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VALUEPOINT™

How Do You Hold People Accountable for Portfolio/ Project Decisions When Things are Uncertain?

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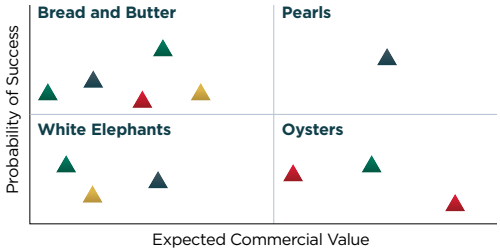
In the December 2011 issue of ValuePoint, Don Creswell discussed the "R&D Grid" which was introduced in detail in "The Smart Organization" book by David and Jim Matheson. The grid has been renamed the "innovation screen" in Portfolio Navigator® but the function remains the same: displaying projects within a portfolio based on risk vs. reward.



In this issue, I will elaborate on use of the innovation screen as experienced during my work with SmartOrg clients over the past decade, focusing on managerial accountability as part of the portfolio management process.

People working in NPD (New Product Development) or in R&D (Research and Development) have a management problem. How do you hold people accountable for results when there is an immense amount of uncertainty about whether the project (asset) will ever work and, even if it does work, will produce commercial results which, from this vantage point in time, are highly uncertain?

Accountability for managing these projects is certainly important – the near-term and long-term health of the company may well depend on them. However, accountability takes different forms, depending on the type of project.

Take the Innovation display, which divides NPD/R&D projects into four types: Bread and Butter, Oysters, Pearls, and White Elephants. Management accountability differs dramatically among these segments.

- **Bread and Butter:** These are projects which have a high probability of succeeding, but a relatively low value if successful – often product improvement or cost reduction type of applications. Essential to the near-term well-being of the company. Accountability for management of these projects can usually follow a common pattern: does the project come in on time, within budget, and meet its stated goals?
- **Oysters:** These are hard projects with a low probability of succeeding, but a high value if successful – often products or processes that will create new offerings to the company or revolutionize existing offerings. Essential to the long-term well-being of the company. Traditional accountability for management of these projects would lead to reduction in scope (value) of the project which would increase the probability that the project will come in on time, within budget, and meet its stated (reduced) goals, effectively becoming a Bread and Butter project.

Once to every man and nation, comes the moment to decide,

In the strife of truth with falsehood, for the good or evil side;

Some great cause, some great decision, offering each the bloom or blight,

And the choice goes by forever, 'twixt that darkness and that light.

James Lowell, 1845

If this is not possible, managers will flee from this type of project. A more effective type of accountability would encourage the manager to:

- Find out as early and inexpensively as possible if the project is going to fail.
- Choose among alternatives that increase/decrease the scope/value of the project and its probability of success.
- Steer the project to meet (or enhance) the long-term strategic goals of the company.

- **Pearls:** These are easy projects with large value – often Oysters that have come close to succeeding and may provide long-term benefits for the company. Bread and Butter type accountability works here, but care must be taken not to burden the project with unreasonable demands or expectations.
- **White Elephants:** These are projects that are unlikely to succeed, and would not be worth much if they do succeed; low value expenditure of valuable resources, though sometimes mandated. Much like Oysters, accountability should emphasize "fail early if you are going to fail" and/or "try to improve the scope/value of the project".

Given a good approach to accountability, management of projects should become easier and a more attractive career option. However, people have to pay attention to the psychological effects of managing projects that fail. One employee of a major company comes to mind. Over a course of many years and many projects, he had never been on a project that succeeded! Rewarding and recognizing someone who has been on a project that fails may seem strange, but without this reinforcement, people will be reluctant to be part of "Oyster" projects which are the seedbed of products that may represent the future of the company.

Upcoming Events

Assessing the State of Innovation: How Does Your Company Rate?

Join us on January 24 when we will present *Assessing the State of Innovation*, a one-hour webinar based on David Matheson's PDMA VISION article of the same name.

1-2 PM EST | 24 January 2012 | More Information

Q1 Life Sciences CEO Forum

Meet us at the Life Sciences CEO Forum in Jacksonville, Florida. SmartOrg will lead a workshop on Portfolio Optimization.

2-4 February 2012 | Jacksonville, FL | More Information

Taking PPM to the Next Level: An Introduction to Advanced PPM

Jim Brown, president of Tech-Clarity, Ian Strain, Senior Director PLM, SAP, and Don Creswell, co-founder of SmartOrg, will show how advances in software enable better analysis of economic value, risk and uncertainty to drive higher value from projects and portfolios.

TIME TBD | 16 February 2012 | More Information

Play to Win with Your Product Portfolio Replay

Learn How to Confidently Assess the Value of Your Product Portfolio and Improve the Odds of Success

Learn how leading companies improve their odds of winning with smart product portfolio decision making. View this Webcast to hear David Matheson of SmartOrg and Carrie Nauyalis of Planview discuss the pathways to better portfolio outcomes and share real-life examples of how best-in-class companies use proven strategies to make critical decisions.

On-Demand Webinar | More Information

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