategic work that was missing. I want to share some of the often neglected but vital aspects of launching and sustaining a healthy innovation program and portfolio.

As I experienced, sometimes walking through the fire is the best way to learn. Still, I would encourage you to lean on HYPE's over 20 years of innovation management experience to bring your program to the next level—and, hopefully, walk out unsinged.

Below, I break down three steps to building a healthy innovation portfolio and four points to consider when managing your innovation portfolio.

## Building a Healthy Innovation Portfolio

Ever heard someone say something like, "Innovation is about being random and spontaneous?" I translate that to mean: "We don't know what we want, so let's see what we get." The problem with this mentality is that people will not typically follow you into confusion. It also means things will be much more difficult than they need to be for people like you. Here's how to avoid that.

### Step One: Align

A healthy innovation portfolio starts with aligning your innovation program with your organization's strategic objectives and opportunities, as well as with key stakeholders. Reflecting on my time as an innovation manager, I realized that many of the issues I faced resulted from skipping the alignment step. I often found myself walking the halls armed with great ideas looking for an owner, only to find no resources or budgets available to pull the ideas through. I learned the hard way that when middle managers are faced with delivering on specific KPIs and asked to add something to their workload that will not directly create an impact in achieving or exceeding those objectives, not much will happen.

Alignment is the most critical step in building a healthy innovation portfolio. Skipping this step often leads to initiatives starving and eventually dying. Creating tight alignment means you are in step with the company direction, and the results align with what leadership expects to see. Alignment will also grant access to resources and budget to bring initiatives to life.

### Step Two: Diversify

Teams tend to do best with diverse portfolios, especially early on. Having a range of options—from quick wins that create momentum and provide immediate returns on investment to radical options that reveal untapped potential and provide differentiation opportunities—will strengthen the program.

To do this, consider hosting a range of topics. Creative topics or campaigns aimed at discovery will bring out adjacent and radical opportunities, while campaigns focused on problem-solving, testing, and feedback meet immediate needs and provide instant results. Striking the right balance ensures that you generate short-term results that provide a runway to pursue the long-term or radical opportunities.

### Step Three: Determine Your Innovation Sweet Spot

Your innovation program's strategic objectives serve as the guideposts for your activities, topics you pursue, and networks you engage with. These objectives should align with key business needs and therefore are supported by leadership and have budget allocated. Once you have defined and prioritized your program's strategic objectives, it's important to be exact on what you hope to accomplish with your crowd through your call to action. This ensures efforts are focused on producing ideas and solutions that you will be able to implement.

The "Near, Far, Sweet" principle is a great tool to use to generate ideas that are far enough from your current situation to be interesting, and near enough to your core competencies to be feasible.

- Ideas produced closest to the current state are your "near" ideas. These are typically incremental improvements, which are usually safe bets but tend to have low ROI.
- When we push our thinking and attempt to create something new and different from what we have now, we create radical ideas. These "far" ideas must pass the feasibility test to be considered for implementation.
- Strong campaign criteria can keep ideas closer to the "sweet spot."

**Jennifer Dunn**
HYPE Innovation

As programs evolve, needs and opportunities change. Thus, regularly revisiting your program's strategic objectives will provide an opportunity to recalibrate the focus of your efforts and ensure you're always on the right track. Quarterly seems to work well, but this should be part of the annual planning process at a minimum.

## Managing Your Innovation Portfolio

Once you have established your program's objectives and the risk tolerance of your organization, you are ready to engage your crowd. With careful planning and thoughtful communication, you can ensure that the innovation portfolio is full of promise. Here are a few points to consider when it comes to proactively managing the innovation portfolio:

1. **Develop a diverse crowd**. HYPE's most successful clients accelerate the incubation stage by involving the right level of diversity in the crowd. We know that several personalities exist in every organization: creatives, inquisitors, helpers, and implementers. Ideally, you want to provide everyone opportunities and be intentional about appealing to all personalities in the crowd. By tapping into a diverse crowd, you will find more creative ideas quicker. Involve people who can provide technical perspectives, customer desirability, and feasibility before investing in development.
2. **Create precise calls to action**. Ensure your audience understands your sweet spot and the constraints you are operating under by being precise with the call to action. This should ensure that you are narrowing the scope to only what is relevant now. For example, if you are issuing an innovation challenge, let all participants know parameters like "the best ideas will cost less than $250,000 and can be implemented in the next six months."

   By sharing your constraints with your audience, you set expectations about what is feasible, allowing them to focus their energies on ideas that will see the light of day. Our careful phrasing of "the best ideas" or "ideas considered first" ensures that we leave room for ideas that may not fit perfectly, but alerts the audience that those ideas may need more time to pull through, or may be a lower priority.
3. **Engage startups**. If you find a gap in your capabilities or don't have expertise in-house to incubate an idea or bring it to life, this is the perfect time to reach out to startups. Knowing when an opportunity is out of scope for internal development is a crucial point to consider—and one that's often discovered only after a significant investment, or once an opportunity has sat on the shelf beyond its useful life.

   Developing a solid understanding of internal skills and gaps will help guide your startup engagement efforts. Open innovation with startups provides an effective and efficient way to explore and establish networks that can help quickly incubate and test ideas that the core business can later adopt.
4. **Curate innovation**. Innovation curation is the act of keeping the portfolio alive. This means looking at the ideas collected—in the pipeline and archived—and ensuring that good opportunities don't sit on the shelf while you pursue less attractive options. This role focuses on surfacing trends or interesting topics that may inform strategy and replacing zombie and orphan or low ROI projects with more promising opportunities.

If you work in innovation, you're familiar with the balancing act described here, and I'm sure that we've encountered some of the same struggles. I hope the points above will help ensure your efforts are applied in the most meaningful way possible and that your role becomes less ambiguous, or you have greater influence over your program's trajectory. As your program evolves, your strategy should, too. These tips should help you calibrate as you go.

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Learn more about HYPE Innovation at www.hypeinnovation.com

# Knowing When to Let Go

BY PATTI MIKULA, CO-FOUNDER AND CEO, **HACKWORKS**

As Kenny Rogers said, "You've got to know when to hold 'em, know when to fold 'em..." When it comes to innovation, that should be the mantra. But how do you know if an innovation is worth pursuing? Is it time to double down on investment or cut your losses?

You need to prototype and user test each innovation as fast as you can. And you have to have a culture that embraces failure.

Prototyping is far less common than it should be. I don't understand why any innovation investment isn't preceded by some type of prototype and user testing. Whether you are using rapid prototyping, designing clickable mock-ups, making paper prototypes, or role-playing new service design, there are fast and easy ways to get a testable prototype into the hands of potential users. You make even create multiple prototypes to bake ideas off of each other.

Generally, there are two reasons I hear for skipping the prototyping phase and jumping right into development. One is (over-)confidence and the second is secrecy.

Sometimes, companies are so confident they are right about the market needs that they don't want to waste the time and money on gathering data they think they know already—which is fine if you are making an incremental change that your users have been screaming for, like an edit button on Twitter. But even then, what if users think that's what they want, but then they find out that they expressed their undying love for a photo of the Boston Red Sox, only to have the original tweet changed to a photo of the New York Yankees? Maybe an edit function isn't so innocuous anymore. Sometimes, what the users say they want isn't what they actually need.

The second most common reason I hear for not wanting to prototype and user test is they don't want to give away their great ideas. There are safe and secure ways of conducting user research. Consumer Advisory Panels can be formed, with people bound by NDAs and duly compensated for their time to ensure greater security. If the innovation is so super-secret that you truly can't conduct outside research, prototyping will at least allow you to test within the organization. Grab people from different teams, different divisions, anyone who can have a somewhat objective view of the product or service. It's important to have someone without skin in the game confirm if you're on the right track or not.

Beyond prototyping and testing, the only way to be sure that you're not throwing good money after bad bets is to ensure you have a culture that embraces failure. X, the "Other Bets" division of Google's parent company Alphabet, publicly shut down two big experimental plays in the past year: Loon, a maker of giant balloons designed to beam internet to rural areas, and Makani, which was hoping to make wind power from giant kites. Alphabet isn't shying away from its big innovation bets, though. In its third-quarter last year, it invested over $1 billion in the X division. In his announcement that Loon was shutting down, X Captain of Moonshots Astro Teller praised the team and focused on the ways they would leverage their key learnings from Loon in future opportunities.

You don't have to make a big public show about the innovation ideas you kill, though. There are ways to do so internally that will get the message across. One is by simply expressing gratitude to teams that have failed gloriously in pursuit of a BHAG (Big Hairy Audacious Goal). If news of failure is received with grace and perceived as growth, then teams won't be tempted to ignore all the signs that point to why an innovation should be killed. And they won't turn a blind eye to the data that says that maybe their thesis was wrong.

Many companies have spent the past year exclusively focused on survival and Horizon 1 initiatives. They've had to redeploy Horizon 2 and 3 resources to near-term needs. As they return to business as usual and look to the future, they may realize that their prior Horizon 2 and 3 innovations no longer make sense. Or that what was once a Horizon 3 opportunity is now Horizon 1. Consumer behaviors, social practices, and risk tolerances have all dramatically changed over the past year, and so must a company's strategic innovation focus.

If you are interested in learning more about how we help our clients ideate and prototype, I'm always happy to share our best practices. Reach out to me at patti@hackworks.com.

Learn more about Hackworks at www.hackworks.com

**Patti Mikula**
Hackworks

# Lean Into Change to Future-Proof Your Innovation Portfolio

BY DAVID CROSSWHITE, PARTNER, **PA CONSULTING**

On the heels of a year-long global pandemic, 2021 brings an ever-greater need for accelerated change to corporate innovation agendas. From the types of innovation, to the speed and volume of the portfolio, to governance and resourcing for uncertain environments and opportunities, there are many opportunities for advancement of the organization's agenda and capabilities.

Healthcare is a prime example of an industry undergoing significant disruption, both prior to COVID-19 and accelerating since then. Increasing consumerism in healthcare and "self-care," enabled by disruptive technologies and retail delivery model changes, paired with unsustainable cost trends that were already in motion, all revealed a need to bring big changes to the healthcare industry. Then, as established healthcare leaders shifted their priorities to combat the virus, startups and emerging technologies challenged the status quo to deliver new, faster solutions. Argenti is a great example of ingenuity at work. The service provides connected devices that monitor elderly and at-risk users, detecting unsafe conditions within the home as well as individual health changes through wearable technology, and providing round-the-clock automated support.

