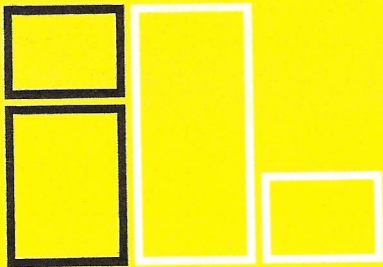


**INNOVATION LEADER**

SPECIAL ISSUE—FALL 2020



How are **YOU** feeling  
about the future?



**INNOVATION MATTERS MORE**

25 EXPERTS MAKE THE CASE FOR WHY  
THIS MOMENT WAS MADE FOR INNOVATORS



# How Should You Reevaluate Your Innovation Portfolio?

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**W**hen I first started my career in the field of strategy, all the cool kids were doing research mainly at the industry level of analysis.

The field of strategy at the time was looking at situations about which a great deal was known. The industry had already come into being. The business models that worked had been discovered. The customers had been trained on how to buy and what to pay. And the technology existed.

In the world of innovation, none of those things existed. Instead, you were tasked with making a very high ratio of assumptions, relative to the knowledge that you had. The challenge was learning about your sector, business model, customers, technology, and everything else as quickly and as cheaply as you could.

But here's the thing: As the inflection point that is COVID-19 sweeps across our economic, social, health, and political spheres, previously held assumptions about what is true have been invalidated. The existence of entire sectors that depend on humans being comfortable in close proximity with strangers is threatened. We are all now in a high assumption-to-knowledge ratio situation. What then can we borrow from the world of innovation that might be broadly applicable to where we all are now?

One of the dilemmas with classical innovation programs is that the resources to innovate have to come from somewhere. Ending unproductive operations and killing off "zombie projects" are key aspects of innovation. At a time of crisis, a similar logic applies. With business changing quickly, you're going to need both resources and bandwidth to take the business to wherever its future lies.

I offer a five-step plan for tidying up your portfolio. (For those who want to take a deeper dive, my book *Discovery Driven Growth* goes into greater detail.)

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## I. DO A PORTFOLIO INVENTORY

A good starting point is conducting an inventory of what your organization is working on right now, bearing in mind that parts of the business you thought were predictable have now been pushed into a highly speculative space. What you are after is a quick and “good enough” analysis, rather than a lot of deep detail.

Go around your organization and do an inventory of what people are working on, what they spend is on those things, and what their status is. What you are trying to get a feel for is what projects, programs, or initiatives might no longer be relevant. It’s also useful to establish whether they are high, medium, or low on uncertainty.

## 2. REVISIT YOUR STRATEGY

It may seem that in the midst of a struggle for survival, spending time on strategy makes no sense, but it is actually crucial. A good strategy statement is enormously clarifying and helpful, as everyone in the organization will be needed to make and support tradeoff decisions.

Appliance maker Dyson follows a strategy of solving big everyday problems through innovation. This means that the creation of an electric car was at one point in scope for the company. As the industry was poised to electrify, the opportunity to develop this product represented a once-in-a-lifetime opportunity for the firms that got it right and set the standard.

## 3. CREATE YOUR SCREENING STATEMENTS

With the strategy articulated, develop a set of screening statements. I like to try to turn the strategy into specific attributes that would make a project or line of business more or less attractive. To continue with the Dyson example, two elements of the strategy might be problem size (the bigger the better) and underlying economics, as represented by potential for profitability.

In 2015, founder Sir James Dyson conceived an electric vehicle that his engineers could create from the ground up. The project was well within the wheelhouse of redesigning everyday objects to make them uniquely desirable. At the time, the only competitor was Tesla.

Yet, by 2019 competitors had poured into the market and were unlikely to price the cars at a level that would allow Dyson to make its traditional margins. By the end of the year, the car project was discontinued. A screening scorecard review would have flagged this.

