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When You Can't Recruit for Innovation, Redeploy

David Matheson, SmartOrg

Do you have more innovation projects than innovators to work on them?

5G, the Internet of Things, CRISPR: new technologies and business models are coming to disrupt your business and force you to innovate. If you're scrambling to create R&D projects to deal with these disruptors, you need funding and innovation talent. Raising money to fund R&D may or may not be straightforward for a company, but hiring innovation talent is no longer a simple matter. The nominal US unemployment rate in Spring 2019 is under four percent. In Raleigh-Durham, North Carolina, it's under three-and-a-half percent. In Austin, Texas, and Boston, Massachusetts, it's under three percent. In San Francisco and Silicon Valley, it's closer to two percent. This puts many companies in the position of having more innovation projects than they have innovators to staff them.

Ideally, you want to make sure you're providing full resources to the best projects in your innovation portfolio, and only those projects. In reality, many companies try to keep as many innovation projects alive as they can by providing all of them subsistence rations: just enough funding and staffing to keep the project "moving along." That's a symptom of FOMO (fear of missing out), where the company doesn't want to say no to something that later becomes a competitor's success story. It's also a symptom of internal politics, where actors with varying degrees of pull manage to protect their projects from terminal cuts.

The result of this something-for-everyone policy is that many, perhaps most, of the projects are wounded by underfunding and understaffing. One division of a major specialty materials company found that their innovation projects each had, on average, only 50 percent of the staff and funding

> *You go to war with the army you have, not the army you might want or wish to have at a later time.*
>
> — Donald Rumsfeld

This re-enactment of the Battle of Britain War Room illustrates forces being redeployed to their best and most significant use.

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needed for success. To make matters worse, the large number of projects means that management attention is spread as thinly as the funding and staffing.

Wounded projects and how to heal them

Wounding by underfunding, understaffing and lack of attention can doom a great project. Project owners learn to ask for what they think they can get from management, rather than what they need for their projects to be successful. The resulting lack of resources can slow progress and lead to missed opportunities. Moreover, the project owner may react to wounding by negotiating business case assumptions to fit the inadequate resources and adjusting the project's goals downward; that creates a self-fulfilling prophecy that distorts the target value of the project so that a potential blockbuster opportunity becomes insignificant.

The answer isn't simply to go get the resources you need for all the projects you have. Even if your company has access to the working capital to heal the wounds of underfunding, in the current labor market, healing the wounds of understaffing through hiring may be impractical, even impossible. People with the skills and experience to be good innovators are hard to find in the best of circumstances, and in a full-employment labor market, they may be too scarce or too expensive to recruit.

This may look like a project management problem, but sometimes it's good project management that contributes to the problem. Good project management focuses on meeting budgets and milestones to meet performance promises, but innovation is more about uncertainty and upside than promises. Good project managers who strive for efficiency and try to do the most with the least can set up innovation projects for failure by shooting for big goals on a shoestring budget.

It's really not a project management problem, it's a decision problem

The key to finding the funds, staff, and management attention to de-wound your innovation projects is to say "no" to some good projects in order to say "yes" to better ones. Start by treating your collection of projects as a portfolio. In a portfolio, the important measure of returns is the aggregate return of the portfolio, not the individual returns of each project. A well-constructed portfolio will have an entirely different risk and return profile than any single project would have. In particular, a portfolio of "risky" projects with big upsides will usually deliver more growth than a portfolio of "safe" projects. Even though the risky projects will in fact fail more often, enough of the risky projects will succeed for their upsides to more than make up for the failures. Managing the portfolio as well as the individual projects lets you make decisions that increase the chances your innovation efforts will give you the growth you seek.

On the project level, start with the upside. The right evaluation tools will help you model the range of potential returns on each project, according to the uncertainties around each of the project's business parameters. This analysis often uncovers hidden upside potential in projects: for example, a major agriscience company identified one project's upside as fully five times its base value. (Knowing which parameters have the biggest impact on this upside also gives you a roadmap to unlocking it.) Once you have this information about each of the projects in your portfolio, you can rank the projects in your portfolio by the potential upside in addition to the base value. You'll find that many of your projects, while showing a positive return, are too small to be significant to your business goals. The major specialty materials company found 30 percent of the projects in its division's innovation portfolio were insignificant clutter. You'll also find that some projects have upsides so large that they are worth several of the insignificant projects put together.

Staff for significance

Every one of your projects consumes some funding and staff resources, and each of them requires some amount of management attention. If your portfolio is cluttered with lots of insignificant projects, your management's attention gets spread too thin and your best projects suffer. By eliminating insignificant projects, your management can give the remaining projects the attention they need to succeed.

This is the key to improving the overall value of both individual projects and the entire portfolio. By assessing each of your projects, you can determine which of them may have hidden upside potential that has been disguised by project wounding, and which of them are simply too small to be significant. If you kill the latter, you free up personnel and funding to redeploy to other wounded projects. You can increase the probability of realizing the large upsides of those projects.

Doing so can increase the value of your innovation portfolio dramatically—by redeploying staff and funds from insignificant clutter to heal wounded projects and pursue upsides, the materials company tripled the value of its divisional innovation portfolio. Best of all, you can accomplish that without having to recruit additional innovators from outside. Redeploying your existing staff and funding can give you a substantial boost in growth and value, at little cost to you.

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Connect With Us

SmartOrg

99 Almaden Boulevard, Suite 975
San Jose, CA 95113

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

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