



Case Study

Focus on Value Improves Returns by 100%

A major technology-based packaging company led its industry for years. The company pioneered “wine in a box,” replaced heavy steel containers used to ship soda fountain syrups with light-weight “bag in box” technology, and introduced many other innovations. But, times were changing.

Challenges

Although the company enjoyed a competitive advantage for many years, increasing global competition had eroded its advantage. Margins were rapidly decreasing and R&D had not come up with winning solutions. As a result the R&D and NPD portfolio was choked with proposals, many of which were directed at cost reduction or incremental improvement. There was a lot of churn and debate as more than 70 projects competed for resources, starving innovation. The CEO realized the need to reduce the number of projects in their portfolio. But how?

Top management tried many ways to solve the problem. Many of these approaches, though well-meaning, only reinforced the problem. Hard-nosed business cases overemphasized incremental improvement projects because they were easy to justify. Checklists and controls were onerous and restricted investment in early-stage, truly innovative projects. Project management solutions shifted attention from delivering results to planning, further distracting people. Finally, scoring rules and weighted scale approaches increased debate and politics without adding insight or resolving difficult issues.

Solution

Management realized they needed to focus attention on developing clearer and more credible answers to two basic questions: Which projects should we invest in? And how much should we allocate to each? Teams developed Portfolio Navigator templates to evaluate and prioritize the technical and commercial

With Portfolio Navigator we have regained control of our future. We're using innovation in a focused way to improve potential returns and increase our competitive advantage.

VP Business Development

The combination of process and software helped us bring management, technical specialists and project teams together. This helped us build support and understanding. Without the ability to integrate everyone into the process, we could never have reached management consensus.

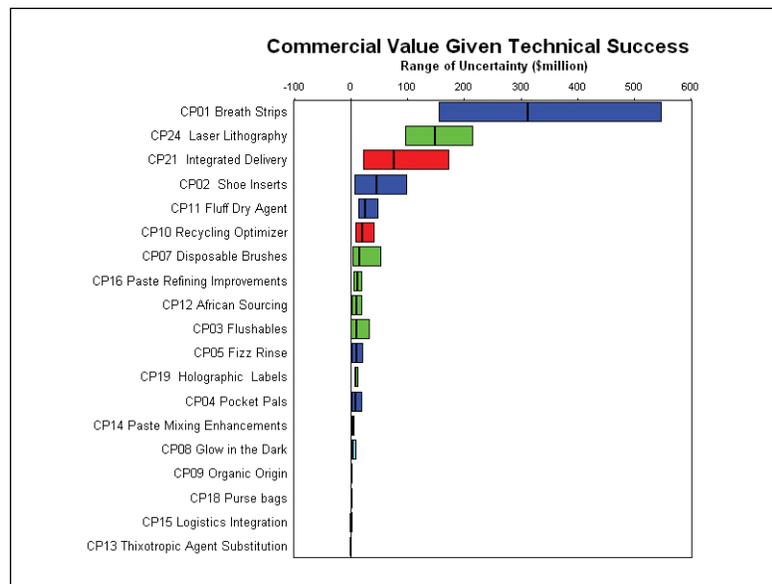
Senior Executive

factors that would influence each project's value. The browser-based system brought stakeholders into the evaluation and decision process, enabling them to develop understanding, share information, and jointly agree on the primary drivers of value.

For the first time in several years, management and project teams were able to form a consensus about the makeup of their portfolio. The company reduced the number of projects by 80 per cent and increased the portfolio return by over 100 per cent. In many cases, project teams spontaneously withdrew their projects once they understood that the value was low and that

there were better opportunities. The process helped the company:

- Shift the mix from incremental improvement and cost reduction projects to focus on innovative, high value projects.
- Refocus project teams' attention on activities that create business value rather than on technologies or pet projects.
- Develop a pipeline dedicated to producing "a relentless stream of winning products."
- Increase creative-thinking within development teams.



Many project leaders voluntarily cancelled their projects when they realized resources could be applied to projects with higher potential value.

About SmartOrg

SmartOrg's value-based management (VBM) approach helps organizations drive profitable growth by focusing their attention and resources on high-value opportunities. We help companies evaluate and assess current and future projects and answer the fundamental question: "should we do it?" SmartOrg's software tools, training, and coaching help organizations bridge the gap between business and technology by managing risk and uncertainty, selecting the best projects in their portfolios, setting project strategy and accelerating deployment. SmartOrg headquarters are in Menlo Park, California with regional offices in the eastern and western United States, the United Kingdom, and Asia.

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