

Managing Your Innovation Portfolio

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THE IMPORTANCE OF PORTFOLIO MANAGEMENT

Any company engaged in new-product development (NPD) faces a series of high-stakes decisions—which ideas to pursue, how many to keep in the pipeline, and how to allocate scarce innovation dollars.

Portfolio management, therefore, is critical to successful NPD. It is about resource allocation—how a company invests its capital and people. It is also about project selection—choosing which projects to invest in and ensuring that there is a pipeline of big new-product winners. And, most significantly, portfolio management is about strategy.¹

Executives find that innovation portfolio management is helping them to:

- Maximize their returns on R&D spending
- Maintain their company's competitive position
- Allocate scarce resources
- Create a link between project selection and business strategy
- Achieve a stronger focus
- Achieve the right mix of projects
- Communicate project priorities both vertically and horizontally within the organization
- Provide greater objectivity in project selection²

¹ Cooper, R.G., Edgett, S.J., and Kleinschmidt, E.J. 2000. "New Problems, New Solutions: Making Portfolio Management More Effective." *Research Technology Management*.

² Ibid.