

The source for value-based management

VALUEPOINT™

Three Pivots and What I Learned from Them

Somik Raha, Product Development, SmartOrg

When the course of action you are on is no longer taking you where you want to go, it's time to pivot to a new course. In a [presentation](#) to the Back End of Innovation conference last November, I shared how I pivoted at three key points in my career, and the lessons you can learn from my experience to help you pivot toward successful innovation.

Early in my career, as a software development coach, the head of development at a client company asked me an interesting question: "Somik, your Agile methodology has been very successful in bringing projects to completion on time, on budget, with zero defects. But we have far more projects than we can afford to do. Can Agile help us pick the right ones to fund?" I had to say "no"—but that got me thinking, and eventually prompted me to return to school and earn a doctorate in Decision Analysis, the only field of study that concretely answers this question. Along the way, I realized [you can't measure the value of innovation, but you can use metrics to pivot productively](#). For example, counting how many times a day you brush your teeth doesn't measure dental health, but it does ensure that you do things to promote dental health.

In 2011, I joined a non-profit to apply my work in using values in decisions. I built them a massive mathematical model to assess the value of preserving the Amazon rainforest. However, the model was so complex that no one but me could

use it! Later, when I joined SmartOrg, I got a second chance at the problem on a project for another conservation group, helping them choose the best projects to pursue. Here, I pivoted to a simpler model, but it still contained a complex multi-attribute value metric that had no natural interpretation. The regional division we worked with was able to use the output of the model, but the value metric hindered their use of the model. Fortunately, we got the opportunity to work for another regional division, and this time, I completed my first pivot to very simple value metrics that captured critical impact tradeoffs for each project through a natural interpretation. To my delight, the conservation group understood the output of the model and used it to drive the conversation on who they wanted to be. [I learned that the purpose of quantitative analysis is to take complexity off the table, so that you can focus on who you want to be.](#)

The [Tornado diagram](#) helps product teams reduce complexity and pivot effectively.

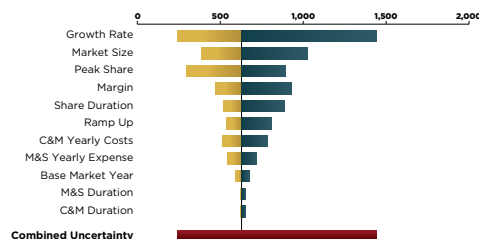


Fig. 1 The Tornado Diagram allows you to focus within a project on the factors with the greatest impact on your value metric.

My first pivot taught me to use quantitative analysis to take complexity off the table, so you can focus on who you want to be.

My second pivot taught me that—contrary to popular belief—executives do “get” innovation. They need a transparent way to understand the tradeoffs so they can support pivoting decisions.

My third pivot taught me that finance will support innovation if the strategy accounts for financial reality and the maturity of the innovation.

My second pivot centered on the development of SmartOrg’s core portfolio management platform. We had more features that we wanted to add to the product than we had the capacity to develop. This led to a lot of contention and head-butting with my executives over getting all of the features done in a short time frame, without sufficient thought to how to prioritize and sequence them. My breakthrough came when I realized that this was not a resourcing problem, but a communication problem with our executives who needed transparency on value-cost tradeoffs. I developed a framework to describe each feature in terms of its value to current and future customers, its cost and its development timeframe. After I had done the work to make value-cost tradeoffs evident, I learned that our executives did “get” innovation. They just needed a transparent way to understand the tradeoffs so they could support pivoting decisions.

Generally, the CFO Chart helps organizations make their value-cost tradeoffs transparent.

This didn’t mean all contention disappeared. Our first version of our product’s web interface was slow and antiquated, barely adequate to the customers’ needs. My development team demonstrated a replacement user interface that was faster, responsive and more functional, but before we could complete it, we came up on a deadline to deploy the old interface in order to meet payment milestones. This was a classic finance vs. innovation conflict, and it led to an insight that we needed the innovation (the new platform) to be more mature so we could satisfy the needs of finance. My third pivot was to align innovation with financial reality by decoupling the

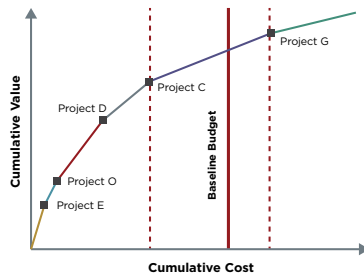


Fig. 2 The CFO Chart lets you prioritize projects by value-to-cost ratios, and immediately shows the impact of tradeoffs between budget and value.

user interface from the back-end via an API. When offered this non-disruptive alternative, finance gave us the green light to develop the new interface in parallel while keeping the old interface functional. I learned that finance will support Innovation if the strategy accounts for financial reality and the maturity of the innovation.

Generally, the Innovation Screen is a great tool that helps organizations map their projects/products based on maturity so they can be appropriately aligned with finance.

You can see my entire talk on our website.

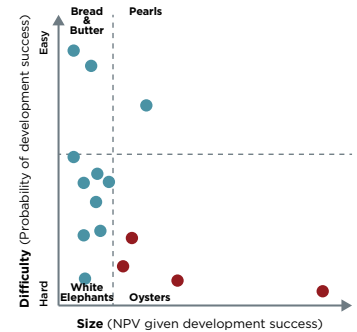


Fig. 3 The Innovation Screen shows how projects compare by value and maturity, and lets innovation and finance align to the same goals and priorities.

Meet Us at Upcoming Events

Webinar: De-Risking Enterprise Next Growth

Shawn Williams is the VP of R&D for Rogers Corporation, an engineered materials company. In this free webinar, Shawn tells how he implemented new discipline for product development and portfolio management within Rogers. As a result, the company reinvigorated its creativity and created a next-stage opportunity pipeline.

After his prepared presentation, Shawn will be available to answer audience questions.

8 AM PST | 15 June 2017 | Webinar | [More information](#)

Connect With Us



855 Oak Grove Avenue, Suite 202
Menlo Park, CA 94025

T: +1.650.470.0120 | F: +1.650.328.1612
info@smartorg.com | www.smartorg.com

SmartOrg’s portfolio evaluation platform builds your capability to align innovation and finance to agree on where and how much to invest to drive breakthrough growth. Our web platform administers and conducts the evaluation of uncertain opportunities, aggregates and compares them, and optimizes the portfolio.

© 2000-2017 SmartOrg, Inc. All rights reserved. SmartOrg, Portfolio Navigator and Organizational IQ are registered trademarks of SmartOrg in the USA and other countries. Other company and product names mentioned in this publication may be trademarks or registered trademarks of their respective companies. 2017-06-07