

SMARTORG®

**Three surprising
lessons in portfolio
management**

Product Camp

Pittsburgh

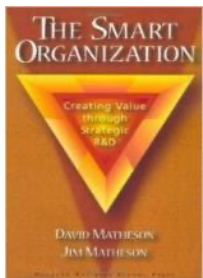
01 April 2023



Bob Wasson



- **Decades working with companies – either as part of R&D management team or as external consultant**
From aluminum products / processes to medical devices
- **Industrial experience with Chevron Research, Alcoa Technical Center, and the Continental Group**
Connecting Innovation and Strategy / Finance
- **Consulting Experience with A.T. Kearney, Strategic Decisions Group, Nu-Angle Consulting, and SmartOrg**
Connecting Innovation and Strategy / Finance
- **Innovation & Portfolio Thought Leader**
Adjunct Professor, CMU (Engineering and Technology Innovation Management)



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SmartOrg: Connecting Innovation and Finance

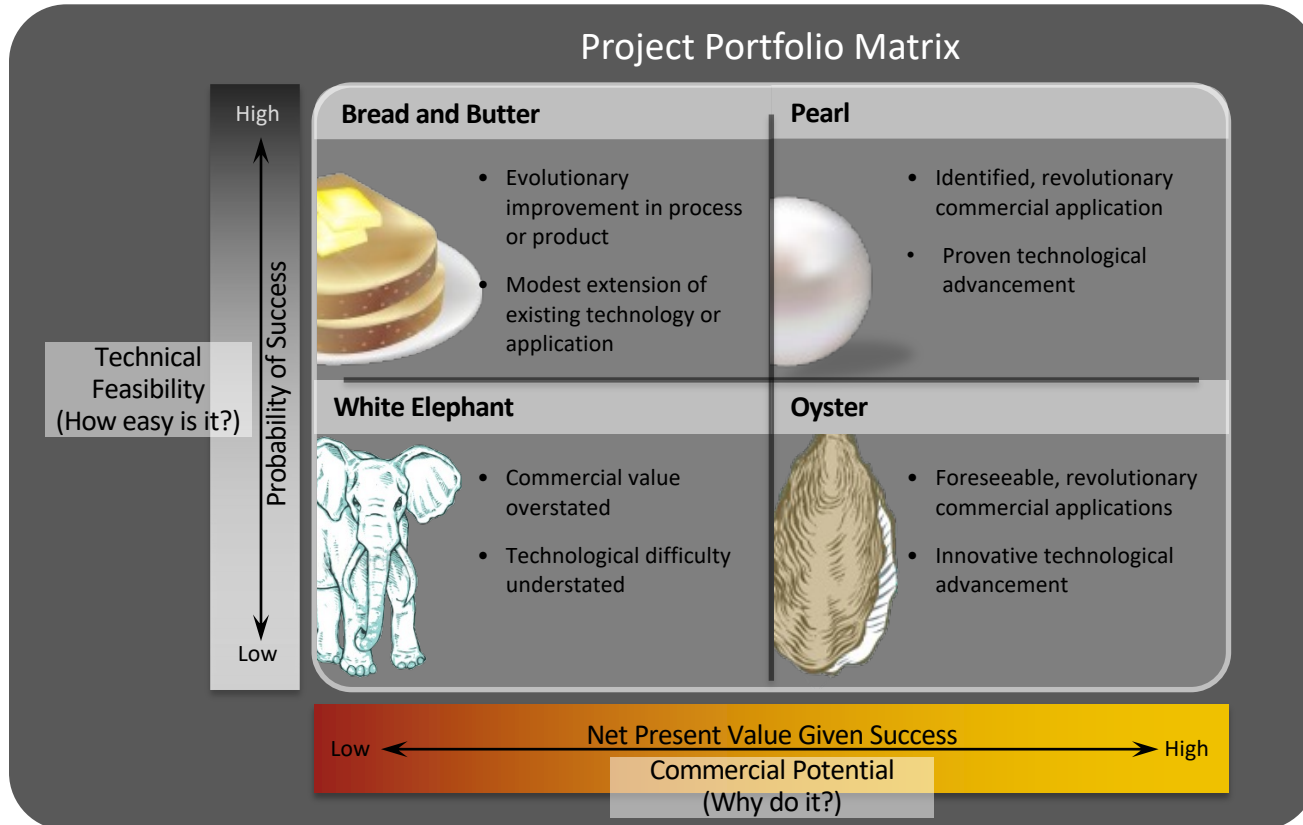
SmartOrg's portfolio evaluation platform builds your capability to align on how to drive upside and on where and how much to invest.

