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# Innovation Portfolios: The Game Has Changed.

Transform compressed time, complexity, and uncertainty into strategic business advantage

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## It's a new game!

It used to be enough to be first to market. Now the innovation game is more complicated. Take Kindle vs. iPad: a world of difference and potentially millions of dollars of difference. Winning products require a broader approach that breaks out of silo category boxes and integrates multiple concepts and technologies. Competitive pressures and rapid technological advances force companies to compress development cycles. Most of it is not about inventions, but about innovation and integration. Multilayered products and new go-to-market strategies require a careful coordination of complex dependencies, compatibilities, and timing. And due to the dynamic nature of these dependencies, initiatives and projects must go forward in a state of uncertainty with critical decisions made dynamically as data becomes available; and being revisited as conditions change.

However, addressing the above is no small feat. It requires companies to undergo some level of transformational change that drives continuous improvement initiatives across every facet of the business. Growth and extreme agility comes from adopting a set of clear, codified best practices and capabilities that focus the organization on developing a constant pipeline of value – in new products, business models, and services.

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70% of executives plan to make an investment in product portfolio management solutions.

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No wonder companies continue to struggle to not only manage and maintain existing product lines in order to stay competitive but also successfully identify and bring profitable products to market in a timely manner. And that requires transforming product complexities and market uncertainties into competitive advantage.

## Challenges with traditional project portfolio management (PPM) approaches

Gartner, in its 11/25/2010 report “Predicts 2011: PPM Goes From Managing Projects to Managing Value and Change”, states:

“The use of traditional project management methods, designed to support structured or waterfall delivery appears to have reached the point of diminishing marginal returns.”

Today companies manage their product and initiatives portfolios either with spreadsheets or with project portfolio management (PPM) tools. Yet, the results are far from good.

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In the last twelve months, Accept conducted formal surveys and interviewed many business and product executives. And they feel the pain:

- Less than 50% of product launches over the last 2-3 years were successful, according to more than half of the executives surveyed
- More than 67% believe their teams are working on the wrong products and features. “We are not building what our customers want! We are not engaging enough with them.”
- It takes too much bottom-up data gathering to get to a high-level portfolio view and start modeling the portfolio from a business perspective.
- When portfolio assumptions change (market conditions, available resources, etc.) it’s impossible to dynamically adjust the portfolio and we have to start almost from scratch.
- New projects are just 15-25% of our investments – what about sustaining work?
- With Agile development it’s no longer about project schedules, it’s about backlogs and changing priorities – getting the most important things done first.

There is an overwhelming agreement that new approaches are needed to play the new game of innovation.

## Innovation Portfolios for a Dynamic World-Executing Like There is No Tomorrow

### The needs

Product portfolios are the heartbeat, the glue, of innovation processes. As such they need to connect to all aspects of the process: ideation at the front-end; company strategy from the top; bottom-up product planning; and product development. Transparency and dynamic linking across these areas and across stakeholders is the key to be able to make sound and informed decisions when time for endless analysis and planning is not a choice and when constant change requires on-going adjustments.

Competitive pressures and compressed time require a clear sense of company strategy to direct decisions. Close engagement with customers and partners throughout the process helps leverage a large pool of ideas and rapidly vet and refine them, with on-going adjustments as needed. Failing fast and in small increments is the new mantra.

The complexity of technology-enabled products and services is staggering. Multiple layers of technology need to be managed with multi-dimensional dependencies between them. A small decision in one area can have huge impact across many products.

Uncertainty is the faithful companion of constant change and cannot be avoided. What it calls for are two fundamental ingredients: the ability to rapidly detect changing conditions and dynamically adjust all impacted areas; and an approach that focuses on what is most important and on incremental details, so that when things change not much time is wasted by changing course. This type of approach saves time and cost and keeps the organization nimble and willing to change.

The Accept360 Portfolio Solution is a core part of the Accept360 Product Innovation Management Suite. It allows company executives to rapidly model their product and initiatives portfolio from a business context of objectives and constraints. And it

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“Top performers use a structured process to select which product concepts will be selected for development. This includes standardized activities such as objective assessment, risk and other characteristics for new and existing projects. In the end, it’s all about optimizing the entire product portfolio using the right capabilities.”

- Aberdeen Research Study

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links portfolios to the ideation front end, the bottom-up product planning, and the execution phase. The result: a live, dynamically changing portfolio that produces the products and services that customers want in the fastest possible time to profit.

**Top-down portfolio** modeling can be done rapidly with a few high-level assumptions about current and proposed initiatives. Company objectives and initiatives set the context for strategic decisions: what are the relevant market and demographics we want to focus on; who are our critical competitors and why; who are our key customers and partners; how much do we want to invest in which product lines and services. **What-if scenarios** are created to model different approaches and combination of initiatives in a sandbox. Which products and initiatives are most aligned to company objectives? What are the tradeoffs? Should any of the current projects be stopped because the criterion under which it was funded is no longer valid?

Changes can be made at will without affecting the official portfolio (until you choose to do so). Portfolio views show the impact of changes across multiple dimensions such as revenue estimates vs. objectives, cost vs. budget, resource demand vs. capacity, value vs. risk, investment type breakdown, etc. Examples of using what-if scenarios include yearly planning exercises; periodic portfolio evaluations; assessment of new proposals; reaction to changing market conditions; response to unanticipated competitive move; tradeoffs between growing organically or through acquisition(s).

