

R&D Portfolio Management Maturity Checklist



Overview

When asked to identify critical strategic priorities they have low confidence in addressing, R&D leaders commonly cite activities relating to portfolio management. Examples of such activities include setting the R&D portfolio strategy, selecting investment opportunities to pursue and maintaining the desired portfolio balance when making off-cycle decisions throughout the year. As R&D organizations continue to prioritize improving the overall health and value of their portfolio, R&D leaders responsible for portfolio management have an opportunity to elevate the maturity of their organization's portfolio management practices.

Directions for use

This tool is based on established best practices for managing the R&D portfolio. It includes a series of checklists R&D organizations can use to pressure-test their ability to define the R&D portfolio strategy, make effective portfolio management decisions and assess the value of project opportunities.

R&D Portfolio Management Capabilities Self-Assessment Checklist

Sample questions to assess R&D portfolio management maturity



Setting the R&D Portfolio Strategy

- Do we have a process for creating an R&D portfolio strategy?
- Does our process for creating the R&D portfolio strategy include all relevant R&D decision makers and stakeholders?
- Does our R&D portfolio strategy align to our company's corporate- and business-unit-level objectives?
- Does our R&D portfolio strategy align to our company's product and technology roadmaps?
- Does our portfolio strategy outline the desired investment mix within our R&D portfolio (e.g., total number of projects; balance of project types, project value, risk or innovation levels, and time horizons)?

→||← Pressure-Testing the Portfolio Strategy

- Have we considered how a variety of potential future events or scenarios could affect our proposed portfolio initiatives?
- Have we articulated the assumptions that underpin our R&D portfolio strategy?
- Do we have a plan in place to alert us to revisit the portfolio strategy when our assumptions change?
- Have we established a process for revising the R&D portfolio strategy?



Communicating the R&D Portfolio Strategy

- Are our leaders trained to effectively communicate our R&D portfolio strategy?
- Has the R&D portfolio strategy been shared with our R&D community and cross-functional stakeholders?
- Do corporate and business leaders and other key stakeholders understand our proposed portfolio strategy?
- Are we confident our leaders and other key stakeholders support our proposed portfolio strategy (e.g., will they fund our proposed portfolio initiatives)?



Reviewing the R&D Portfolio

- Do we have a process for reviewing the R&D portfolio on a regular basis?
- Do we validate that our proposed projects and portfolio will deliver against our organization's strategy, technology or product roadmaps, revenue expectations and other objectives?
- Do we examine individual projects in the context of the broader portfolio to encourage portfolio diversity and balance?
- Do we visualize the proposed portfolio to ensure the appropriate portfolio mix before finalizing investment decisions?



Making Portfolio Management Decisions

- Do we have a process for making objective portfolio management decisions (e.g., selecting and prioritizing project opportunities, divesting opportunities)?
- Have we clearly assigned decision rights?
- Do we apply our R&D portfolio strategy when making portfolio management decisions?
- Do we incorporate input from a variety of stakeholders (e.g., our CEO, our CFO) when making portfolio management decisions?
- Do we have a process for making off-cycle portfolio management decisions?



Evaluating Project Opportunities

- Do we have a process for assessing the value of projects and other investment opportunities?
- Does our opportunity valuation method reinforce our portfolio strategy?
- Do we use the results of our project evaluations as an input into our portfolio reviews and portfolio management decisions?
- Do we have models that help us assess the viability of early-stage or highly uncertain opportunities?
- Do we consider synergies or interdependencies between investments when evaluating project opportunities?
- Do we offer limited implementation flexibility (e.g., weighting scorecards by business, region or project type) to ensure our valuation method is relevant across the enterprise?



Designing Project Assessment Scorecards

- Have we identified a concise set of criteria to consistently assess the value of most projects across the enterprise?
- Have we outlined alternative evaluation processes for exceptions to the above, such as early-stage ideas, new-to-world transformational opportunities or cost avoidance projects?
- Do we consider a broad range of criteria (e.g., market attractiveness, technical feasibility, differentiation, strategic fit, risk) to avoid overweighting our scorecards toward financial metrics?
- Are our assessment criteria objective?
- Is there a meaningful difference between each level of our scoring scale for each criterion (e.g., what constitutes a “1” versus a “2”)?
- Did we pressure-test a draft scorecard using successful and failed historic projects to ensure the scorecard is directionally capable of predicting projects’ value?
- Do we revisit and update our opportunity assessment scorecards and weightings on a regular basis?



Allocating R&D Resources

- Do we have a process for making objective resource allocation decisions?
- Do we update our budget to ensure approved projects can be resourced appropriately?
- Do we update our strategic workforce or hiring plans to ensure approved projects can be staffed appropriately?
- Do we have a clear funding structure and a unified understanding of funding responsibilities (e.g., which group will fund a project)?
- Do we isolate funding for various opportunity types, such as transformational innovation projects?
- Do we prioritize critical knowledge gaps to resolve when allocating R&D project resources?



Monitoring the R&D Portfolio

- Do we effectively track changes in the strategic, competitive and/or financial positioning of our investments over time?
- Have we established early warning signs or thresholds that will prompt us to reevaluate our R&D portfolio?

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