Software

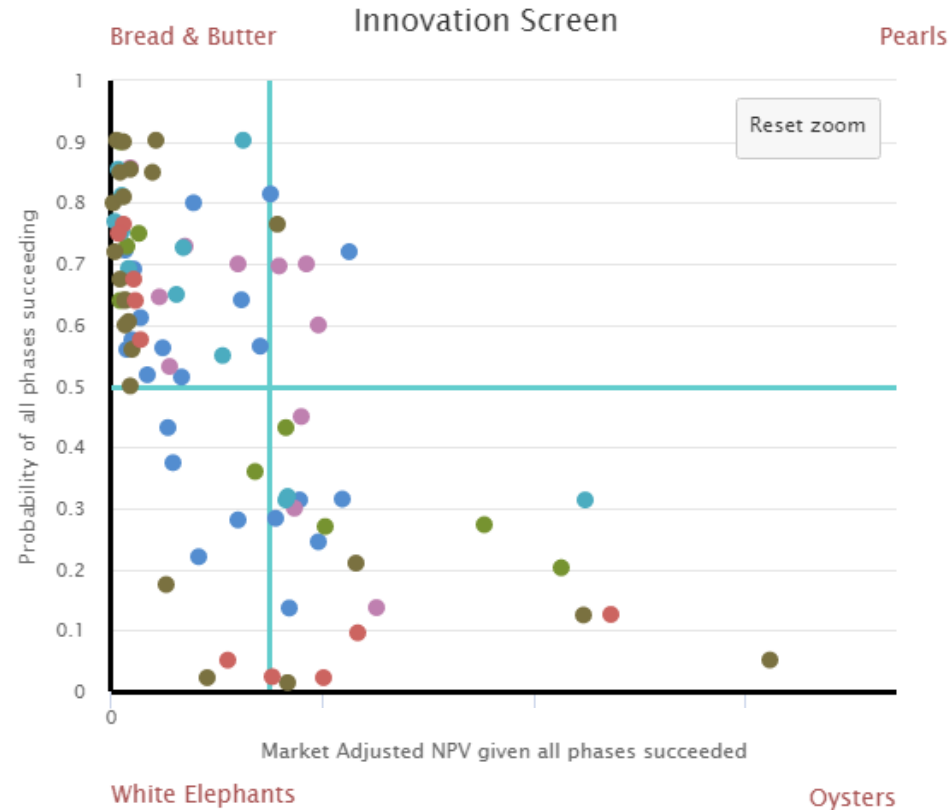


Consulting

Balance Risk and Return by Estimating Technical Feasibility and Commercial Potential



What does a portfolio look like for a large corporation?



The central challenge of portfolio management.

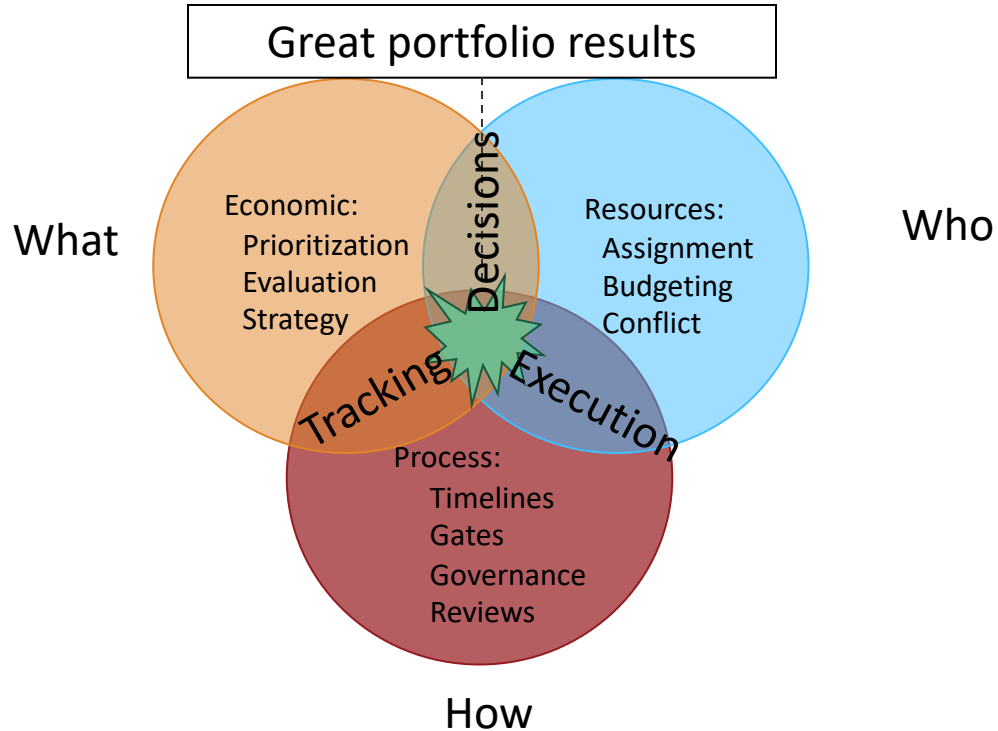


"It's not really a growth OR a value portfolio. It's more of a feel-good portfolio."

Operational Excellence can kill



The three basic dimensions of great portfolio results.