Go back to your inventory of projects and initiatives and score them. This could be a quick-and-dirty analysis by your strategy group or executive team. The goal is not perfection, but directional correctness. Once each major initiative has a score, rank order them. Top-ranked projects should get the highest priority. The second group can be maintained if you still have resources. The lowest group are candidates for discontinuation, and should go through a disengagement process.

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**You’re going to need both resources and bandwidth to take the business to wherever its future lies.”**

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#### **4. EXPLORE NEW AREAS THAT YOUR CAPABILITIES MAY ALLOW YOU TO ENTER**

The next step of the process is to learn—fast—where the capabilities that you’ve decided are strategically relevant might be useful, even if it is not in markets you currently serve. Companies are showing enormous creativity in pivoting into new spaces that they had not previously considered.



Ionized, a company that used to make glow sticks, wristbands, and lanyards for major events, found that without major events they had no business. They were able to quickly apply their capabilities to import medical equipment like masks and gowns from China to the United States, where they are in short supply.

The point here is to think like an entrepreneur and look to how you might match capabilities you have with things a market needs. At this point, these will be hypotheses, which you’ll test in the next step.

Oh, and Dyson? It has repurposed the location of its cancelled electric car project, designed an entirely new type of ventilator, and secured a major contract to produce 10,000 of the necessary machines for Britain’s National Health Service. Now that’s a pivot toward true usefulness.

#### **5. USE DISCOVERY-DRIVEN PRACTICES FOR RAPID LEARNING**

In our recent Harvard Business Review article, “Discovery-Driven Digital Transformation,” Ryan McManus and I spell out an approach to highly uncertain endeavors, such as creating a digital strategy that emphasizes small bets and learning. You are better off placing many small bets, most of which you will terminate quickly, than you are letting everything ride on a single-point forecast view of the future.

In a nutshell, what you need to do here is document your assumptions and then look at ways you might convert them to knowledge with market tests, experimentation, or other efforts. The period of learn-and-test concludes in what we call a checkpoint. At each checkpoint, ask yourself: Should we redirect, accelerate, simply continue, or exit?

The core idea in an uncertain situation is to accelerate the conversion of assumptions to facts as rapidly as you can, being mindful that in a situation such as we are in, much will only be revealed over time.

There is some good news about all the uncertainty we’re facing—the tools and frameworks developed over years of studying the innovation process are both germane and well-understood. They don’t represent a lack of discipline or strategy at all. They do, however, require a discipline that is very different for many people than that with which they normally operate. But they can be learned and, like any other strategic practice, mastered over time. ♦

*Rita McGrath is a professor at Columbia Business School, where she directs the program on Leading Strategic Growth and Change. She is the author of Seeing Around Corners and The End of Competitive Advantage.*



# "NEVER LET A GOOD CRISIS GO TO WASTE."

—WINSTON CHURCHILL



2020 was the year that everyone's best plans for innovation, growth, and transformation went out the window. What are the new realities for innovators working in large organizations? How do you move the needle and deliver concrete results when strategies—and customer behaviors—seem to be shifting daily?

We invited 25 corporate leaders, executive advisors, and noted academics to take on some of the biggest questions of this tumultuous moment. They include Rita Gunther McGrath of Columbia Business School and Karim Lakhani of Harvard Business School, and leaders with current or recent experience at organizations like Amazon Web Services, LucasFilm, Fidelity Investments, Gensler, UPS, and W.L. Gore.

*Among the topics they address:*

- ▶ how to make online meetings more human
- ▶ staying close to customers when you can't be together in person
- ▶ what has changed in Silicon Valley
- ▶ how to re-evaluate your innovation portfolio
- ▶ the most important new metrics for innovation
- ▶ the tough truths that every corporate innovator needs to face right now
- ▶ and future directions for mobility, restaurants, and recruiting.

*Innovation Matters More* is a special publication curated by INNOVATION LEADER, the world's foremost authority on innovation, R&D, and strategy in Global 1000-scale organizations.

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