During the COVID-19 pandemic, Argenti provided necessary support while lessening the strain on health systems. Hospitals were able to discharge non-COVID-19 patients sooner thanks to their safer at-home environments. The system also helped combat some of the loneliness felt by isolated populations by keeping them connected to family members—at a distance.

The consumer goods and retail sector are also undergoing considerable change as demand for personalized services continues to rise. Eighty percent of consumers say they're more likely to make a purchase from brands that offer personalized services. In the food and beverage sector alone, the global personalized nutrition market is expected to grow from $8.2 billion in 2020 to $16.4 billion by 2025. From products designed around each individual's needs and circumstances to on-demand services, manufacturers and retailers have been working quickly to meet elevated expectations.

Large organizations must maintain pace and agility to keep up with the demands of the market. Smaller competitors may not have the same resources, but they're more agile at meeting customer and consumer needs. They'll feast upon market share that larger competitors are used to owning. Scale and incumbency are not the advantages they used to be.

## Leaning Into Disruption to Innovate

Organizations are constantly working to develop and balance their new portfolios. Over the course of the pandemic, many businesses retreated to an inherent "Horizon 1" focus, playing it safe by focusing on core objectives. This might keep things steady during regular times of business, but that logic does not hold during an era of global disruption.

While many pull in their horns, leaders are using this opportunity to lean into their innovation agendas. As investment costs come down and new needs emerge and accelerate in acuity, it's an opportune time to invest rather than retreat.

## Portfolio Management Best Practices

Good portfolio management starts with good portfolio creation. During challenging times especially, it's imperative to do more with less. That doesn't mean that growth and investment should slow down, however. In times such as these, smart portfolio development is an imperative. Here are a few principles to follow for smart (and effective) portfolio creation:

1. **Find and evaluate the deep consumer pain first**. No customer pain—no opportunity!
2. **Create and evaluate the whole business model concept or hypothesis—right away!** Flesh out the who, what, how, go-to-market, differentiation, economic engine, risks, and risk mitigations, etc. Then you can evaluate the big picture, including gaps to be closed.
3. **Evaluate the biggest knowledge gaps first**. If these things aren't true, nothing else matters.
4. **Manage in agile mode**. Test, learn, apply, refine or pivot, rinse, and repeat.

Creating individual and portfolio opportunities in this way allows you to understand your knowledge gaps and blind spots, and then fill them in. Want to create a successful innovation system? Learn to create options and a learning organization and system that can manage those options. The key to a high batting average in portfolio development and management is in the way you develop it. Don't take others' pipeline and success ratios as a fate accompli.

David Crosswhite
PA Consulting

## Asking the Right Questions

When building an innovation portfolio, too many organizations think in terms of "organic" vs. acquisitions. Instead, focus on "What?" What do you want to get done, build, or include? What opportunities should be pursued?

Then you can move to "How?" You can build, buy, or partner. But it is a separate, related (and secondary) question when it comes to building and managing the pipeline.

## What is the Volume of Activity and Resourcing?

To determine how much resourcing and activity is right for the investment, conventional wisdom says to consider it (and calculate it) from the future-back. What end-of-pipeline results will need to be realized? Run the math from that future-back view to estimate how much you need to feed into the top of the funnel, and what resources it will take to generate that volume of input.

But this is not how it often works in the real world. Most innovation systems are more resource-constrained than they are opportunity-constrained. So the answer to the question of how much resource is needed in reality is: as much as can practically be applied. This is more of a supply-side answer than a demand-side calculation, because demand is typically outrunning supply in most (if not all) scenarios.

## Leading Development and Management of an Innovation Pipeline

Managing an established business may not always translate into solid innovation pipeline management. In fact, often it does not. Creating and managing a portfolio differs from managing an established, scaled business. It can be an acquired capability, but you need to be prepared to develop those capabilities over time. Incumbents that are used to different management habits and attributes should steady themselves for a new and parallel learning path.

## Future-Proofing Your Business

To build a resilient innovation portfolio that will withstand the test of time, the key points apply, pandemic or not. Given the pace of change driven by technology and business model disruption, incumbents and large organizations need to lean in on change, rather than away from it.

Allocate resources toward innovation to make the most of market dips. It's a good time to experiment and "go long" on innovation investment. The more you can do so, the greater your return, as most organizations are supply-constrained (i.e., resource inputs) on innovation rather than demand-constrained (i.e., innovation opportunities to pursue).

Lastly, don't underestimate the need to develop different leadership skills using proven approaches to effectively drive the innovation agenda. Creating and managing options, learning and pivoting, creative architecting of new business models—these and more are critical skills that may not be inherent in managers who've learned to be good stewards of the (already scaled) core business.

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# Three Key Criteria for Balancing Your Innovation Portfolio

BY BENJAMIN YOSKOVITZ, FOUNDING PARTNER, **HIGHLINE BETA**

Every financial advisor recommends that you balance your investment portfolio. Typically, you start by taking less risky bets. An advisor might recommend dividend stocks, because you'll get a small return every year. As your portfolio grows, you'll feel the pull towards riskier investments: tech stocks, Bitcoin, new IPOs, startup angel investments. No matter what, your financial advisor will always recommend a balanced approach.

The same holds true for innovation portfolios. You need to look at how to balance your innovation portfolio across a few key vectors.

### 1. Closeness to the Core

First, let's look at "closeness to the core." An innovation initiative that's close to the core is likely incremental, easier to achieve, and will show faster results, primarily through driving value back to the core business. A simple example is lead generation. You can build a new tool or product that drives leads back to the core.

One of the best examples is Grader.com, which was built in the early days of Hubspot. Grader.com allows you to input your website URL and receive a report on its overall health with a focus on SEO. Grader.com provides people with incredible value on its own, but also drives leads back to Hubspot.

Alternatively, you can explore new venture opportunities that are far from the core. While these ventures may use core assets, they're usually focused on different problem spaces, or new user or customer groups, and they leverage new business models. A great example is EverGrain Ingredients, a business built by AB InBev. EverGrain uses saved barley (from the beer making process) to create new, healthy ingredients (protein and fiber) that it sells to food businesses. The business wouldn't be possible without access to saved grain, but it serves a different customer with a new business model compared to AB InBev proper.

To create a balanced innovation portfolio, you need ventures that are close to the core and far away. Usually, companies start with quicker wins that are close to the core in an effort to demonstrate their ability to innovate and create value in different ways.

### 2. Internal Versus External Innovation

A second vector for balancing an innovation portfolio is "internal versus external innovation." In some cases, it makes sense to build things internally, and in others you're better off partnering with external resources, including startups. When kicking off a new opportunity, you don't have to decide which way you're going to go. In fact, you're better off giving yourself the option of building in-house or partnering with startups while you go through an early validation process to determine if a problem space, opportunity, or idea is worth pursuing.

Internal innovation is often focused on incremental, quicker wins. You can identify core business problems that aren't being solved internally and build solutions. When focused on internal innovation, make sure what you're building is feasible—it can be built with the technology, infrastructure, and resources available.

Big companies absolutely need to get good at building new ventures internally and solving their own problems. At the same time, this can be balanced with external innovation.

External innovation is usually focused on opportunities that feel riskier, or that are further from the core. Having a pipeline of startups to work with, and a mechanism for doing so effectively will help you evaluate external partnerships. (We believe strongly in the potential of pilot program accelerators to do this.) Venture studios, including Highline Beta, also provide a way to build startups that are directly connected to your core business, while living on the outside, in order to move faster and raise external capital.

### 3. Talent

Finally, a third vector is "talent." It is difficult to create a balanced innovation portfolio without a diversity of talent. While you always need internal people, who have familiarity and experience within the core, you can't rely exclusively on them. Innovation methodologies are different from how companies operate and execute day-to-day. Those methodologies, and the framework by which you govern innovation projects and measure success, will differ from how the core business functions. This means you need people who thrive working differently. Your organization will have intrapreneurs in it, but they're not always easy to find. And a top performer within a structured organization may not be a top performer when it comes to innovation. The ambiguity increases dramatically, and the entire framework for delivering value changes.

To balance an innovation portfolio, it's important to bring people from the outside, who can work with the internal experts. You need people with a different perspective, and ideally people with entre-

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preneurial experience.

In some cases, we've seen companies hire too many people from the outside, or set the wrong expectations about what those external, entrepreneurial people will be able to do. This usually ends in frustration and people leaving, because they believed they could "build startups the way they have in the past, but inside a large company." External entrepreneurs won't be successful unless they genuinely understand the rules of the game for innovating inside a large organization.

The best-case scenario for any innovation effort, particularly when building new ventures, is to use small, cross-functional teams of internal and external people. The internal people know how to get things done within the company. The external people bring a fresh perspective, new ideas, and a hustle factor that can inspire and push everyone to move faster.

### 5 Key Questions to Ask When Balancing Your Innovation Portfolio

As you evaluate the three factors above—closeness to core, internal versus external innovation, and talent—there are a handful of questions that you can ask to determine the right approach to an innovation initiative:

| Question | Innovation Approach |
|---|---|
| Are we solving an immediate business problem? (This also implies, ideally, that you have an internal stakeholder with buy-in.) | Most likely internal innovation, but could still be external if you don't have the capabilities to solve the problem internally. |
| Are we building something that's an extension of our existing products/services? | If "yes" then this is close to the core, and most likely should be done via internal innovation (although an acquisition is also an option). |
| Do we have the technology, systems, and tools to build the solution internally? | If "yes" then likely internal innovation, and chances are this is close to the core as well. |
| Are we experimenting with new business models and/or solving new problems for our existing (or new) customers? | If "yes" then likely external innovation (or a balance with internal, through a new venture group). Business model innovation is very difficult to do exclusively in-house. |
| Do we have the proper framework and governance structure for building new ventures? | If "no" then most, if not all, of your innovation will be incremental in scope that's close to the core. |

The key to building successful innovation capabilities internally is balance and experimentation. Big companies need to try a variety of approaches to innovation in order to figure out the right balance for them. There's no formula, but through experimentation across the vectors above, you increase the likelihood of positive results.

