Driving Strategic Innovation – Finding the Right Balance of Science and Art

Eric M. Foss, PMP, PfMP
Session Objectives

- Expand your perspective – looking at strategic innovation as an integrated organizational capability.
- Identify ideation pitfalls and techniques to effectively managing all of the ideas.
- Connect front-end and back-end innovation.
- Explore fundamentals required to drive innovation portfolio management momentum across the organization.
Introduction

Eric Foss, PMP, PfMP

Executive-level consultant, leader, and coach:

- **Leadership** – Extensive business operations leadership experience and organizational expertise.

- **Focus on integration** – portfolio, program, and project delivery methods with organizational change strategies and collaboration.

- **Collaboration** – Engages executives, managers, and teams to drive the collaboration necessary to achieve strategic business goals.

Global management consultancy focused on Business Transformation and Strategy Achievement.
Agenda

- Context
- Ideation
- Connect front-end and back-end innovation.
- Looking at strategic innovation as an integrated organizational capability.
- Explore fundamentals required to drive innovation and portfolio management momentum across the organization.
Context

Looking at innovation delivery in context of an end-to-end lifecycle.
Delivering Innovation

- Generating Ideas.
- Delivery of benefits to the organization.
- Connecting idea generation to delivery.
What is the problem or opportunity being addressed by the idea? Is it aligned to corporate strategy?

“If I had an hour to save the world, I would spend the first 50 minutes understanding the problem.”

- Albert Einstein
Delivering Innovation

Idea screening – which ideas best address business challenges and drive strategy achievement.

Creativity is only one part of successful innovation.

There are a lot of "idea people" but a scarcity of "innovators".

- Peter Drucker
Delivering Innovation

Prioritization and selection – finding the optimal mix of projects and achievable portfolio roadmap to achieve organizational strategies.

*Organizations need people who can take good idea and convert it into reality.*

- Peter Drucker
Delivering Innovation

Active management of the portfolio – driving delivery and realization of targeted benefits.

A good idea must be put into action. This requires hard work, processes, procedures and a structure to make it all happen.

- Peter Drucker

Centralizing decision-making and control over how innovation resources are managed...the stronger and more breakthroughs, the more likely it is that those decisions are centralized.

- Kimberly Wagner
Delivering Innovation

Strategy flows down from the top

Innovation & Portfolio Management Lifecycle

Strategic Business Drivers

Ideation
Pipeline Management
Portfolio Optimization
Portfolio Delivery Management

Defining
Aligning
Authorizing & Controlling

Innovation begins as a bottom-up effort

Innovation delivery continues through realization of business benefits

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Adapted from PMI’s Standard for Portfolio Management
Ideation

Idea generation and elaboration. Ideation pitfalls. Techniques to effectively managing all of the ideas.
Ideation

Strategic Business Drivers

Innovation & Portfolio Management Lifecycle


Submit to the Portfolio Pipeline for consideration by the Portfolio Governance Council
The Art of Ideation
Idea Generation

- Organizations have plenty of ideas – generating ideas is typically not the struggle.
- Must shift focus:
  - What is the Problem or Opportunity?
  - What are we trying to accomplish? Why?
  - How does it support our strategy?
- Ideas can come from across the organization, offering a wide-variety of perspectives.
- The “culture” plays a significant role in the ideation process.

“If I had an hour to save the world, I would spend the first 50 minutes understanding the problem.”

- Albert Einstein
Initial Evaluation – Applying the Science

- Initial evaluation takes the broad-based ideas through a structured review within the business unit.
- A more quantitative framework is applied to support consistent assessment of each idea.

Ideas that pass this step will be taken to the next level of detail.

<table>
<thead>
<tr>
<th>Science</th>
<th>Strategy</th>
<th>Achievability</th>
<th>Risk</th>
<th>Value to the Business</th>
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- Participation
- Ideas
- Solutions
- Collaboration
- Opportunities
- Energy
- Excitement
- Contribution
- Creativity
- Problems
Idea Elaboration

Further define the Idea into a summary-level Business Case:

- Expand description of the problem or opportunity.
- Provide more tangible definition of the business benefits.
- Further explore the business risk of not proceeding.
- Is this achievable (i.e., execution risk)?

Refine the idea to support the next level of review.

Additional detail developed later in the process.
Idea Selection (Business Unit)

- Business Case Summary provides more detail for a review within the business unit.
- Consistent, qualitative assessment conducted to identify the ideas worthy of additional effort.