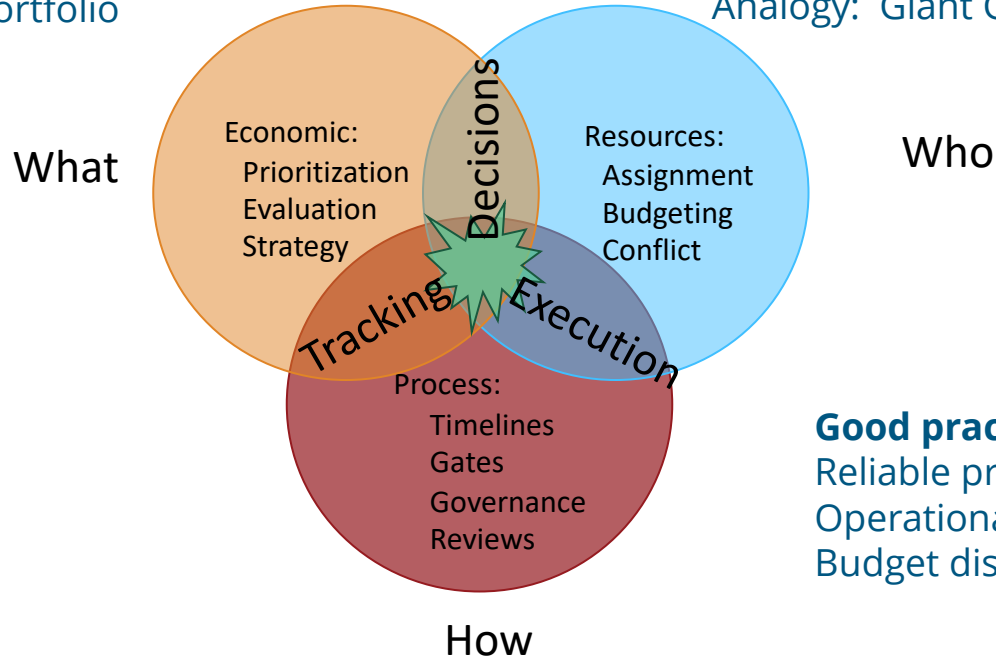
Operations and Strategy often work at cross-purposes.

“Strategic Portfolio Management”

Analogy: Investment Portfolio

“Operational Portfolio Management”

Analogy: Giant Gantt Chart / WBS



Good practices for operations:
Reliable promises
Operational focus – get stuff done
Budget discipline

The Unintended Consequences of Good Project Management.



Low Aspirations created by pressure for delivering on a reliable promise.

- **Need visibility to upside.**



Clutter created by operational focus.

- **Need to focus on the strategically significant.**



Wounded Projects created by relentless budget pressure.

- **Need to resource projects for success.**

Making innovation work requires BOTH supporting innovation AND making space for it: a strategic portfolio approach

Strategic Portfolio Management: the forum for choices about the gap between vision and reality.

GROWTH



Lackluster growth from ineffective investment in innovation.

Portfolio Management finds hidden sources of upside and turns it into breakthrough growth.

CLUTTER



Too many small projects dilutes management attention.

Portfolio Management sharpens focus by diverting resources from trivial projects to the projects that matter.

CONFLICT



Financial caution conflicts with innovative vision.

Portfolio Management aligns Innovation and Finance on where and how much to invest.



Operational Portfolio Management: Fighting over resources

A scenic desert landscape featuring three dogs in the foreground. The dogs are sitting on a sandy, gravelly ground. The background shows red rock formations, sparse green shrubs, and snow-capped mountains under a blue sky with light clouds. The text "Strategic Portfolio Management: the decision forum" is overlaid in white, bold font across the middle of the image.