Learn more about Highline Beta at www.highlinebeta.com

# Five Dangerous Mistakes You Are Making With Your Innovation Portfolio

BY AHI GVIRTSMAN, CHIEF KNOWLEDGE OFFICER AND CO-FOUNDER, **SPYRE GROUP**

Which innovative opportunities should I invest in, and which ones should I shelve? Many innovation professionals keep asking themselves this question. More than that, they ask how to make those distinctions early enough in order to avoid throwing good money after bad bets as part of investing in losing efforts.

As a Co-founder and Chief Knowledge Officer at Spyre Group, my team and I have met hundreds of innovation professionals. We realized that there are recurring patterns that are detrimental to the health of innovation portfolios, all coming from bad selection practices.

The following are the main ones

### 1. Opinion vs. Evidence

You are making significant decisions while relying too heavily on people's opinions instead of concrete evidence. A typical selection process consists of some sort of a "committee" consisting of the most prominent experts that the innovation manager is able to assemble. The decision made by this committee has significant implications since the young opportunities presented to it are competing for investment. This discrete "go or no go" approach has serious consequences because it creates a very high barrier of entry from owners of innovative opportunities. Such expert-based committees expect the owner to be able to answer tough questions.

Since the opportunity is at a very early stage, the owner, usually an employee, can offer creativity—perhaps some sort of a prototype or diagram—and an opinion. In the battle of opinions inside an established organization, the person with the higher seniority wins. This overemphasis on expertise and experience creates a very skewed mechanism where the number of people who feel comfortable participating as intrapreneurs is reduced. Also, the quality of decisions is negatively affected since no one has the gift of prophecy—not even your CTO.

In contrast, in the venture capital world, decisions are made gradually and are based on actual outcomes. If a startup wishes to get funded, it has to earn ever-increasing funding rounds to demonstrate that its hypotheses are correct. This is proven by producing evidence in the form of achieving certain goals set for it by the VC. This approach is not seen inside established organizations often enough, as the more engineering-oriented approach of "let's decide whether or not to build something" is so common. This is the first thing you should change in your selection practices.

### 2. Failing Too Scarcely

You are not testing enough opportunities. When failure is expensive, painful, and public, it is a natural tendency of innovation managers to keep activity volumes modest. Paradoxically, in order to reduce the overall risk of a portfolio composed of high-risk opportunities, the best way is to simply increase its size. This is simple math. Let's say you have a collection of innovative business opportunities, each with an 80 percent chance of failing. With every opportunity you add to the portfolio, you decrease the portfolio's chances of failing as a whole, since it is equal to the probability that all opportunities it contains will fail. By reducing the cost of testing opportunities, you allow yourself to increase the number of opportunities in your portfolio, thereby reducing its overall risk.

Most organizations consider the classic proof of concept as a form of testing opportunities. My team and I have been able to demonstrate that a real Minimum Viable Product can be implemented at a tenth of the cost of an organization's typical proof of concept. So to summarize, you must reduce the cost of the experiment and fail more.

### 3. "Right" Decision vs. "Right Now"

Most innovation managers focus their attention on making the "right" decision. This means that a lot of work is done to research markets, technologies, and trends with the purpose of creating a proposal that executives simply won't be able to refuse. But my claim is that even if you could somehow channel the spirit of Thomas Edison himself and pitch the next light bulb to your management team, you will likely face push back from the owner of the business unit in charge of potentially productizing this proposal.

The secret is understanding that inside established organizations, there's never an objectively "right" decision. You must understand that in order for business units to take ownership of innovative opportunities, which is the ultimate goal of innovation managers, you need to strive for a "right now" decision. In other words, a high potential impact of an opportunity has to coincide with an executive who is excited about this opportunity and a value delivery chain that is composed of functions that have the skill and motivation to make this opportunity happen.

You are not pitching a startup idea to investors. The people you are pitching opportunities to are the ones whose sweat and personal credibility will ulti-

**Ahi Gvirtsman**
Spyre Group

mately gain or suffer from its outcomes. This means that stakeholders have to be incorporated into the decision-making process in an effective and sustainable manner.

### 4. Premature Executive Evaluation

I like to say that, similar to the Greek mythology story of Daedalus and Icarus, presenting innovative opportunities to executives early in the process is like flying too close to the sun, using wings that are made of feathers and wax. Too often, we see ideation workshops, hackathons, etc. where after 24 to 48 hours, opportunity owners pitch to a team of executives. This limits the scope of opportunities that can actually be implemented, since anything that could have a significant impact requires a higher level of skill and preparation from the pitching team.

Same with startup-based opportunities. It isn't enough to have a demo day where startups use bells and whistles to impress the management team. Without a clear value proposition for the organization, you won't get more than a few obvious applications of external technology, while missing huge opportunities.

In contrast, an employee for one of our clients was able to identify a value proposition based on a startup that accelerates certain types of calculations. The employee identified that this would reduce the duration of a critical planning process from days to minutes, thereby creating a strategic advantage over competitors. Simply having this idea wouldn't have been enough. Before she presented this to executives, she was able to perform validation and formulate her arguments in a way that was robust enough for a serious executive evaluation.

### 5. High Systemic Risk

Your current portfolio of pilots probably has too many projects that rely on identical assumptions. This means there is a collection of events, each with the potential to cause a large portion of your portfolio to fail. Here are a few common examples:

- **Several pilots that all rely on the same market assumption**. What if this market doesn't grow at the anticipated rate?
- **Pilots that rely on an assumption about a certain technology**. What if the predominant technology is disrupted?
- **Pilots that all rely on the engagement of a single team (like sales)**. What if that team lacks the skill or motivation to sell new products?
- **Pilots that rely on the professional skills of a single individual**. What if this person leaves the company?

Keep an eye on your pilots' underlying assumptions, and make sure your portfolio is robust enough to have some of those assumptions proving to be false.

In summary, the mistakes described in this article are very common, and their result is the under-performance of innovation in organizations. Now that you know, you have the opportunity to change that. My recommendation to you as a first step is to significantly reduce the cost of experiments, thus allowing yourself to fail more. The rest will follow.

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Learn more about Spyre Group at www.spyre.group

# How to Build a Future-Fit Innovation Portfolio

BY LUDWIG MELIK, CEO, **PLANBOX**

We used to think of the future as something that is far, far away. Time between disruptive changes has become significantly more compressed and the amount of time we have to prepare for the future is shrinking even faster. The pressure this places on organizations to continually reinvent themselves is staggering. You cannot just dream up a future by working on a long-term plan. To make matters worse, even if you manage to be at the forefront of the next emerging opportunity, there is no staying power without having a clear series of second and third acts to sustain the momentum.

The Future-Fit Manifesto is a collective work declaring a new strategic approach to become a future-fit organization. It presents an essential set of values and principles that should be embraced by organizations of all types and sizes. One of the principles relates to portfolio management and is as follows: "Shape the future through a range of initiatives, from quick wins to long shots, with a preference for game-changing opportunities"

With over 20 years of experience working with corporate innovation leaders from across the globe, the Planbox team was able to study its clients' success and define best practices for building a balanced innovation portfolio. Below is a summary of what was observed from leading organizations and recommended for all innovation maturity levels—for those that recently launched an innovation program to those that have fully optimized their innovation culture, processes, and strategy.

The foundation to building a future-fit portfolio starts with your team's assessment of your organization's current innovation capability. This five-minute online assessment will help identify areas of opportunity. Upon completion, you will have a precise indication of your organization's innovation maturity level and what steps you need to take to improve.

Which level is your organization at?

1. **Initial**: Level 1 organizations do not provide a stable environment to support ideation and idea development. Innovation success in these organizations depends on the competence and heroics of a few. Maturity Level 1 organizations tend to make riskier investment decisions, overcommit to poorly developed and misaligned ideas, manage by crisis, and are unable to repeat their past successes.
2. **Launched**: In Level 2, the organization has ensured that basic ideas, suggestion management, opportunity assessment, and problem-solving processes are planned and executed in accordance with the company's standards and policy. The process rigor established in Level 2 ensures that existing practices are maintained in times of stress.
3. **Established**: In Level 3, process standardization has been achieved. Innovation management processes are documented, well understood, and described in standard operating procedures.

Ludwig Melik
Planbox

| | Expected Results | | | Recommended Activities | |
|---|---|---|---|---|---|
| Maturity | Innovation Horizon | Return on Investment | Engagement Rate | Ecosystem Communities | Innovation Activities |
| 1. Initial | Ci | 2-3X+ | <10% | Employees | 4 |
| 2. Launched | H1 | 3-10X+ | <25% | + Clients | 8 1 |
| 3. Established | +H2 | 10-20X+ | <40% | + Startups & Partners | 10 2 1 |
| 4. Managed | | 20X+ | 40%+ | + Academia & Government | 20 4 2 |
| 5. Optimized | +H3 | 100X+ | | | 30 10 4 |

Continuous Improvement (CI) = 1-3 Months | Horizon 1 (H1) = –12 Months | H2 = 1-3 Years | H3 = 3-10 Years

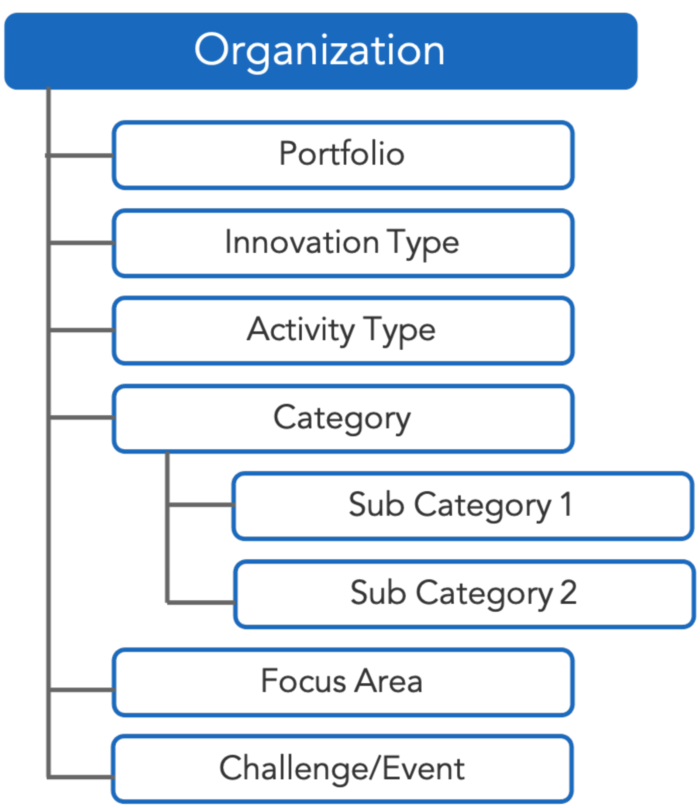
**Innovation Activities:** Innovation Jam, Challenge Driven, Shark Tank, Tech Scouting, Open Innovation, Co-Creation, Open Ideation, Corporate Venturing

