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Project Selection: Your Innovation Portfolio's Vending Machine

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If your business's survival and growth depend on innovation, that means they also depend on your ability to choose the best projects from the many new technology and new product development projects in your innovation and R&D portfolio.

If you didn't have budget constraints, you'd choose all of the projects in your innovation portfolio. Unfortunately, your company probably can't afford to do that, and that puts you under pressure to select a set of projects that you believe will give you the best balance of risk and return. But how do you choose the best projects out of all the projects in your portfolio?

And what constitutes "best" anyhow?

Given that your innovation portfolio is intended to drive your company's growth through investment in new technologies and new product development, the best projects are the ones that will deliver the most growth in return for your investment. That seems simple enough—until you consider what drives each project's chances of success and potential for growth.

If you can't see into your projects' internal success factors, you can't see which ones are likeliest to produce the growth you need. Your portfolio is like a gumball machine that dispenses random flavors. You crank out each project and hope it will be a flavor you really like, but you won't know until you've invested your quarter. You're operating on the hope that by the time you run out of quarters in this year's innovation budget, you'll end up with enough growth to sustain your business until next year.

Now suppose you have insight into the internals of each project and can assess them by their chance of success and potential for growth. That's a huge step toward optimizing the success of your portfolio. But if you can't fairly compare your innovation projects against each other, they end up piled into a heap like a claw crane game, and your project managers fight over how many quarters each gets to try to pick out their projects. When the quarters run out, you may end up with a strange assortment of projects, selected not because of their ability to drive the growth you need but by other factors like internal politics or arbitrary notions of "fairness" in budget allocation.

If you have the right tools to calibrate your project assessments so that you can compare your projects consistently and fairly against each other, that's like putting your innovation portfolio into a modern vending machine. Each project is visible to you with its price and potential value clearly marked, and you can make an optimal set of choices about which ones to buy with your budget. Your selections will be driven by the value of each

> *"You pays your money, and you takes your choice."*
>
> — Mark Twain

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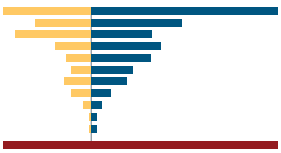
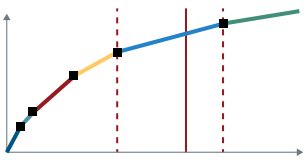
project to your company and a mix of projects that balances risks of success with total upside potential.

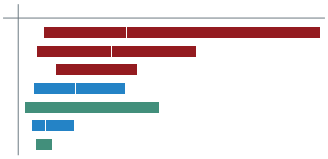
This is what SmartOrg does. We give you the tools to manage your innovation portfolio like a modern vending machine and build your capabilities to operate that machine to get the best results for your business.

Tools like the Tornado Diagram give you visibility into the internal success factors of each of your projects, along with the range of upside potential each factor can contribute. Tools like the Innovation Screen let you compare the relative value of all of the projects in your portfolio in a structured, transparent way.



And tools like the CFO Chart and Commercial Value Range Chart let you see how individual projects stack up against each other with respect to potential upside and rate of return. That lets you choose a set of projects that maximizes the return on your available budget, and it gives you the information you need to reassess your budget in light of your growth goals.





The more you know about your innovation portfolio and the projects in it, the less you leave your success to chance. With the right tools and the framework to use them properly, you can use your innovation budget to its best advantage.

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