Strategic Portfolio Management: the decision forum

Reliable promises create mediocrity



Portfolio Management Process

Select Best Projects



Return
Strategy



Risk
Cost

Executives
Periodic

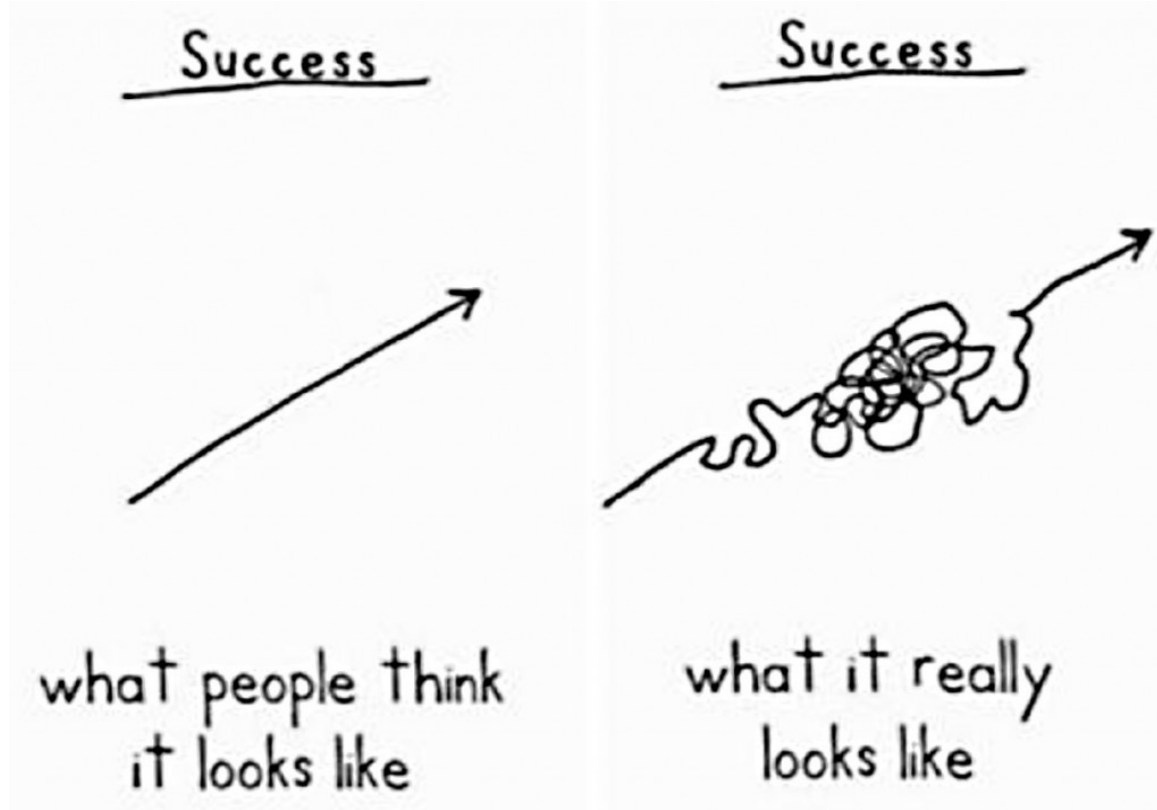
Project Operations

Deliver on reliable promise

Provide data for portfolio



The central challenge of innovation.



Many business processes unintentionally make innovation mediocre.

Project Management /
Finance Wants

Predictability



Efficiency



Unintended Consequences:

- Big dreams trapped in small projects that have no chance of hitting them
- Focus on your feet (what is next) instead of the horizon (where you need to be)
- Safe bets, small steps, clutter
- Playing not to lose vs. playing to win

The hidden process in Strategic Portfolio Management

It's not "Yes or No"; It's "How to grow?"

Select Best Projects



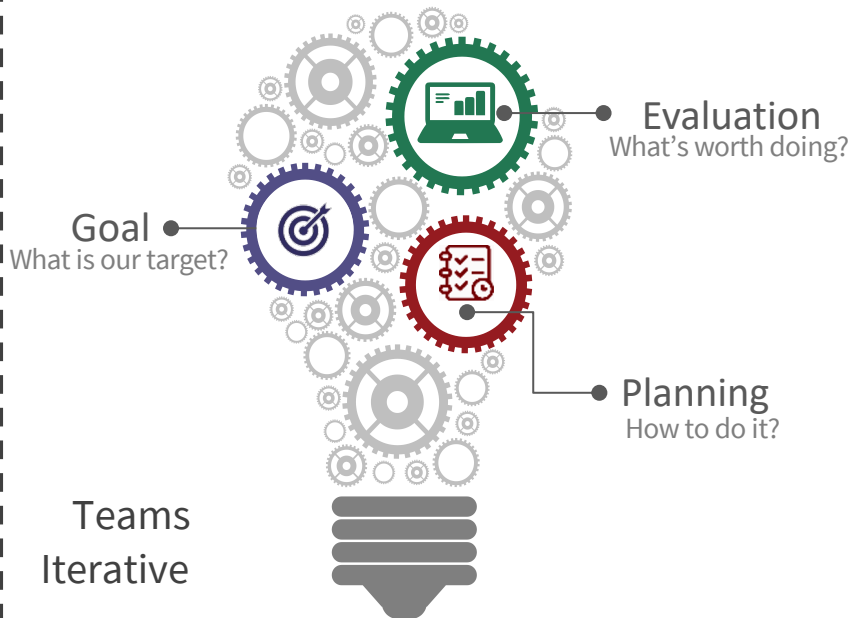
Return
Strategy



Risk
Cost

Executives
Periodic

Make Projects Great

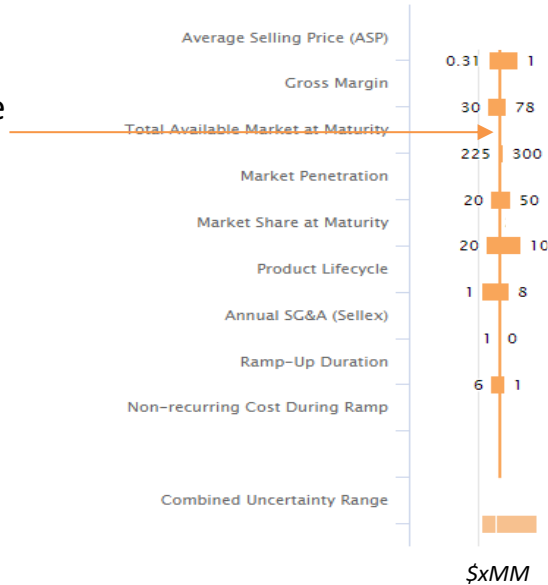


Example of finding upside by understanding uncertainty: Project X

Project Value given development success (\$M NPV)

Net-Present Value (\$MM)

