

VIEWPOINT

You May Need a Stranger on Your Portfolio Review Committee

BY ADAM ELBOIM

Formal innovation portfolio review processes often fail because of the human, subjective aspect of the process. In response, many leading companies are bringing in knowledgeable outsiders to help guide their innovation portfolio investment decisions. This is a sensitive area so there are a handful of leading practices that should be considered when including an outsider in the review process.

Over the past decade, many product-driven companies have established a formal innovation portfolio review process to manage their product pipeline. A formal process provides many benefits, including improving return on investment, increasing pipeline throughput, and aligning investments with strategic goals. Yet despite the obvious benefits, executives still complain that results are not always what they expect.

Although most executives blame the process, further analysis presents another explanation. Informal surveys from innovation experts find that “human factors/internal politics” are the most common cause for portfolio management failure. While companies have rightfully invested in improving their portfolio review processes, there are several common examples of negative dynamics that undermine the portfolio committee’s integrity and threaten investments in the process:

1. Executives with override authority (overt or implied) dominate the portfolio review process and support pet projects without regard for key success metrics.
2. Portfolio committees are made up of members with a short-term focus who neglect investments in technology and platforms that can enable future product development.
3. Portfolio committee members are static and are never evaluated for their contribution to the discussion but rather accepted based solely on seniority.
4. A “go along to get along” attitude pervades the team and no one wants to risk alienating another committee member.
5. Often the easiest decision is no decision at all and the committee ignores an overloaded pipeline.

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Tackling the failures of a portfolio committee can be the most challenging step in optimizing a portfolio review process because it requires executives to acknowledge that they need help in combating their own bias during review sessions. To overcome this, leading companies include a knowledgeable, objective outsider in the decision-making process. The model is already used extensively on corporate boards and legal preparation teams as a way to gain independent input and de-politicize interactions.

In order for knowledgeable outsiders to be assets in the portfolio decision-making process, they should have:

- An equal seat at the table so as not to be overridden by internal factions.
- Expertise with leading portfolio and decision-making practices, including how other firms conduct business. This could be an executive from a tangential but not competing firm or a trusted advisor.
- Broad knowledge of the drivers of innovation in order to consider product as well as technology and platform investments.
- Confidence and boldness to challenge long-held assumptions or practices in the company.
- Little or no personal ties to the portfolio committee members in order to maintain objectivity (no friends or family).
- Trust from the portfolio committee to maintain the integrity of the process.
- Accountability for their independent decision. This includes the ability to be replaced if they are not performing their duties and may also include some compensation to align interests.

Adding a knowledgeable outsider to the portfolio review process is not a substitute for making some of the necessary changes to the operating procedures and makeup of the portfolio review committee, but adding a stranger to the mix to challenge the assumptions and “business as usual” mentality can turn an average-performing portfolio review committee into a dynamic and successful team.



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