*Ideas that pass this step will proceed to Business Case Development*
Business Case Development

- The Business Case summary is fleshed out into a full Business Case.
- Proposals represent the projects required by the Business Unit to achieve strategies.
- The Executive Sponsor approves the Business Case.
- Clear ownership reinforces accountability for delivery of targeted benefits.

- Opportunity or Challenge
- Targeted Business Benefits
- Organizational Impact
- Risk Assessment
- Cost Estimates
- Resource Estimates
- Strategic Impact
- Interdependencies
- Constraints
Submit Proposal into Portfolio Pipeline

- The Business Case is submitted into the portfolio pipeline.
- The Portfolio Delivery Office validates Business Case completion.
- Refinements are made as necessary to ensure completeness.
- The proposal is accepted into the pipeline for review and consideration by the Portfolio Governance Council.
Connecting Ideation to Delivery

Bridging the gap between the front-end innovation and the back end of innovation.
“...the most successful companies tend to centralize the decision-making of their innovation efforts...the stronger and more breakthroughs, the more likely it is that those decisions are centralized.

- Kimberly Wagner, Boston Consulting Group
Survey: the Most Innovative Companies of 2014
A company’s culture must foster innovation. Consider the following six fundamentals when building an innovation corporate culture:

- **Values** – What do the leaders do? What do they invest in?
- **Behaviors** – Leaders are energizing and visionary. Employees are resourceful in their efforts in support of innovation.
- **Climate** – Learning-focused with an emphasis on engagement and enthusiasm.
- **Resources** – Innovation champions impact values and climates. Resources also include systems and projects.
- **Processes** – The development path of innovative ideas.
- **Success** – Looking at success from three levels: external, enterprise, and personal. Success reinforces other fundamentals.

*Source: How Innovative Is Your Company’s Culture? MIT Sloan Management Review*
Innovation Types

Identify the types of innovation and balance to fit the organization’s culture, position in its organization lifecycle, and strategy:

- **Incremental Innovation**
  *Sustaining innovation, lower risk building on existing organizational competencies. Success is more common in established, structured organizations.*

- **Radical Innovation**
  *Breakthrough, ground-breaking, game-changing – higher risk than incremental innovation, potential extending organizational competencies. Requires an environment more open to receiving, assessing, and trying new ideas.*

- **Disruptive Innovation**
  *Product or service that eventually displaces established competitors.*

<table>
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<tr>
<th>Disruptor</th>
<th>Disrupted</th>
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<tbody>
<tr>
<td>Personal Computer</td>
<td>Mainframe and mini computers</td>
</tr>
<tr>
<td>Cellular phones</td>
<td>Fixed line telephony</td>
</tr>
<tr>
<td>Discount retailers</td>
<td>Full-service department stores</td>
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*Clayton Christenson*
Project Classification and Business Case

Helps shift the decision-making process away from *first-in-first out* portfolio selection:

- Specific criteria for each category enables effective gatekeeping – creates the ability for “apples-to-apples” comparison.
- Provides the foundation for managing a transparent mix of projects in the strategic portfolio.

**Transparent & Objective Business Case Data**

Quantifiable data keeps the decision-making process objective – targeted outcomes/benefits, strategic impact, risk assessment, resource demand, budget estimates, etc.
Classifying proposed projects as they are submitted into the portfolio pipeline enables the organization to address critical needs while optimizing discretionary investment.

- **Respond to Mandates** *(Regulatory, Compliance etc.)*
- **Establish New Capabilities** *(Core Business, New Business, etc.)*
- **Sustain the business**

**Must-Do**

Selected based on Strategic Value and Financial Value

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Selecting the Right Portfolio Mix

- Effective project classification allows leaders to define and manage the mix of investments.
- The mix of discretionary projects and *must-do* projects can be balanced to optimize strategic value while managing business risk.

- Respond to Mandates
- Sustain the Business

- Breakthrough/Transformational
- Expand/Build New Business
- New Capabilities (Core Business)

**Effective project classification allows leaders to define and manage the mix of investments.**

**The mix of discretionary projects and *must-do* projects can be balanced to optimize strategic value while managing business risk.**
Delivering Innovation

70-20-10 Mix*

- **10%** - Groundbreaking or transformational.
- **20%** - New capabilities outside of the core business.
- **70%** - Focused on running, enhancing, and growing the core business, delivering new capabilities.