4. **Managed**: In Level 4, the organization has made progress to ensure that all innovation activities are aligned with the organization's stated business strategy and objectives.
5. **Optimized**: In Level 5, the organization has reached a state of continuous innovation management process improvement based on a quantitative analysis of investments, engagement levels, and outcomes. In this level, the organization formalizes the consistency and frequency of various innovation activities launched in Level 4, with a preference for game-changing opportunities

To manage a future-fit portfolio, your team has to build out your organization's Innovation Breakdown Structure. This will help your team track all innovation-related information such as innovation type, activity, category, focus area, and challenge as well as organization-related structures such as business units, departments, and resource types. This model is used to plan, analyze, and assess your innovation efforts, including its costs and benefits. It helps you answer questions such as:

- What percentage of our investments are focused on continuous improvement?
- Is our team making the right decisions for transformational innovation (Horizon 3) initiatives?
- What innovations had the optimal return on investment?
- Which focus areas work best?
- Which business units have the best return on innovation investment?

Some of the key elements are described below:




**Portfolio**: The portfolio consists of innovation investments such as products, services, R&D, six sigma quality management, and continuous improvements. Portfolios generally include a set of strategic objectives, budgets, investment criteria, and business priorities that are used to determine which initiatives and investments to pursue.

**Innovation Type**: Specifies what type of innovation you are looking to pursue, such as continuous improvement (CI), core (Horizon 1), adjacent (Horizon 2) or transformational innovations (Horizon 3). An innovation portfolio may include a predetermined mix of innovation types for budget and resource allocation purposes.

**Activity Type**: Describes the innovation activity that is planned, such as a discovery session, a jam session, open innovation, a Shark Tank business competition, and a challenge or idea contest.

**Category**: Defines a class or division for ideas, such as a segment, geographic area, industries, or new ventures. You can define a hierarchy of categories and even specify various rules, like which categories are required or optional information during the idea submission and evaluation process.

**Challenge or Focus Area**: A focus area forms the base of everything that takes place for innovation activities being planned, including: the opportunity to seize or the problem you wish to solve, who should participate, what subject matter experts are required, the types of rewards and recognitions to offer, and how to market the campaign. Examples of focus areas are: best practices and next practices; customer success; employee satisfaction and engagement; environmental, social and corporate governance (ESG); health and safety; sustainability and social responsibility; risk management; emerging threats and crisis prevention; and breakthrough and disruptive innovation.

There are other elements of the Innovation Breakdown Structure that are not covered in this article. Please download the Innovation Break Structure Guide for a more detailed description.

As we all witnessed during the pandemic's repercussion on the global economy, simply responding to change is no longer sufficient. A future-fit innovation portfolio should be built on the pillars of adaptivity, creativity, and resilience, while constantly delighting key stakeholders and realizing their most pressing aspirations. To learn more about the Future-Fit Manifesto, watch this on-demand webcast or connect with the contributing authors on LinkedIn.

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Learn more about Planbox at www.planbox.com

# Maintaining a Nimble Innovation Portfolio

BY TIM BERNSTEIN, CEO, **YET2**

Maintaining an effective innovation portfolio is a challenging task. To some degree, we are always gambling. There are safe bets, long shots, big reaches, and different degrees of returns. If 2020 can tell us anything, it's the importance of maintaining a diverse portfolio and being prepared to pivot nimbly as the market turns.

As the entire world went into lockdown and markets fluctuated, every university and R&D team raced to innovate. Many sectors were deeply effected, like the travel economies and the entertainment industry. Swaths of food vendors vanished within weeks. Contrarily, Zoom became a household term. Within weeks, companies like Ford pivoted to making face shields, masks, and ventilators.

It's hard to imagine a single industry that the novel coronavirus hasn't affected in some way. But what makes the difference between success and failure—especially when the status quo falls apart? Last November, Stella Peace, Group R&D Director for Nomad Foods, and I sat down to try and answer just that question. Here are the key insights.

### When Disruption Hits, Review Shelved Projects While Pursuing New Ideas

Most of the new innovations that came to market in the first stage of the pandemic were products that had already been developed, but were tabled for some reason—maybe insufficient demand, or some specific requirement. Six months passed before we started seeing the innovations that teams developed directly in response to COVID-19 show up on the market. Look to products that might not have been a perfect fit before, but can be adapted to the moment while you start the direct innovation process.

### Ready Resources

Last October, we submitted a couple of tech leads to one of our clients. They were good solutions, fit the scope, and definitely actionable. Our client liked them, agreed with the value and quality of the leads, but said they couldn't possibly begin the process of roll out for six to 12 months. They were already inundated. If you do not have the resources allocated ahead of time, then opportunities will slip by. If you can't bring a good idea to market, it's going to wither on the vine.

### A Developed Pipeline

A key component of a general readiness strategy is a tested method to move new products and ideas through to market quickly. At the lowest level, individual innovation teams at Nomad Foods use agile development, running two-week sprints. This lets teams stay nimble and focused. For larger scale evaluation, Nomad uses five major strategies:

- **Big bets**—Outside-of-the-box game changers.
- **Core stretches**—Extending core capability within existing categories.
- **Tactical launches and product rotation**—Natural SKU rotations in the market.
- **PPA price adjustment**s—Packaging and price.
- **Renovations**—Ensuring products remain superior for consumers.

Nomad Foods then evaluates each innovation individually in terms of the amount of resources needed to effectively launch or maintain product lines, based on the demands of the moment. During the pandemic, focusing on fewer, bigger, and better innovations let Nomad reduce factory resets and retooling—which, in turn, reduced disruption to production lines and risk to their workers.

### Stay Committed to Innovation

Companies often allocate funds and set up a readiness plan for future upsets in the immediate aftermath of a large-scale disruption. Yet during the interim periods, those funds and personnel are gradually siphoned off by the normal demands of business until once again they are caught unready. The cost is two-fold: Maintaining an ongoing commitment to innovation and development serves not only in disruptive times, but also by keeping the company fresh and moving forwards—leading instead of following.

### Top-Level Buy In

We've seen over and over that innovation only really works in companies that prioritize it from the top down. In best case scenarios, someone in the C-suite manages the entire portfolio of innovation, and tracks bets on each piece of new technology and the return on those investments. They maintain a buffer so when the time comes, they can direct resources as needed. Nomad Foods in particular manages this by having leadership engagement in their innovation practices all the way to the top of their company hierarchy.

Tim Bernstein
yet2

## There Will Always Be Natural Winners and Losers

Different disruptions will support or hinder different industries. Under coronavirus, a few obvious beneficiaries stand out: health, hygiene, nutrition, and sustainability. In food industries, the ongoing general trend of consumer interest in healthy eating accelerated. Based on their portfolio, Nomad was particularly well-placed to leverage this demand. Being in the right place at the right time matters, but it's not the only deciding factor. Had they not been able to increase production and innovate appropriately, Nomad would not have been able to capitalize, increasing their market penetration and retention.

It's hard to know what disruptions are coming, but we know there will be more. yet2 is doing an increasing amount of advising to help clients become more ambidextrous in maintaining their primary portfolio of sustaining innovations and a routine drumbeat of product improvements, while simultaneously maintaining a separate system of disruptive innovation projects, so they can capitalize on the disruptions when they come.

Watch our Innovation Leader Master Class: "Accelerating Innovation During Times of Disruption."

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**Learn more about yet2 at www.yet2.com**

# Securing Buy-in for Your Innovation Portfolio: Expert Advice for Winning Over Senior Leadership

BY DONNA PORTER, DIRECTOR OF CORPORATE INNOVATION EDUCATION, **INNOVATION ACADEMY AT THE IDEA CENTER, UNIVERSITY OF NOTRE DAME**

A critical piece of managing your innovation portfolio is getting senior leaders on board. They must understand the importance of your portfolio to the overall business strategy. But leaders also need a mechanism for engagement—a way to build a personal connection that creates buy-in for your efforts.

Here are three steps for success from three experienced innovators: Dr. Nancy Tennant, Innovation Academy faculty and Chief Innovation Officer Emeritus for Whirlpool Corporation; Kelley Rich, Executive Director of Commercialization at Notre Dame's IDEA Center; and Kimberly Phillips, Innovation Manager for the Institute of Nuclear Power Operations (INPO) and a graduate of our Certified Innovation Mentor Program.

### Step 1: Give Your Executive Sponsors a Job Description

Every innovation project should have an executive sponsor. The relationship you build with that sponsor can lay the foundation for reaching long-term goals. "Senior leaders often aren't educated in innovation," Tennant says. "Innovation teams are usually ahead of them in terms of tools and techniques, but you can bridge that gap with education."

One way to do that is to give them a lighthearted "job description" that lays out expectations—a strategy Phillips took at INPO to acquaint her sponsors with the innovation process. "Some sponsors want to be a little too involved and they can disrupt the process. Others are too disconnected, and they don't offer advice or remove barriers when you need it," she says. "This became a way to start our sponsor relationship off on the right foot."

Think about what you want sponsorship to look like and share it in writing at the project's start. Tips:

- Be direct about your needs, but keep it light.
- Offer context by sharing examples of past efforts that went well—or didn't.
- Ask them for their input on what outcomes they'd like to see.

### Step 2: Bring Additional Leaders Along One at a Time

Plan on inviting leaders individually to see your process as you're working, rather than trying to convince them in a group setting—or in a high-stakes presentation—after you've come up with an innovative solution. Speaking with leaders one at a time not only builds relationships, but it also gives you a chance to tweak based on their input, improving the solution and establishing an ownership stake at all levels of the company. "We learned this lesson the hard way," Phillips says. "Leaders appreciate being included and educated. We got much further, much faster once we started bringing them in early."