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“Portfolio decisions are a balancing act between meeting corporate objectives while operating within existing constraints and risks”

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Rapid top-down modeling however, needs to meet *detailed bottom-up planning*. Ah yes, reality check is important! What is it really going to take to build these products and services? No, we cannot release the new camera without first completing the new download software. We can shave 3 months by skipping this minor upgrade and going directly for the next big release. Sure we can do it in 3 months, but we need 5 more engineers. And don't forget the backlog of defects and small enhancements already committed to customers. By the way, we thought customers could not live without this expensive feature to build, but early feedback from them is that they would gladly give it up for the simpler user experience redesign prototype we showed them.

The projects to bring products and services to market are easy to focus on because they are bound in time and get the most attention. But they count for only 15-25% of a company's portfolio. Managing product investments requires managing their entire *lifecycle* from proposals, to planning, to development, to launch, and all the work to support and maintain a product or service. This is critical to track if in fact the results matched the justification estimates, and to continuously evaluate how much sustaining work should be done and when a product should be retired. Until a few years ago, it used to be that 50% of revenue for product companies came from products released in the previous 3-5 years. Today, for many hi-tech companies, it comes from products released in the last 6 to 9 months!

As some of the examples above indicate, portfolio decisions are a balancing act between meeting objectives while operating within existing *constraints and risks*. A new product may have tremendous revenue potential, but may also carry big risks because it requires new technologies, resources with new skills, and/or a new distribution channel. How many products of that kind can a company afford to take on? How many times can we tap into the reserve research fund to accelerate a project with additional external resources? Accept360 Portfolio lets you play alternate scenarios and manage the different constraint dimensions of revenue, cost, resources and risk. When the course is set, you can link criteria and priorities all the way down to individual execution tasks. If conditions change you can easily see the impact from top strategic objectives, to product releases and tasks, to affected customers; and you can make informed decisions fast.

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## Conclusion

Portfolio management is not a onetime event. It is a dynamic process. Effectively executing on your innovation portfolio requires ensuring strategic and execution alignment across frequently disjointed aspects of the corporate strategy, product planning and development lifecycle mainly due to a wide variety of applications that exist within the enterprise, each of which may have been acquired either as packaged products from vendors or developed in-house.

These individual and other conventional applications like *ERP*, *CRM*, *EAM*, or *PLM* are usually designed to address a specific business need of the enterprise. They fall short when it comes to making sure business processes and execution are aligned with company strategy to efficiently, reliably, securely, and consistently deliver products and services that further the company's business goals.

In short, companies need the right set of capabilities and codified best practices to develop and execute on corporate strategy, identify key initiatives, manage resources and react to change quickly to effectively meet company goals and objectives.

And the mantra is:

- ***Do a rapid top-down portfolio modeling*** with a few high-level assumptions about current and proposed initiatives
- ***Support with detailed bottom-up planning*** to understand what is it really going to take to build these products and services
- ***Track and manage*** product investments across their entire *lifecycle* from proposals, to planning, to development, to launch, and all the work to support and maintain a product or service.

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“Effectively executing on your innovation portfolio requires ensuring strategic and execution alignment across frequently disjointed aspects of the corporate strategy, product planning and development lifecycle.”

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Get in position now to transform compressed time, complexity, and uncertainty into your strategic business advantage.

The game has changed.

## Accept360 Suite

Accept partnered with leading companies in the most demanding and competitive industries to develop its product innovation management suite. Accept360 is imbued with the proven product innovation processes and best practices required to manage complex product portfolios and deliver at market speed. It is uniquely effective, bringing together four functionally deep yet highly-integrated modules that deliver enterprise agility across ideation, planning, and execution: Accept360 Ideation, Accept360 Strategy & Portfolio, Accept360 Requirements Management, and Accept360 Execution.

## Accept360 Ideation

Accept360 Ideation is an on-demand software solution that helps you harness the collective wisdom of your community, tapping a vast new source of market insight that will completely change the way you innovate.

Engage customers, partners, suppliers and employees in an “always on” conversation about your products and services. Capture thousands of new ideas. Validate existing ones. Pinpoint trends. Anticipate demand. As community members contribute enrich, and refine ideas you gain precise real-time insight - with the certainty to innovate at market speed.

## Accept360 Strategy & Portfolio

Accept360 Strategy & Portfolio allows you to define a strategic, balanced product roadmap, to help you align product strategy with company strategy. Integration with Accept360 Ideation enables you to easily evaluate new products across key portfolio objectives such as investment, ROI, competitive advantage, resources, and others then drill down to get specific details on the factors that drive your portfolio decisions.

## Accept360 Requirements Management

Accept360 Requirements creates a living repository of information that ties together market, customer, competitive, and requirements data in a proven market model framework. In addition to what you see in the Fast Track Program, Requirements lets you create any number of Functional Areas - to manage multiple product lines, divisions or brands independently - plus, comprehensive reporting.

## Accept360 Execution

Agile software development methods like Scrum and Extreme Programming are quickly becoming the norm. Given the methodologies' focus on urgency and fast delivery, this is an area that clearly calls out for real-time integration with the big picture.

Accept360 Execution accomplishes this by

- Discovering, evaluating, and prioritizing the features that will yield the best satisfaction to the customer
- Maximizing the creation of value throughout the agile development process, and
- Providing clear measurements of the business value delivered after each sprint.

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## About Accept Software Inc.

Accept Software, Inc. delivers The Product Innovation Management solution that technology-driven companies use to decide which products to bring to market for the fastest time-to-profit. The Accept360 Suite is the only complete end-to-end software solution that tightly links company and product strategy through ideation, portfolio planning, roadmaps, requirements and execution. For more information, visit [www.accept360.com](http://www.accept360.com)

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