Momentum: responsive technical support



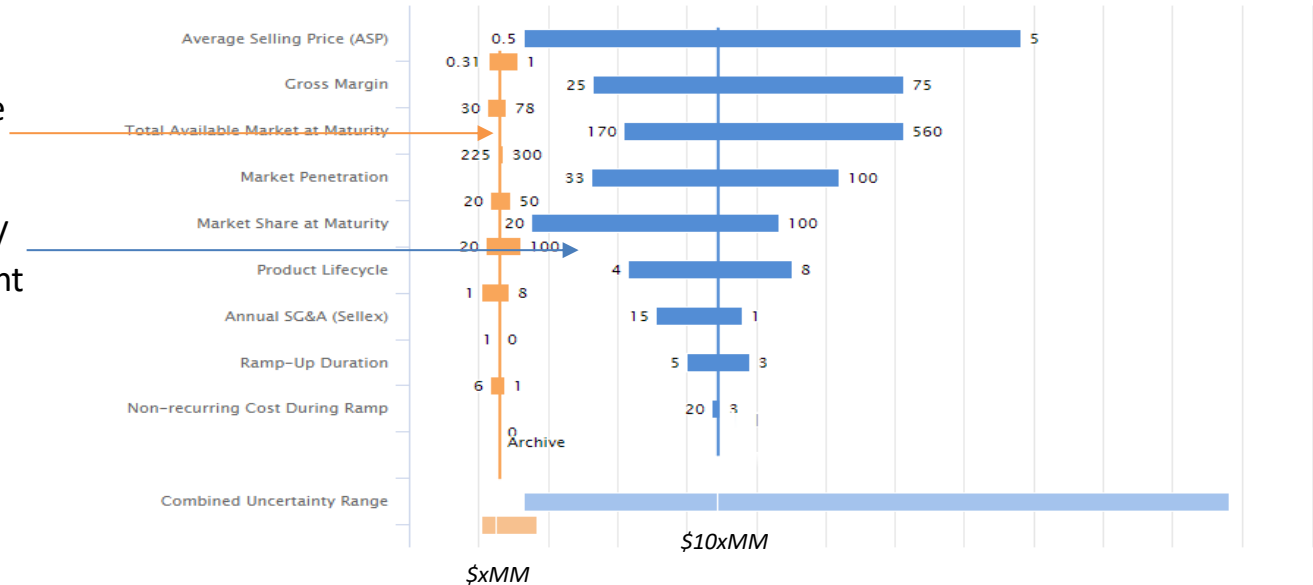
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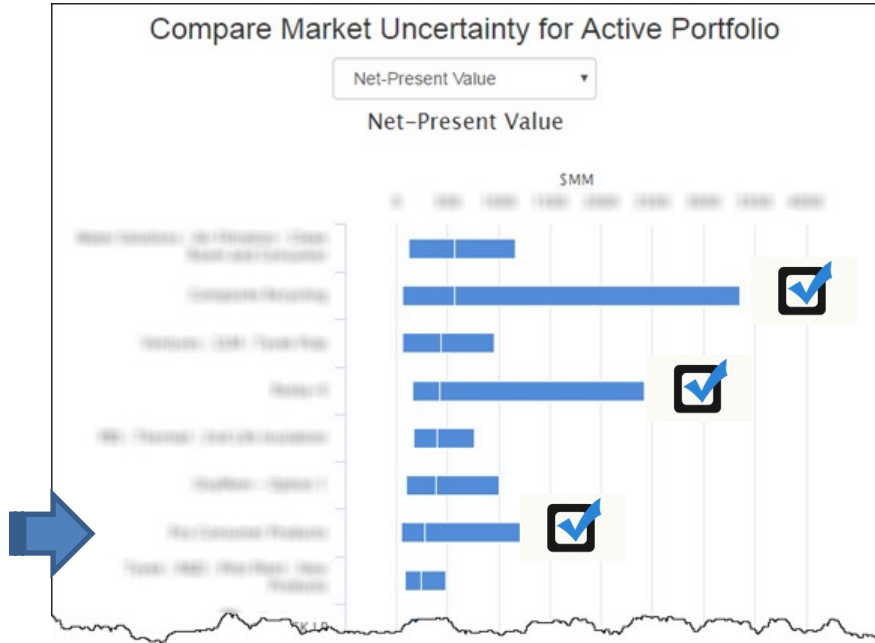
Momentum: responsive technical support