At INPO, Phillips worked in an innovation center with multiple movable whiteboards for ideation. "We fill up the boards front and back. It looks like an art project in a museum," she says. "Inviting leadership one-on-one to see the work has had a huge impact. They can really start to visualize what we spend hours and days and weeks putting together. You can't communicate that effort by summing everything up at the end with a five slide PowerPoint."

### Step 3: Present Your Portfolio Effectively

You're more likely to win support at the top if you can demonstrate that you have projects that run the gamut from low-hanging fruit to moonshot, tying each to business strategy. "Your portfolio should have singles, doubles, triples, and home runs," Rich says. That means a mix of short-, medium-, and long-term innovation efforts.

For each opportunity, she says, show a complete analysis that includes: the project's strategic fit, the need gap, the project's technical feasibility, the market opportunity, and the resources versus impact.

"It's important to emphasize to leaders that the market adoption for innovation follows a hockey stick curve," Rich says. "This is a long-term investment, but one you have to make to stay relevant."

When possible, have your innovators present to leadership, Tennant says, even if they have a less polished presence than more senior managers. "The passion they have for creating new solutions will shine through," she says. "That's critical to attracting the support of senior leaders. Selling innovation really is an attraction game."

Learn more about the IDEA Center at innovationacademy.nd.edu

Donna Porter
Innovation Academy at the IDEA Center, University of Notre Dame

# Innovation: Scale or Fail

BY SIMON HILL, CEO, **WAZOKU**

COVID-19 has brought many challenges to businesses around the globe. Many of those changes were not specific to an office location or business function—entire global operations, supply chains, and populations were impacted.

The need for innovation at scale was thrust upon us with an urgency unlike anything experienced before. We have learned fast and adapted quickly. We have been forced to challenge many of our well-established rules in the process. Many aspects of the future of work theme were thrust into the foreground and 10-year digital roadmaps were delivered in 12 months. The year 2020 undoubtedly left a footprint in the sand that will have a legacy well beyond this pandemic. But despite the many negatives, there are also many positives that will emerge. We have shown that a lot of our work can be done remotely, and that innovation can be managed and delivered quickly and cost effectively when urgency forces bureaucracy out of the room.

Innovation is tough to get right at a global and at a local level. Innovating at scale requires us to rethink the entire organizational approach to innovation (perhaps better thought of as problem solving). Those who get it right will leapfrog the competition. In a post-pandemic world (we will get there!), the true innovators will use this as a foundation for accelerated change and building competitive advantage.

As a leader, you will need to consider how you foster your organization for today and tomorrow in this new normal. We have seen that innovation at scale can be a formidable competitive tool. Those who assume otherwise, that this is merely a blip and things will "return to normal," may well find themselves the future case studies (the Blockbuster and Nokia of tomorrow) in innovation seminars around the world.

## Building Innovation Routines and Balancing the End-to-End Process

In order to deliver innovation at scale, we need to build, develop, and then sustain a set of innovation routines. This will shift our organizations from a dispersed set of ad hoc innovation practices to a scalable set of repeatable behaviors and competencies—aligned to an overall innovation strategy and operating within a set of established guidelines and frameworks.

Innovation is about more than novel ideas, the latest technology, or the creation of a new product or service. If organizations are to transition away from ad hoc innovating to sustainable innovation at scale, then the first step is to establish, staff, and manage processes which create value regularly.

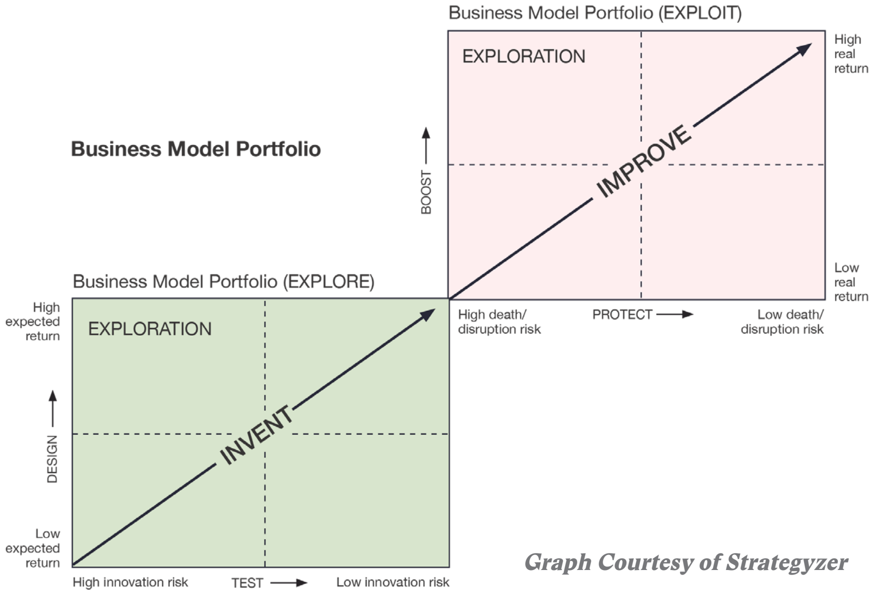
Whatever the short-term drivers for innovation are (ever-changing competitive landscapes, business model diversification, etc.), imagining an ever-increasing space for value creation is critical if organizations are to succeed in taking innovation out of an R&D lab and into its everyday ways of working.

Repeatable, renewable, recurring value creation cannot happen without a process for routinely developing ideas through to impact. These routines of capturing, developing, and selecting ideas not only need to be staffed and managed, but they also need to be understood and valued by everyone within the organization.

## Embracing Ambidexterity—The Importance of Exploring and Exploiting Problems and Opportunities

In order to be successful in the long term, businesses need to explore new ideas and forms of value creation while also exploiting their existing capabilities. They need to embed and enable this capability across every part of their organization in a systematic and structured way, finding the right balance between exploitation for today and exploration for tomorrow. The balance will vary significantly across organizations, over time and by context.

Simon Hill
Wazoku




*Graph Courtesy of Strategyzer*

In reality, very few organizations strike the perfect balance between explore and exploit. Those that do are seen as ambidextrous organizations, having managed to embed an innovation system that can work with the operation system of today. However, in most cases, the business-as-usual processes are the corporate immune system and simply reject the competing innovation operating system.

### “You Cannot Mandate Productivity; You Must Provide the Tools to Let People Become Their Best.”—Steve Jobs

The Roman god Janus had two sets of eyes—one pair focusing on what lay behind, the other on what lay ahead. The modern-day executive could do well with these superpowers. With regards to innovation, we require executives to explore new opportunities even as they work to exploit existing capabilities—and it’s no surprise that few companies do it well.

Getting the right tools to support your innovation efforts can help give the busy executive these superpowers. Invest in a fit-for-purpose enterprise-grade software to support your innovation-at-scale ambitions. Your innovation solutions need to support innovation at a global, local, hyper-local, project, and strategic level all in one tool.

Ideas are nurtured, not born. An idea management platform can help you break down silos and encourage the collaboration needed to achieve change. Extensive platforms should include collaboration tools, such as social sharing, commenting, and a recommendation engine, which surfaces the right ideas at the right time to the right people.

Not all ideas are born equal. A process of effective and efficient evaluation of ideas ensures that you focus on the right ideas for the problem at hand. Mix and match a variety of tools (i.e. peer review, kickstarter-style workflows, weighted scorecards, crowd vetting, or projected costs and outcome) and evaluators—from standard evaluators to ad hoc evaluators for specific ideas or stages in the process—to choose the right ideas to proceed.

Other ways to ensure that the right ideas are being implemented include: built-in development and collaboration tools, including progressive idea development to provide regular stage gates to evaluate the efficacy of projects; teams that bring the right people in to achieve project goals; and outcome tracking to capture and monitor estimated and validated cost and value of ideas. Integrations with key enterprise systems, such as project management tools, mean that innovation projects don’t languish and get lost.

### The Real Challenges Lay Beyond COVID-19

Remember, the crisis we find ourselves in now will pass, but the big challenges facing all of our organizations will still be there. Environmental drivers, sustainability challenges, changing consumer needs, digital transformation, and technology-led disruption will all still be there and need addressing. The impact in a post-pandemic landscape could be even more pronounced—and the change, (potentially) more exponential.

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Learn more about Wazoku at www.wazoku.com

# How 2020 Shifted Us Away From Core Innovation

BY ROB HOEHN, CEO, **IDEASCALE**

Almost 10 years ago, Harvard Business Review published an article about managing your innovation portfolio. In that article, the authors discussed how many organizations have adopted the 70:20:10 model to drive innovation—meaning that 70 percent of innovation efforts are focused on core innovation, 20 percent on adjacent opportunities, and 10 percent on truly transformational efforts.

The surprising insight from that same article is that the return on that innovation investment is almost always inverse. Businesses can expect a 10 percent return from their incremental efforts and a 70 percent return on their successful transformational efforts—but even given that output, it was still a good model for innovation. According to HBR, this portfolio mix "correlates with meaningfully higher share price performance. For most companies, this breakdown is a good starting point for discussion."

This article has served us well since its publication. It became a prevailing standard for diversifying your innovation horizons and a guidepost for those who were just getting started in innovation. For years, IdeaScale would recommend this to our customers as a benchmark, encouraging new innovators to focus on creating reliable quick wins in their core portfolio and reinvesting that 10 percent return in adjacent and transformational opportunities.

And then 2020 happened.

Rarely have so many of us learned how brittle some of our systems are until they were forcibly, synchronously disrupted. This realization came to employees at every level of business, from frontline workers to those in the boardroom. It was almost as if all of us at the exact same time gasped and said, "We are so unprepared!" We realized that the trends are shaping us, even when we ignore them. This is corroborated by a number of industry indicators—from searches of terms like "digital transformation" and "disruption" being steadily on the rise in the US, to the fact that IdeaScale's number one blog post for 2021 was one called: "What is the Difference Between Incremental Change and Disruption?"

2020 was a wake-up call that asked us to go beyond day-to-day operations and scan the horizon for signals, while also calling on us all to adapt to change when it's right in front of us. Companies that didn't know how to handle digital transformation were suddenly able to demolish barriers that had previously held them back. Organizations that had never heard the term PPE before were suddenly in the business of making masks. And many small and large companies were left behind. So, how are we seeing this influence innovation practitioners?

