

IPM CHALLENGE

INNOVATION PORTFOLIO MANAGEMENT BY VISUAL THINKING

Innovation in Action - 2017

This briefing paper includes key take-aways from the Innovation Pioneers 2017 workshop hosted by Google in Stockholm. Jan Sandqvist and My Ekstrand led the workshop on the application of Visual Thinking on Product Portfolio Management.

“IT IS EASIER TO HAVE A DISCUSSION ON SOMETHING THAT YOU CAN SEE IN FRONT OF YOU”

“IF THESE TOOLS ARE USED CONTINUOUSLY THROUGHOUT THE YEAR THEY ARE INCREDIBLY POWERFUL”

PURPOSE

The purpose of the workshop was to explore the strengths of Visual Thinking as a communication and collaboration aid in Product Portfolio Management. Throughout a 2,5-hour workshop, the participants teamed up in smaller groups. They took on the role as the management team of company facing increased growth demands, in a market of fierce competition. Their challenge: To create the optimum future product portfolio, that will reach the ambitious strategic goals that are given, on a limited budget.

METHOD

Before Innovation in Action kicked off, the participants were provided with a case to study as preparation for the iPM Challenge. The case included not only a description of the company and its challenges, but also a representation of the visual tools that will aid the team. The team was provided with cards representing the existing products and potential product development projects. The team was also provided with four Canvases. When the cards were placed on these canvases they enable visualization and analysis of the portfolio from different strategic perspective.

4 TAKEAWAYS

- Visualizing your portfolio helps you get a helicopter view
- It is important to keep an eye on all the external factors that affect your decisions and strategies
- Working with iPM made you realize the complexity of managing portfolios and balancing resources.
- The power of visualization as a tool



THE iPM CHALLENGE

The teams attached their canvases to the wall, started analysing the cards in front of them, and assigned roles to the team members. The team was to consist of an R&D Director, a Marketing Director, a Human Resource Director, a Sales Director and a Supply Chain Director, all providing different perspectives on the task ahead.



Step 1 – Product Portfolio Canvas

The first step in the challenge was to use the Product Portfolio Canvas to visualize the existing portfolio. The cards were sorted by product category and placed in the fields where they belonged. Next to each field, a small dashboard of diagrams was provided, summarizing the information from the case on each category's strategic direction, current market situation and economic performance. This provided an overview of the current situation, and the team could begin making well informed decisions on which products that should be removed from the portfolio to make room for new ones. For every investment in a new product, an existing product would have to be removed.

Step 2 – Risk Reward Matrix Canvas

It was time for the group to start evaluating potential investments in new product development projects. The Risk Reward Matrix represents Risk Level (scale: 1-4) on the y-axis and Net Present Value (NPV) on the x-axis. This visualization helped the team to analyse and evaluate projects. The project cards placed in the fourth quadrant for example – with low risks and high NPV - are the most valuable projects in the trade-off between risk and reward. The team was instructed to obtain an average Risk Level of 2 in their final project portfolio.

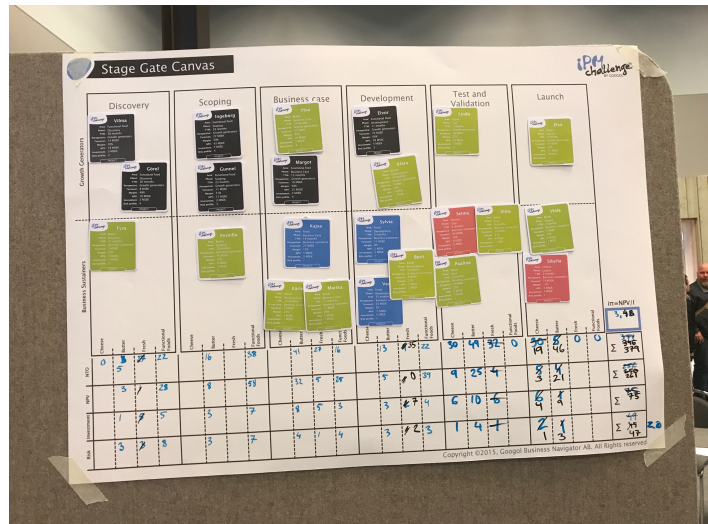
Step 3 – Googol Matrix

According to corporate strategy, there should be a resource allocation of 70%/30% between incremental and disruptive projects. This will result in a good balance between business sustaining and growth generating products in the portfolio. Also, the CEO has provided a strategic direction on resource allocation between short term and long term projects. The Googol Matrix helped the team allocate resources to fit

the corporate strategy. For example, the team could quickly get an overview of which project cards that are long term business sustainers, and which are short term growth generators.

Step 4 – Stage Gate Model

The team begun sorting out the project investments that would align with all different strategic perspectives, all within their budget. The next step was to place these cards on the company's Stage Gate Model. The team realised that it is important to have an even distribution of projects in the pipeline. After all, no part of the organization should be over capacitated or under capacitated. When the team had reached a good distribution, they started to summarize values on the project cards. First, the team made sure that the average Risk Level was right. Then, the team



calculated its Innovation performance, defined as $i\pi = \text{total NPV} / \text{total Investment}$. This is a KPI that express the effectiveness of the innovation process as a return on investment in innovation. Any $i\pi$ value over 3,14 was said to be acceptable in this challenge, but the value could be increased by optimization of the portfolio.

Step 5 – Optimization by iteration

At this stage, the competitive spirit in the room became evident. With 30 minutes or so left of the Challenge, team members discreetly sneaked around the room to get a peek of other teams $i\pi$ -values. The teams started to iterate their optimization work by replacing projects and recalculating their values, trying to increase their Innovation performance while still aligning with all strategic goals and limitations, and keeping the budget.

LEARNINGS AND RESULTS

Managing and optimizing the product portfolio is a complex task. Information need to be obtained from many parts of the organization, and communicated to people of different expertise and perspectives on the product portfolio. With the high number of variables to consider (such as risk, investment, NPV, resource allocation and organizational capabilities), and the need to make informed decisions, communication is key. The Canvases and cards used in this workshop provide insights on the benefits of visual thinking as a tool for communication and decision making in product portfolio management.

Operating risk management in relation to the portfolio value is not an easy task, and it is easy to forget external factors that affect your decisions. The participants agreed on the power of visualisation as a tool in order to get a better understanding of your portfolio and in order to understand how the daily work could be executed to better fulfil a strategy.