Upside: active business / relationship management



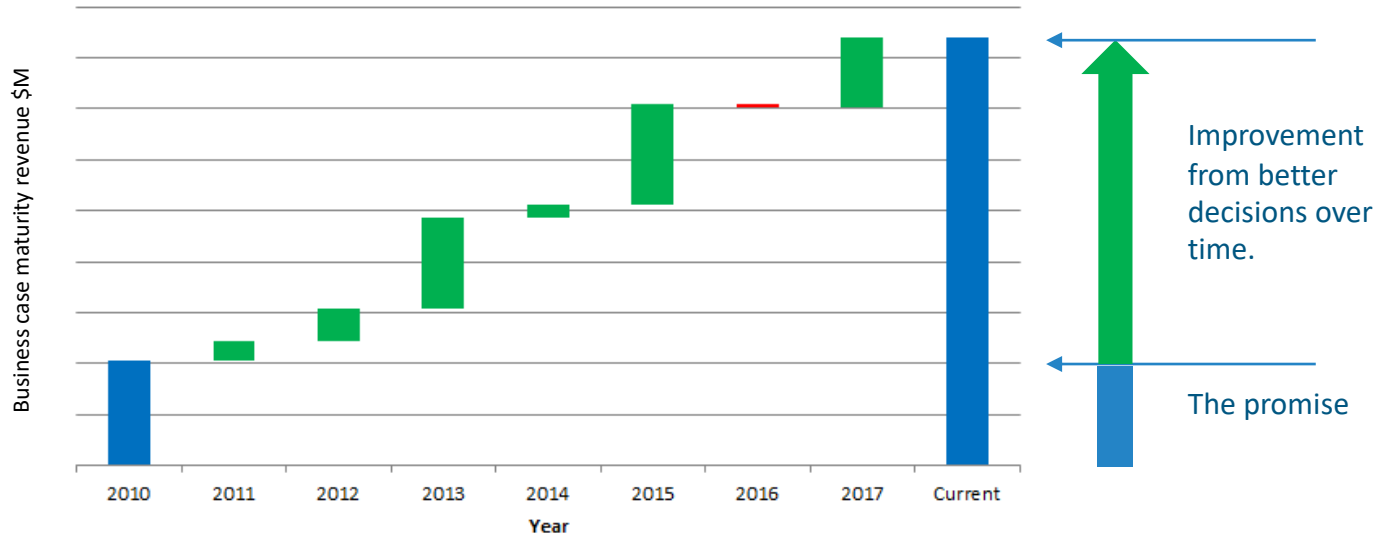
Prior to Implementation, teams have been systematically thinking small, based on delivering to the “promise”

Significant Pockets of Upside Were Revealed Across our Portfolio...



Unlocking the value beyond the spreadsheet.

Project X from an agricultural chemical company



Value seeking is better than promise-keeping

What is your big idea?

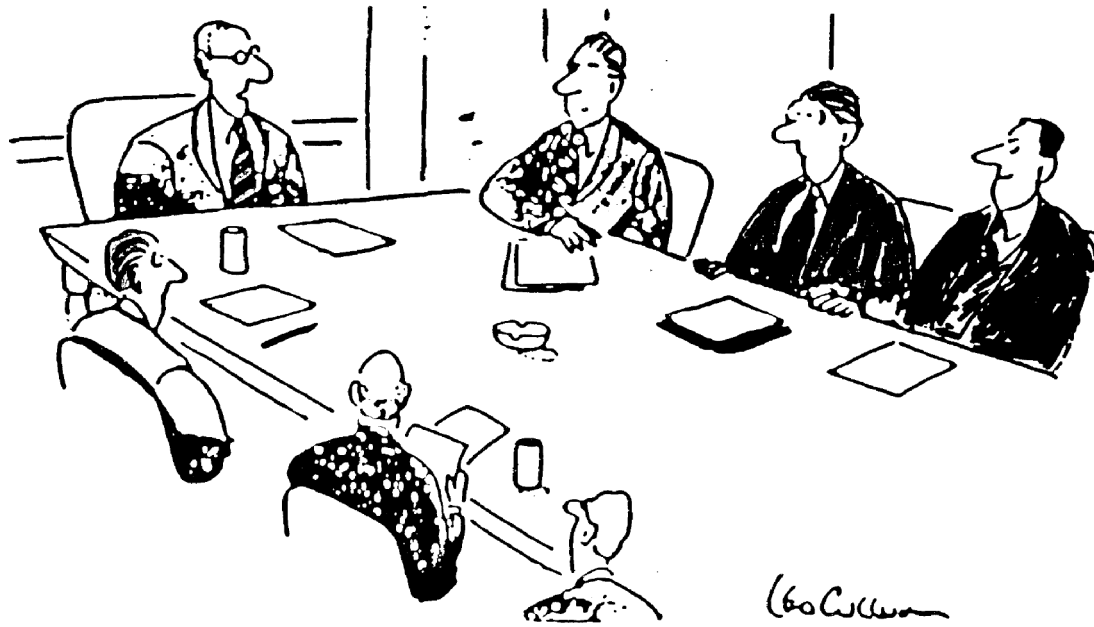


Safe Projects \neq Safe Portfolio



Are You Playing to Win?





“As this is your proposal, Cosgrove, its failure could mean the end of your career. I think, however, that is an acceptable risk.”