Every year, IdeaScale undertakes a comprehensive audit of our system data, our customer conversations, and survey data to develop a state of the industry report. This data becomes a set of best practices to guide innovators in their efforts over the coming year. We also always compare certain data sets against past performance, and we noticed several new trends when we gathered all of our data into the 2021 State of Crowdsourced Innovation Report. But one in particular caught our attention: the 70:20:10 rule appears to be over.

Whether it's because of the pandemic or other influencing factors, innovators seem to be decelerating their focus on core innovation, and investing more and more time on transformational ideas. A mere 38 percent of innovation change was categorized as core in the past year with the remaining focus split almost perfectly evenly on the two other, more disruptive portfolio options. This is especially surprising considering some of the innovation projects necessitated by the pandemic would've been classified as core or incremental change—efficiency opportunities or cost-savings measures most common among them. This means that, in spite of the demands of day-to-day reactivity, innovators were still harboring grander prospects.

We are still in transitional times, but at IdeaScale, we expect this new ratio to continue for quite some time. As the lessons from our 2020 innovation crash course created a greater appetite for meaningful, longstanding change, they also gave us skills on how to break through the barriers necessary to innovate. They showed us how to move quickly when we have to, and how to roll out critical change at scale.

For this reason, we hope that organizations will assign more resources and autonomy to innovation departments. (Incidentally, we are also hopeful that this will come to pass, as we saw the largest number of programs with top-level executive sponsorship in the report's history, and almost none of the innovation respondents expected their program budgets to decrease over the coming year.) This efficiency will allow for more innovation experiments with greater ambition to run their course, fail, succeed, and for their champions to socialize learnings. If the pace of innovation adaptation increases, that gives us hope that we'll be able to spend the next decade innovating to solve the problems that matter most: climate change, food security, technological advances, inequality, and more.

Learn more about IdeaScale at www.ideascale.com

**Rob Hoehn**
IdeaScale

# Do the Hard Work to Make Innovation Easier

BY CLIFF JUSTICE, PRINCIPAL, **KPMG**
SHANNON GILMORE, MANAGING DIRECTOR, **KPMG**

Industries are dealing with exponential changes to the business environment that require greater discipline and agility in the innovation portfolio. More than ever, companies must have a robust innovation capability to develop solutions that meet changing customer and market demands, solve emerging business and operational problems, create and maintain future relevance, and drive growth in the new reality.

Although the need to manage innovation effectively is constant, COVID-19 further highlighted the need for the right innovation mindset and approach. According to survey research by KPMG LLP and Innovation Leader, innovation budgets took a hit in 2020. The crisis forced many hard-hit companies to focus on survival, which meant shifting resources to short-term operational needs and narrowing innovation objectives.[1]

Yet, the pandemic also illuminated the link between innovation preparedness and business resilience. Enterprises with leading innovation capabilities and deep connections to their markets were more successful at weathering the storm and building a strong foundation for the future. Through the pandemic, Philips leveraged imaging and monitoring innovations to help clinical partners anticipate COVID-19 patient needs and plan accordingly, while American Express invested in chatbots and natural language processing solutions to serve customers better in digital channels.[2]

## Four Steps for Disciplined Portfolio Management

KPMG is deeply invested in helping clients and ourselves manage the massive changes occurring all around. Our experience shows that innovation portfolio management is a systematic discipline that must be built and nurtured inside enterprises. Below are four tips for creating structures to achieve successful innovation outcomes.

### 1. Link Innovation Activities to the Business Enterprise Reboot Strategy

The innovation portfolio doesn't work in isolation. Enterprises need to start with a clear overall business strategy to know what, where, and how to innovate. If the business strategy is a long-term plan to gain competitive advantage, the innovation portfolio is a key lever, feeding insights into the strategy and helping execute it.

Enterprise alignment on innovation is especially important in periods of disruption and uncertainty. Businesses facing the urgency to adapt to a new reality often must aggressively shift their portfolio, requiring a clearer vision of C-suite objectives. Fifty-nine percent of enterprises said their mandate for innovation changed in 2020.[3]

To improve linkages, encourage continuous dialogue. Changing priorities require innovation groups to engage with senior leaders more regularly to understand what signals leaders are reacting to and pinpoint the best uses of resources. Meanwhile, C-suite leaders need to hear from innovation teams about what is coming around the corner and how to respond over the short-, medium-, and long-term.

With strong alignment, innovation portfolio decisions can more effectively drive key business objectives. Those objectives will vary (and require adjustment) depending on the business strategy and changing market conditions. Does the business want to be bleeding edge, or a fast follower? Is it focused on disrupting competitors with new, differentiated business models and solutions, or on fending off attacks and protecting an incumbent market position? The answers to these questions will help reveal the right mix of incremental, adjacent, and transformational innovation, as well as the right balance of offensive and defensive innovation.

The work KPMG does with Enactus is directly aligned to key aspects of our business strategy: supporting our communities, making a positive impact on the world, and creating a strong pipeline of future employees. Enactus is the world's largest experiential learning platform dedicated to creating a better world, while developing the next generation of entrepreneurial leaders and social innovators. We created a course that Enactus uses to explore barriers and biases that can hinder decision-making, innovation, and problem-solving, reinforcing foundational concepts of the KPMG design thinking for business model innovation methodology for solving complex, ill-defined problems.

### 2. Strengthen Inside-Out Innovation

Crucial to corporate innovation success is developing an environment that allows the enterprise to develop innovations strategically, effectively, and quickly from the inside. There are several ways to

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1 A New Vision for Corporate Innovation (Innovation Leader, October 2020)
2 Enterprise Reboot (KPMG, August 2020)
3 The Changing Role of the Innovation Leader (Innovation Leader, August 2020)

strengthen this kind of inside-out innovation.

One option is establishing an incubator, an organizational carve-out designed to help innovation spark and thrive by providing the necessary distancing from the core business. Incubators allow longer-term innovations focused on new markets, business models, technologies, concepts, and other emerging solutions to develop without the constraints of a mature business.

Ramping up cross-functional expertise and collaboration is also an effective approach. Even the best ideas die when they aren't shared and prioritized. This is an especially big risk in large, complex organizations. KPMG improves innovation execution and outcomes by establishing a network of innovation leaders across the globe tasked with nurturing and spreading ideas and turning them into solutions. Well-connected innovation networks help enterprises spot the potential application of innovations from one part of the organization on another. By allowing innovation synergies to occur, they help maximize the return on innovation investments.

Finally, investing in technology is a good strategy for improving inside-out innovation. KPMG taps into emerging technologies like artificial intelligence and analytics to track signals of change and market disruptions—ultimately leveraging insights to inform innovation priorities and design or development considerations. During the pandemic, the use of virtual digital collaboration tools has accelerated dramatically to continue ideation and accelerate innovation execution even when we can't come together in person.

And remember: Whatever option (or options) you choose, inside-out innovation also starts with attracting and nurturing innovation talent. Bringing the right resource to bat on innovation projects is crucial to innovation execution and success.

### 3. Pursue a Robust Outside-In View

The innovation portfolio must be tied to what is happening outside the enterprise—what, when, and how disruptions are happening. Enterprises that are paying attention can bring emerging ideas into the organization and develop game-changing solutions. Investing in data analytics and machine learning can help enterprises gain deeper insights from customers, competitors, and analysts, and also track the movement of venture capital and private equity money, a strong indicator of where markets are heading.

When competing in a market of constant change, it is more important than ever to tap into outside thinking. External perspectives complement internal innovation activities and enable the continuous learning required for relevance in the emerging new reality.

Co-innovation is a powerful tool for outside-in innovation. By engaging with clients and customers on shared business problems, enterprises can combine resources, ideas, and perspectives to co-develop fast, relevant market solutions. A real-life example comes out of the KPMG client co-experimentation program. We recently collaborated with a global financial services company to enable near real-time consumer behavior tracking to respond to COVID-19-driven market disruptions. The company was being inundated with questions about customer transactions from clients impacted by COVID-19 and retailers re-working supply chains and marketing plans. KPMG data scientists and engineers helped them automate and analyze internal and external datasets faster and more frequently, to better answer client questions and enhance strategic decision-making.

Another way to take outside-in innovation to the next level is to nurture a startup ecosystem—that could include joint ventures, minority investments, acquisitions, and alliances with disruptors revolutionizing the industry. Establishing an investment vehicle to acquire innovative companies and solutions can accelerate the value delivered to the enterprise ecosystem.

Finally, businesses can create an alliance ecosystem with a mix of channel and ecosystem partners. Strategic alliances are central to keeping pace with evolving market needs, allowing enterprises to combine forces to maintain relevance amid disruption.

### 4. Fail Fast

When it comes to innovation, great is often the enemy of good. Sometimes you have to put a concept out there and gather feedback, rather than wait until it is "perfect" and then launch something that misses the mark.

Foundational to healthy innovation portfolio management is the ability to know when to allocate more resources to an innovation project, put it on ice, or kill the project all together.

Embracing a lean startup methodology for innovation helps enterprises proactively accelerate high-potential projects, while shelving others. Rapid experimentation and prototyping enables companies to identify, prioritize, and save the most relevant innovation initiatives and direct appropriate funding to accelerate time to market and achieve the initiative's strategic goals.

Meaningful metrics are also crucial to success. Enterprises should ensure metrics are focused on what matters most to the C-suite, eliminating metrics that don't matter and can burden teams and slow down progress. Research shows that two primary metrics for innovation are most important to senior business leaders: new revenue generated, and new efficiencies or cost reductions.[4]

Businesses should validate portfolio decisions by tracking how innovation results drive the business strategy. Some innovations have long-term horizons and can't be measured against current revenue streams; others must get to market quickly to gain competitive advantage. Innovation metrics should reflect both timelines.

### Final Thoughts

Industries dealing with exponential changes to the business environment require greater discipline and agility in the innovation portfolio. These four competencies can help bring discipline to corporate innovation activities—and deliver meaningful results.