* Adapted from “The 70% Solution”
  Eric Schmidt, Google CEO
Evolving Integrated Capabilities

Establishing the fundamentals necessary to drive innovation and portfolio management momentum across the organization.
Create the “Big Picture”

Collaboratively create and socialize an integrated “Big Picture”:

- What are the capabilities that need to be in place to succeed?
- Where are we now?
- Gaps?
- What’s required to build the targeted capabilities?
  - **Strategy**
  - **Organization**
  - **People**
  - **Process**
  - **Technology**
  - **Culture**
  - **Leadership**
  - **Governance**
Create the “Big Picture”

- Top down leadership commitment.
- Collaborative participation of business leaders.
- Optimally positioned, designed, and capable portfolio delivery-focused organization.
- Integrated methodologies, processes, and outcomes.
Leadership & Collaboration

- **The Right People** – Participants in each group selected based on their expertise and position in the organization.

- **Responsibility, Accountability, Focus** – Each group must have the authority to fulfil the organization's objectives. Each session requires clarity of purpose and targeted outcomes.
Provide a Vision and Roadmap

Define and communicate consistent messaging:
- Where are we going?
- Why?
- What do we intend to achieve?
- How are we going to get there?
- What is my role in this journey?
Drive Capability Evolution

- Lead the transformation...address critical gaps.
- Target capabilities...involve stakeholders.
- Deliver incremental value, build momentum.
- Maintain focus on the long-term outcomes.
Avoid Common Pitfalls

- Lack of senior executive involvement, sponsorship, and commitment.
- Not starting with an accurate understanding of where you are.
- Missing key components required for effective communication and stakeholder involvement:
  - Vision
  - Integrated “big picture”
  - Transformation Roadmap
  - Benefits, targeted outcomes (short-term, long-term)
  - Stakeholders actively involved in creating the future.
- Tactical solutions executed in a stovepipe.
- Stakeholder churn – asking too much, not bundling change.
- Other?

*Not intended to be a comprehensive list*
Building and Sustaining Momentum

A refresher and reinforcement of organizational change management best practices to drive and sustain Innovation and Portfolio Management momentum across the organization.
Stakeholder Engagement

Stakeholder engagement strategies must connect with the stakeholders:

- Understand where the organization and stakeholder groups are on their “change journey”.

- Identify appropriate engagement and communications tactics based on that understanding.

Provide context to help drive adoption of the change.
Beckhard’s Change Model

An effective case for change exists when:

dissatisfaction with current state \((D)\)

combined with an enticing vision \((V)\)

and a consensus-based set of first steps \((F)\)

is provided, such that it overcomes

the natural \textit{resistance to change} \((R)\).

\[
D \times V \times F > R
\]

If any of these three elements do not exist, there will be no effective case for change.

Source: "Richard Beckhard, Organizational Development Strategies and Models" (1969)
Case for Change – How do we achieve this?

Actively involve senior executives to:

- Define the mandate for transformation of the portfolio management environment.

- Build alignment around the case for change -- starting with senior executives and working through additional senior leaders, leaders, and stakeholders.
Maintaining a Holistic Perspective

Innovation & Portfolio Management transformation:

- Starts at the top and impacts the entire organization.
- Actively involves senior executives.
- Balances an integrated approach to rolling out enhancements.
Wrap-up

- Strategic Innovation must be intentionally managed:
  - Facilitate structured ideation that fosters creativity and an open innovation environment (i.e., culture).
  - Elaborate incrementally - as ideas progress through the process, additional information is added to support the next level of review.
  - Develop full Business Cases for only those ideas being submitted into the strategic portfolio pipeline for consideration.

- An enterprise-wide perspective ensures integration across business units and a balance of the types of innovation included in the portfolio mix.

- Involve the people – create an environment that invites their participation and contribution.
Wrap-up
References and additional reading on the topic:

- **Leading Change & Transition – Managing the Human Side of Portfolio & Project Management Enhancements**
  Eric Foss, PMP, PfMP
  Originally Presented at Project Management Institute’s North American Congress 2013

- **Strategy Achievement in a Dynamic World**
  Eric Foss, PMP, PfMP
  Originally Presented at Project Management Institute’s North American Congress 2014

- **Five Successful Ideation Session Essentials**
  Dr. Michael Ohler and Dr. Phil Samuel

- **Disruptive Innovation**
  Clayton Christianson

- **Radical Innovation, Part II: Managing the Unmanageable**
  Kimberly Wagner, Boston Consulting Group

- **Which type of Innovation is Right for your Organization?**
  [http://www.incrementalinnovation.com/incremental-innovation/type-of-innovation-right-organization](http://www.incrementalinnovation.com/incremental-innovation/type-of-innovation-right-organization)

- **How Innovative Is Your Company’s Culture?**
  [http://sloanreview.mit.edu/article/how-innovative-is-your-companys-culture/](http://sloanreview.mit.edu/article/how-innovative-is-your-companys-culture/)