**Playing Not to Lose
vs.
Playing to Win**

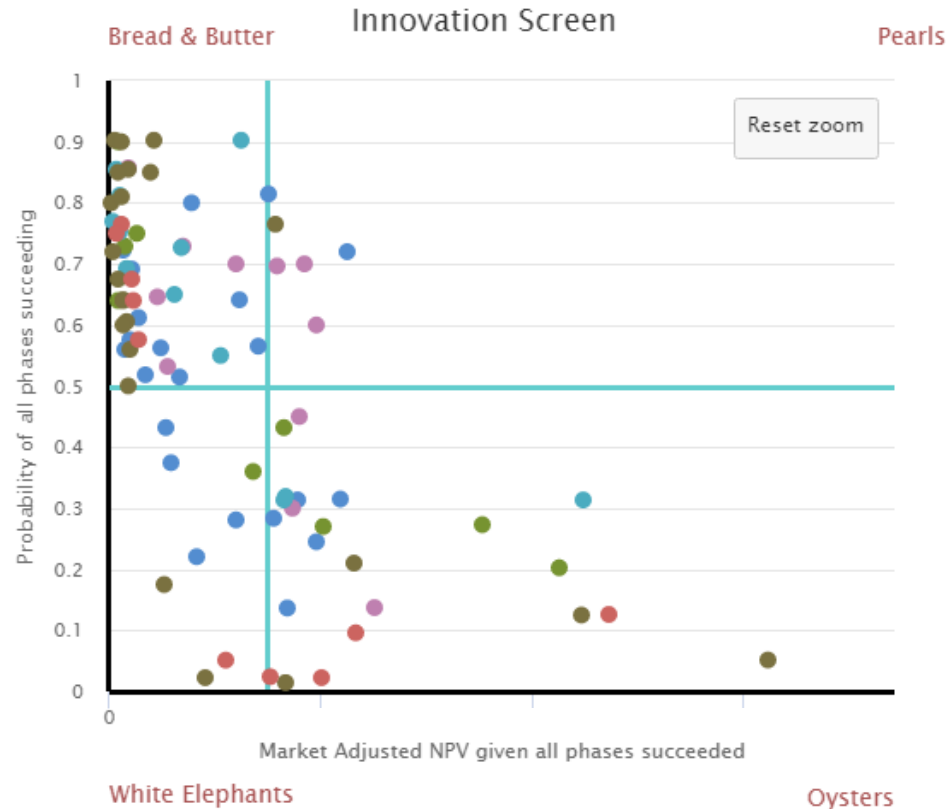
Challenge: Lines of Business (LOBs) must be ready to take on Oysters and Scouting

Deliver Bread & Butters

- Execute in existing processes
- Harder ones could be a bit challenging

Revitalize White Elephants

- Many are “scouting reports” that have not yet found a good path forward.



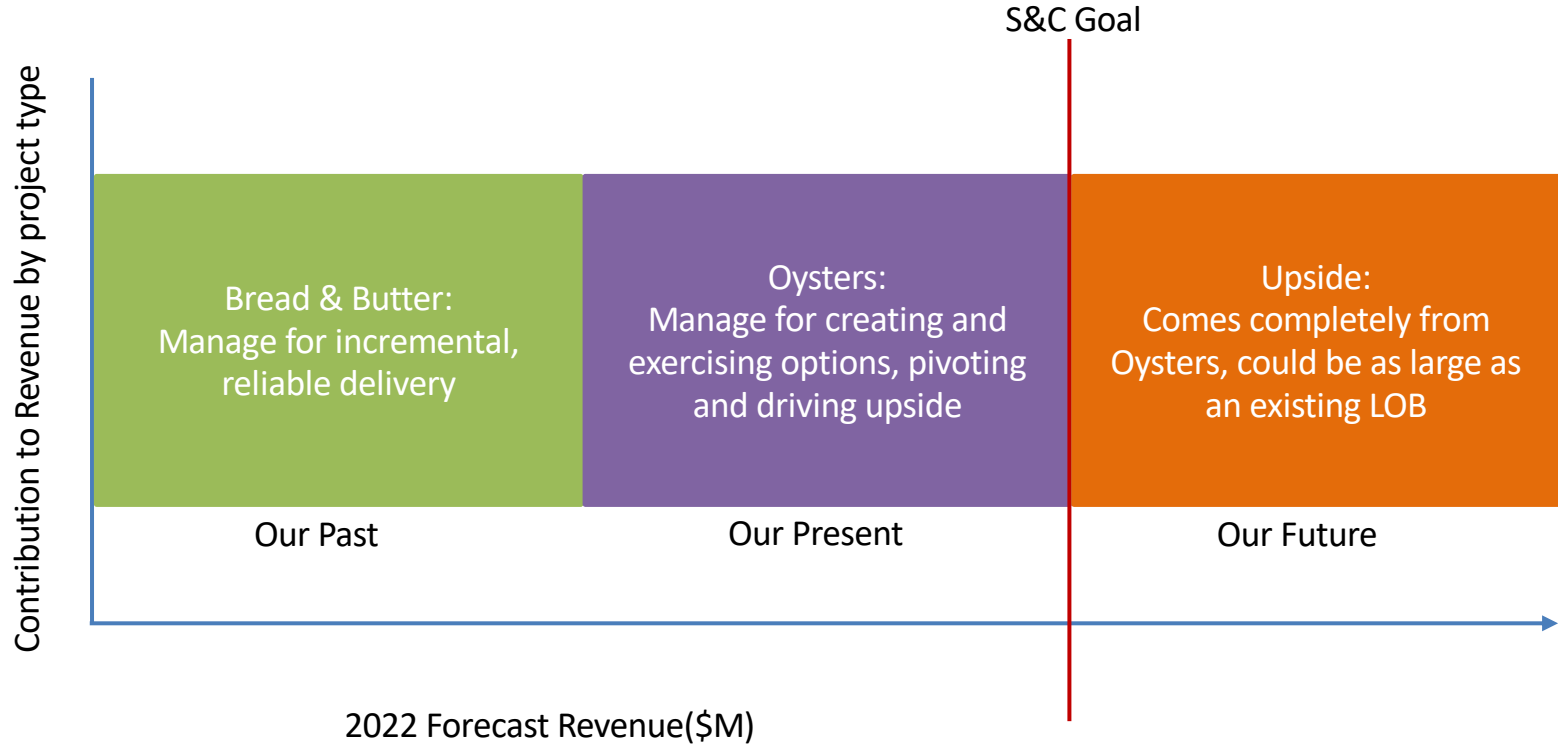
How to deal with Pearls?