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Learn more about KPMG at www.kpmg.com/us



4 The Changing Role of the Innovation Leader (Innovation Leader, August 2020)

# Making Ideas Pay: How to Manage and Adjust Your Innovation Portfolio

BY TAD HAAS, EXECUTIVE VICE PRESIDENT, **EDISON365**

Tad Haas
edison365

A robust and diverse innovation portfolio is key to the success of any organization. Rapidly evaluating and implementing new ideas to drive change enables organizations to quickly pivot in the face of disruption or to create small process improvements for large cost savings. To deliver value across your entire portfolio, you need to ensure that the ideas within it are of good quality and have benefits that can be tracked and measured. We spoke with some of our customers to find out how they've been managing and adjusting their innovation portfolios to do just that, and to make ideas pay.

## Set Yourself Up For Success

To have an innovation portfolio that successfully goes from the drawing board onto the balance sheet, you first need to set yourself up for success at the ideation phase. Having a well-maintained and structured approach to ideation is a common best practice across all of our customers and makes all the difference later on.

Our customer Atrium Health led the way as the first health system in North Carolina to administer an FDA-approved COVID-19 vaccine. The innovation portfolio at Atrium harnesses the knowledge of its 60,000 to 70,000 employees. We've learned from Atrium Health that if you're driving top-down innovation, you need to ensure that you clearly discussed and established the challenge criteria to those you're inviting to participate in ideation.

When developing challenge criteria, start by asking yourself these questions:

- **How clear is the problem you are trying to solve?** Remember who your audience is. If you are posing a company-wide challenge, is everyone going to understand team-specific jargon? Get to the root of the problem you're trying to solve and lay it out as simply as possible. Atrium views this as "painstorming" rather than brainstorming. Take a look at our blog to find out more about this.
- **Why is it important?** People aren't going to care or submit good quality ideas if they don't see how it'll benefit them.
- **How clear are you about the process?** If you're asking for ideas to be submitted, whether that's from your whole company or from select teams, you need to ensure there's a clear process in place and communicate this to team members. They should know when the deadline is, when they'll hear back, and when their ideas will be executed.
- **What qualifies a good idea?** Tell people how you'll be judging the ideas. Will it be by how much the idea costs? Will it be the profit it's expected to generate? The time and resources it'll take to implement?

Not only does communicating the challenge criteria give you better quality ideas during the initial ideation phase, but it also makes evaluating them a lot easier. You already know what a good idea will look like for this challenge, you have a clear goal in mind that you want to achieve, and metrics which you'll measure it by. Ideas that fall in line with your specific needs can be fast-tracked to the business case phase. If an idea doesn't make it through, the employee has a clear understanding as to why.

## Evaluating and Prioritizing Projects in Your Innovation Portfolio

Now that we've summarized how to improve your initial ideation process, let's take a look at how you can intelligently accelerate innovation projects and justify their implementation.

We think the simplest way to do this is through effective business case management. A business case provides justification for initiating an idea, project, or task. It evaluates the expected costs, risks, and business benefits, and is considered an essential tool for optimizing benefit realization. It acts as a way to evaluate and prototype ideas against the rigorous criteria project managers need to execute and deliver a well-performing project. However, many organizations don't use them to their full potential and miss out on key opportunities to accelerate benefit realization.

Our customer SWEP had previously managed and evaluated ideas in Excel, SharePoint lists, and SQL database solutions—but they recognized they needed a way to consolidate and simplify the process. So, they adopted edison365businesscase as their business case management tool. This gave them the ability to evaluate ideas against the value they'd bring on the market. This level of evaluation meant that they were able to eliminate bad ideas before they consumed too much time and resources, while also gaining the ability to fast-track good ideas.

With a business case management tool, they also found that they had an easy way to demonstrate the value of their portfolio to CEOs and the wider organization. Using a centralized platform, they could easily report on all the business cases within their pipeline, demonstrate the expected benefit, and accelerate approval. By revamping their evaluation process, SWEP managed to create an adaptable innovation portfolio that can rapidly generate value for the business.

To summarize, we often say innovation can't exist within a vacuum—and to manage and adjust your innovation portfolio to make ideas pay, you need to ensure that you're collaborating with your organization from start to finish. From Atrium, we learned the importance of the initial ideation phase and how you can create impactful additions to your portfolio from the get-go. From SWEP, we saw how standardizing your business case process can create a more effective evaluation process, helping you to identify good ideas sooner, thus accelerating them to the market. However, most importantly, what we see across all our customers is how they use technology to underpin the development, evaluation, and management of their innovation portfolio from start to finish.

Innovation software can support you through the entire journey of your innovation portfolio—helping you to collect, develop, and triage ideas aligned to your strategic priorities to ensure that only the ideas best suited to your organization's needs are taken forward to generate value.

edison365ideas is innovation software built for Microsoft 365 and designed to take ideas from the drawing board onto the balance sheet. Easily connected to the rest of the edison365 suite, you can evaluate ideas and accelerate benefit realization in edison-365businesscase then turn them into actionable projects defined by your ways of working in edison365projects.

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Learn more about edison365 at www.edison365.com

# Finding the Right Innovative Ideas

BY JEFFREY LIBERMAN, SENIOR DIRECTOR OF SALES AND MARKETING, **GENAIZ**

For two decades, I have listened to, learned from, and worked with some of the world's leading technology innovators. I quickly noticed that many of the brilliant innovators in the life sciences industry struggle with the same issues. From the sidelines, the innovation process seems simple, leading many to think: "Why can't innovators just pick an idea and run with it?" Unfortunately, the innovation process is daunting and complex. With a multitude of ideas available everywhere, innovators need to sift through a lot of noise and clutter to find the right one.

Once an idea is selected, innovators need to consolidate the right data in a way that allows them to effectively analyze and use it. There is no shortage of information available to innovators to help them with this task. In fact, when one considers the wealth of siloed information and data that is both privately and publicly available, one can understand how this "overload" can be considered one of innovation's biggest obstacles

Once innovators filter through this maze of data, they are then challenged with identifying the initiatives that have the highest probability of success and allocating the right resources. The decision to either move ahead or to "kill" a project, especially when unsure about the potential outcome, can be difficult and even scary.

Most innovators who can make it past these obstacles then need to circumvent potential resistance from colleagues and superiors. Many find it difficult to train, coach, and mentor innovators and operational and clinical teams on how to deploy, adopt, and embrace innovation. Sometimes, this means recognizing why something does not work so you can redirect your focus on what does. Engagement and feedback loops are critical in ensuring innovation adoption and in reducing the change management effort required.

To succeed in innovation, an organization needs to: generate new ideas; evaluate and select which ideas to pursue; stay ahead of new technologies and trends; accelerate timelines; and ensure initiative effectiveness and profitability. But most of all, organizations need to create a culture of "embedded innovation" that engages employees and drives participation on a daily basis.

One of the ways innovators encourage a culture of innovation is by embracing technology. Artificial intelligence (AI) and machine learning (ML) are essential in life sciences, because they are one of the proven ways to accelerate the innovation process. AI allows innovators to search, merge, and interpret the different and vast amounts of data and ideas. Deploying an AI-driven platform can provide organizations with the ability to semantically search past and existing internal and external data sources, providing the organization with useful insights. Thanks to machine learning, these insights can be personalized according to how users leverage the platform. Artificial intelligence can also help organizations to identify barriers and innovation project trends, making it possible to provide insights that offer answers and tools to support innovation. With the help of AI, innovators feel supported and can more easily recommend projects, facilitate the prioritization of innovation efforts, and manage the projects and resources that will have the greatest impact.

Finally, a well-trained AI platform can work to identify missing elements from innovation initiatives and allow innovators to capitalize on these learnings. With AI assistance, the entire decision-making process can be conducted more rapidly than ever before, allowing innovators to more quickly and easily "pick an idea and run with it."

Learn more about GENAIZ at www.genaiz.com

**Jeffrey Liberman**
GENAIZ

# How Crowdsourcing Promotes Diversity and Inclusion in Your Organization

BY DOUGLAS WILLIAMS, DIRECTOR OF PROFESSIONAL SERVICES, **PLANVIEW**

Douglas Williams
Planview

As an innovation leader you're on the forefront of diversity and inclusion at your organization and smart leaders know that their companies benefit from attracting, developing, and retaining a diverse workforce.

Still, even with decades of research providing compelling evidence that diversity unlocks innovation and drives market growth, many workplace diversity programs fail to produce meaningful diversity and inclusion. Some have actually increased bias and separation among employees, leading many organizations to question where they fall short, and how to improve.

### Why Diversity Fails

Each of our lives is molded by our own individual experiences and background. Because of that, each person has unconscious bias that limits their ability to recognize and understand how circumstances affect other people. A team of people with similar profiles may have similar biases, which then causes the group to maintain those biases.

Many workplace diversity and inclusion programs have focused only on bias reduction. However, studies have shown that when employers require bias reduction training, hostilities can actually increase.

Smart organizations eliminate bias gaps by diversifying groups with people of different backgrounds, education, life, and work experiences. Diversifying the group creates a broader perspective, which diminishes the effect of the group's collective (unconscious) biases.

Moving beyond attempting to reduce bias and toward putting inclusion into action takes more work and preparation, but it's significantly valuable.

### Impact of Innovation Management—The Value of Inclusion

While diversity and inclusion efforts are important on their own merits, there is also evidence that workplace diversity helps improve your business. Diverse teams are better positioned to unlock innovation that drives market growth.

For example, The Wall Street Journal revealed in 2019 that the top 20 most diverse companies in the S&P 500 index have better operating results and higher performing stocks than their lower scoring peers. In 2018, the Boston Consulting Group found that organizations with above-average diversity on their management teams earned 19 percent higher innovation revenue than their less diverse peers.

### How Diversity Contributes to Innovation

Asking the crowd to select which ideas to implement can create valuable insight into the ideas that have a greater impact culturally. This is where customers use Planview's Innovation Management solution through Planview Spigit. Customers leverage pairwise functionality to provide unique pairings of ideas for the crowd to select which one they prefer over another. Through this process the crowd can quickly rank the ideas to identify more culturally impactful ones which can then be balanced against a strategic expert assessment, helping to overcome the potential of cognitive bias in closed expert groups.

In one example, a global energy company was identifying new mobile applications for their customers. Their expert group of IT engineers selected a very different portfolio than their customers. Their customers ranked the top 20 ideas in a completely different order of priority. The discovery was that their customers were a mixture of office and field workers, while the expert group of IT engineers were all office based. Consequently, the field-based workers highlighted their needs outside of the office through the ranking exercise, which subsequently changed the rollout of the project.

