

## Focus on Value Increases Portfolio Return by More Than 100%



Our customer, a major technology-based packaging company, led its industry for years. The company pioneered “wine in a box,” replaced heavy steel containers used to ship soda fountain syrups with light-weight “bag in box” technology, and introduced many other innovations. But, times were changing.

### The Challenge.

Although the company enjoyed a competitive advantage for many years, increasing global competition had eroded its advantage. Margins were rapidly decreasing and R&D had not come up with winning solutions. As a result the R&D and NPD portfolio was choked with proposals, many of which were directed at cost reduction or incremental improvement. There was a lot of churn and debate as more than 70 projects competed for resources, starving innovation. The CEO realized the need to reduce the number of projects in their portfolio. But how?

Top management tried many ways to solve the problem. Many of these approaches, though well-meaning, only reinforced the problem. Hard-nosed business cases over-emphasized incremental improvement projects because they were easy to justify. Checklists and controls were onerous and restricted investment in early-stage, truly innovative projects. Project management solutions shifted attention from delivering results to planning, further distracting people. Finally, scoring rules and weighted scale approaches increased debate and politics without adding insight nor resolving difficult issues.

**The Solution.** Management realized they needed to focus attention on developing clearer and more credible answers to two basic questions: Which projects should we invest in? And how much should we allocate to each?

With the assistance of SmartOrg consultants, teams developed Portfolio Navigator templates to evaluate and prioritize the technical and commercial factors that would influence each project's value.

The browser-based system brought stakeholders into the evaluation and decision process, enabling them to develop understanding, share information, and jointly agree on the primary drivers of value.

**Happy Results.** For the first time in several years, management and project teams were able to form a consensus about the makeup of their portfolio. The company reduced the number of projects by 80 per cent and increased the portfolio return by over 100 per cent. In many cases, project teams spontaneously withdrew their projects once they understood that the value was low and that there were better opportunities.

The process helped the company:

- Shift the mix from incremental improvement and cost reduction projects to focus on innovative, high value projects.
- Refocus project teams' attention on activities that create business value rather than on technologies or pet projects.
- Develop a pipeline dedicated to producing “a relentless stream of winning products.”
- Increase creative-thinking within development teams.

Says a senior executive, “SmartOrg solutions—a combination of process and software—helped us bring management, technical specialists and project teams together. This helped us build support and understanding. Without the ability to integrate everyone into the process, we could never have reached management consensus.”



“With Portfolio Navigator™ we have regained control of our future. We're using innovation in a focused way to improve potential returns and increase our competitive advantage.”

VP Business Development

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