- Make time top priority
- Target the best markets
- Strategize full range of commercial applications and future generations

How to deal with Oysters?

- Will mostly fail
- All about learning & pivoting
- All LOBs have some
- LOBs should be optimized for delivery

Innovation – managing an Oyster Farm – necessary and supported at the highest levels.



Embrace Uncertainty



Three surprising lessons

Surprise	Solution	Reframing
Operational excellence can kill	Mitigate unintended consequences	Aligned decision forum
Reliable promises create mediocrity	The hidden portfolio process	Value seeking
Safe projects \neq safe portfolio	Oyster farming	Embrace uncertainty



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Three surprising lessons in portfolio management

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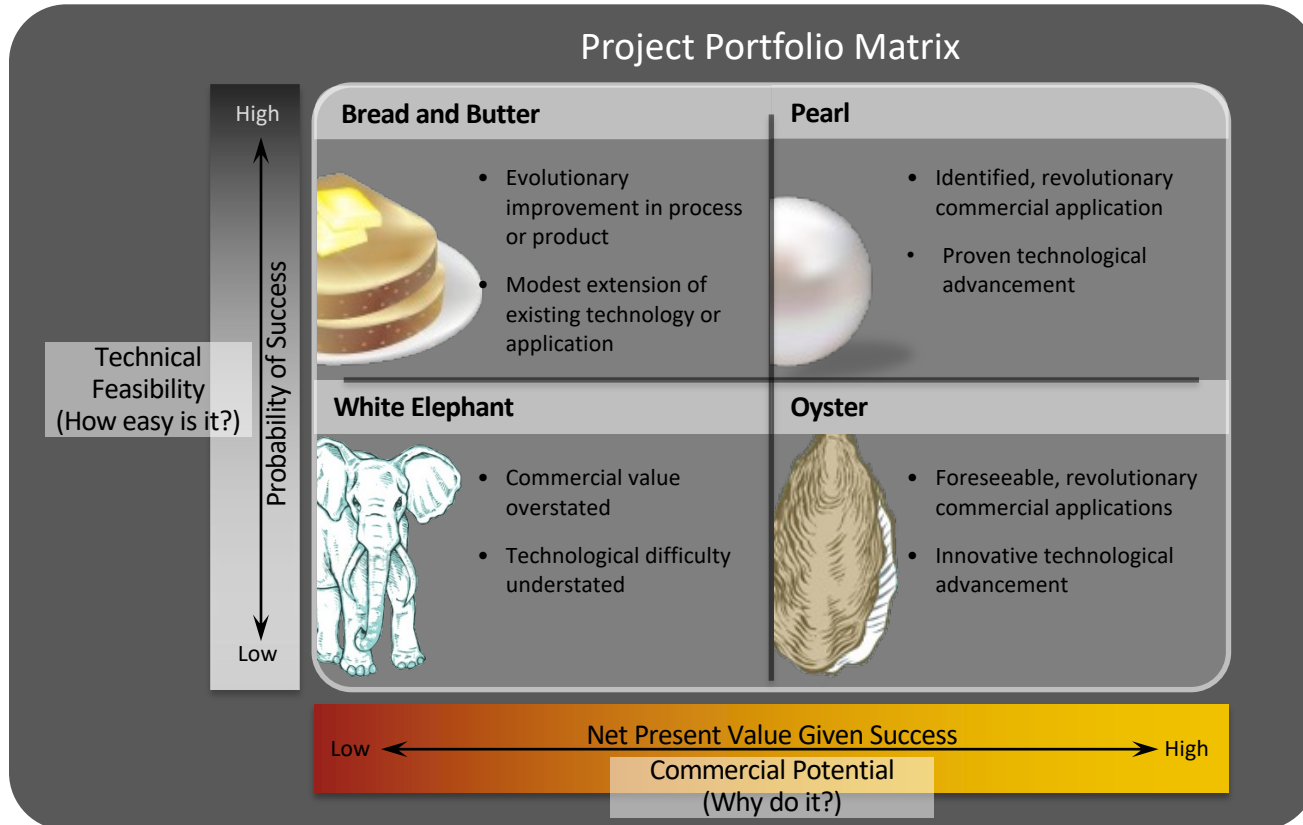


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Appendix



Balance Risk and Return by Estimating Technical Feasibility and Commercial Potential



Projects within each quadrant must be treated differently – and staffed differently.