### Crowdsourcing Nurtures Inclusivity

The most successful workplace diversity programs are those with higher levels of continued engagement and accountability. When employees feel included, they become more engaged. They believe their input is valued, whether they are submitting ideas or providing feedback.

Crowdsourcing initiatives invites your entire workforce to contribute ideas and gives companies an incredible opportunity to create the inclusivity needed to benefit from their diversity programs. As participation and collaboration increase among employees at all levels, you start to build an innovation culture.

Employees that work directly with customers, often identify potential improvements to existing products, services, or processes. However, many employees either don't feel like they can voice those ideas or don't think their ideas will be accepted by the business.

In one example, a medical devices and healthcare company discovered an idea that led to an $8 million operational improvement. This idea came from an employee that had initially identified a potential solution but didn't know how to bring that idea to the business. Therefore, the business couldn't realize any value from the idea until it was communicated and considered, which didn't happen for quite some time.

Through the initial rollout of Planview Spigit, the idea was discovered, approved, and implemented. With buy-in and support from management, employees were inspired to find solutions that benefit the business and its customers. In fact, the organization has consistently seen more than 70 percent of employees engage and innovate together.

Beyond helping the company solve issues or uncover opportunities, there's an intrinsic reason crowdsourcing works: the very nature of crowdsourcing is an inclusive process.

Hiring a diverse workforce isn't enough. The value of being diverse lies in taking advantage of that diversity.

## Three Actions You Can Take

Here are three simple ways you can leverage crowdsourcing to drive inclusivity in your diverse organization:

1. **Ask Great Accessible Questions**. Employee engagement is a critically important business objective—and one that crowdsourcing challenges can help foster. Asking for employee input on important topics requires creating constructive challenges where participants can clearly see and feel connected to what matters most to the business. For example, here are a couple challenges relevant to today that you could pose to employees:
    - When you think about our organization, what values do you want to see us champion the most?
    - How might we alter our product/service offerings or our sales/marketing strategies to serve a more diverse customer base?
2. **Expand Your Audience**. Leverage the collective intelligence of your employee base rather than limit challenge participants to those within the line of business or area of expertise most closely aligned to the challenge question. The very act of inviting diverse groups to participate creates inclusion. Top ideas often come from people outside the department sponsoring the challenge, which helps prove the old adage, "a good idea can come from anywhere."

    An average of 31 percent of Planview customers report that the best ideas originate outside of the business area seeking them. One global engineering company who created their methodology to make innovation challenge questions more accessible, not only across disciplines, but also non-specialists, saw their diversity factor rise to over 60 percent. One such winning idea from a non-engineer created a breakthrough innovation that resulted in an 85 percent reduction in engine inspection maintenance costs.

    Here are sample challenge questions that any department could ask:
    - How might we involve more of our virtual workforce in new initiatives and decision-making?
    - How can we help support our customers and colleagues through these challenging times?
3. **Lead with Vulnerability**. If you ask employees for their opinions, be prepared for what you may hear. Change requires honesty from your crowd, even though it may be difficult for leaders to digest. Researcher Brené Brown calls vulnerability the key to making authentic connections with people.

    Remember: Authenticity is key. If employees believe that management is only asking to create the perception of inclusion, then the activity will fail, and you'll risk disenfranchising your employees. You don't have to execute every idea but commit to acting on every initiative.

## Build a Diverse Culture of Inclusivity at Your Organization

Ideas aren't created out of thin air. They're created by people. When all voices are given airtime and everyone's ideas are considered, it drives both the insights needed for innovation and the creativity to assess new markets and examine existing markets in new ways.

Leaders at organizations around the world have taken steps to make their companies more diverse. But being a diverse organization isn't enough—you also need to instill a culture of inclusivity. Crowdsourcing furthers both diversity and inclusivity by engaging employees, surfacing unique perspectives, and empowering organizations to identify and address tough topics.

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# Why The Stakes For Innovation Portfolio Management Just Got Higher

BY GEORGE WHITE, CHIEF INNOVATION OFFICER, **CANTINA**
SHAUN GUMMERE, SENIOR VICE PRESIDENT, RESEARCH AND DESIGN STRATEGY, **CANTINA**

Managing innovation has never been a simple task. There are questions of what and how much to invest, knowing when to move forward or fold and how to integrate innovations into the business.

In recent years, those challenges have been magnified by recent events and rapid technological advancement. How can leaders cope with ever-increasing complexity when managing their innovation portfolio?

With the right considerations and rigor, it is possible to tackle these challenges and come out much stronger. By understanding where we are in a larger context, we can rethink how we manage innovation.

## Challenges Great and Small, Near and Far

The advent of the COVID-19 pandemic in early 2020 is an obvious and all-too-current example. Amid the global response to a deadly new disease, many (though not all) organizations had no choice but to shift the focus of their innovation portfolio from opportunity to urgency.

Economic and market uncertainty drove the acceleration of timelines that may have previously been measured in years, whittling them down to months or weeks. It also reduced the appetite for investment and spending in some quarters. Other organizations realized that the challenges posed by the pandemic might be opportunities to innovate in ways they might not have considered otherwise.

Manufacturers who might have been hesitant to embrace next-generation automation quickly moved to introduce robotics into factory environments. Retailers experimented with all manners of digital channels, like augmented reality, so they could continue to serve customers. Schools and universities moved to online learning almost overnight.

As the pandemic is slowly contained, business leaders need to reevaluate their priorities and determine whether they are continuing to balance their innovation portfolios effectively. Not because the crisis is ending—because, to some extent, innovation will be the only way to respond to the changes we'll continue to experience for several years.

## A Path Forward

The phase we are exiting can be characterized as chaotic, where the number of unknowns was particularly great, and where finding the "right" answer was pointless. The best approach was rapid response.

While some potential for chaos will remain with us (it is unclear, for example, what effect variants of the virus will have going forward), the next phase will be characterized by complexity.

Complex situations are defined by flux and uncertainty. They are an ideal operational context for innovators, as leaders must experiment and seek emergent patterns to overcome unknown unknowns. On the flip side, the acceleration of innovation has also likely distorted many portfolios, creating a need to work through a backlog of initiatives.

In light of these challenges, we see three key considerations to (re)establish a balanced portfolio in 2021-2023.

## 1. Look Within: Governance

The COVID-19 pandemic may have turned debatable ideas into essential actions overnight, but the pressure to eliminate internal barriers to action came from outside. Now is the time to look into the organization to lock in internal change so it doesn't return to the mean (like Stretch Armstrong). To do so would be to break a foundational rule of good leadership: that no crisis should go unexploited.

Indeed, there is an opportunity to more closely align strategic planning with innovation planning. From a structural governance perspective, having the chief innovation officer report directly to the CEO and the board will keep the innovation portfolio aligned with strategic planning. At the same time, many of the most meaningful innovations require a culture change, and that's difficult unless you can connect to those beyond the C-suite.

Governance structure should reinforce not just what's happening at the highest levels of the organization, but also further the connections to the frontline that the pandemic required. Use cadence as a key metric in moving ideas through the innovation pipeline, so any slowdown is highly visible.

## 2. Swim with the Sharks: The Three Horizons

A common misconception about innovation is that finding a good idea is the hard part. The real challenge is in integrating it back into the business and more importantly, aligning on a worldview about what your organization is there to do. Otherwise, "corporate antibodies" kill off innovation and innovation portfolios are imbalanced as a result.

As much as 95 percent of time and resources are dedicated to Horizon 1 (H1), otherwise known as the day-to-day business demands. This is the "safe" area where rejection is less likely.

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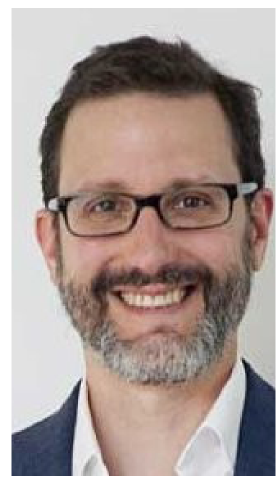

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As little as 3 percent might be allocated to Horizon 2 (H2)—the areas where innovation could address the transitions that arise within a period of a year to 18 months. That leaves a scant 2 percent for Horizon 3 (H3), which provides visibility into long-term changes in competition, growth opportunities, and new problem spaces.

Instead, consider assuming some stability in H3 for a Blue Ocean Strategy, where the primary pursuit is unknown market spaces with little competition. At the same time, move the H2 strategy closer to a "Purple Ocean" approach. Seek areas of churn within a competitive space, where it's less about an idea no one else has thought of and more about differentiation and execution.

Dyson is a famous example of a purple ocean success story. Today, Basecamp is reimaging email—email!—with services like Hey. It has found a ready and growing market, and is now expanding to reinvent blogging and the newsletter. They are grounding their H2 strategy in creating more value for customers.

Exploring the intersection of value creation and willingness to pay offers an opportunity to reduce strategic overload. Swimming with the sharks' in a purple ocean provides an invaluable sense-and-respond feedback loop to better manage complexity.

### 3. Increase Collision and Serendipity: Open Innovation

Good ideas need to collide with one another to reach their full potential. During the pandemic, we saw many instances where companies overcame structural and operational barriers (and a fear of leaked IP) to solve urgent problems, such as the production of ventilators. But, as with governance, there is a risk that any reduction in friction may revert to the mean without deliberate effort and attention.

Open innovation is difficult to undertake in normal times. But we believe it's particularly critical to pursue over the next several years. Ensuring a broad and open innovation network sustains speed and velocity and acts as a hedge against uncertainty.

A more flexible approach to open innovation can be the new normal, but it requires securing partners from a pool that's been enlarged by a shared crisis before the opportunity recedes.

### Conclusion

The Covid-19 pandemic, like many traumatic crises before it, has destroyed much. As we move through a period of containment to resolution, creative opportunities follow, but they must be deliberately managed for innovation to deliver on its promise.

Organizations are at risk of springing back to their original shape, closing off the flexibility, speed, and openness they have otherwise been forced to adopt over the last year.

The key is to lock in new governance, culture, and open innovation practices before the window of opportunity closes. This is the larger context against which innovation leaders must seek to (re)balance their portfolio, even as the full implications of changing customer needs and behaviors becomes clearer over the next several years.

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