



CP Perspectives

Balancing Innovation and Initiative Management to Deliver Results

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Creating profitable growth is an increasing challenge for most leading financial institutions. New products, services, channels and businesses are increasingly critical for success and often represent over one third of the growth of financial institutions. There are numerous proponents of stimulating organizational innovation with various approaches. Others emphasize the importance of new initiative management for more effective implementation planning and delivery. There are also those promoting program management offices to manage the overall portfolio of projects, usually with an IT focus. We find that pursuing all three via a balanced and integrated approach with top leadership involvement and support is essential for achieving sustainable results.

Driving Innovation to Create New Business Opportunities

Building innovation into an organization's fabric is based upon supporting creativity, risk taking, and examining external perspectives. It generally requires a longer-term framework in which to enhance an organization's culture, values, reward systems, and leadership style to consistently drive innovation. While this may seem daunting, it largely requires building upon what already exists within an organization and taking the next steps necessary to begin the journey. Top management leadership commitment and a jump-start to this process are often needed to provide a necessary catalyst.

Innovation Workshops can serve as that catalyst to stimulate creativity and innovative idea generation for an organization. These concentrated efforts are utilized to establish a constructive environment to identify existing as well as generate new ideas and then prioritize them for further evaluation. Innovation Workshops are based upon a number of critical success factors including:

- Facilitated working sessions, preferably by a neutral professional facilitator
- Open, sharing, team oriented environment
- Carefully chosen set of participants
- External stimulus to gain market and competitive perspectives, leveraging market research and analyses
- Internal capabilities basis for priority definition and assessment
- Well defined parameters for initial prioritization (opportunity/market attractiveness versus an organization's ability to implement)
- Process to ensure that follow through on priority opportunities will be pursued

Innovation Workshops need to be closely followed by further definition and evaluation of priority opportunities. This phase generally requires the launch of relatively short initiatives to enhance the definition of the business opportunity, market and competitive



assessments, and internal capability evaluation to further define the initial strategy and business case for proceeding. We generally find that strong analysis of current suppliers or potential competitors tends to provide more actionable insights than in depth customer need market research during this phase of development.

Once new businesses, products, or channels have been well defined and validated for additional investment and potential pursuit, more formal initiative management efforts become increasingly important to move successfully towards implementation.

Establishing New Initiative Management Approaches

New initiative management then requires entrepreneurial leadership skills and proven approaches involving greater discipline, risk management, and an internal implementation capability perspective. New initiative pursuit will also not succeed if subrogated to the management of existing business operations. New initiative pursuit requires a risk taking environment and working with a great deal of assumptions. The development process, therefore, involves managing the “knowledge to assumptions” ratio to test and prove or disprove critical assumptions, turning them into knowledge upon which the new business opportunity will be based.

New initiative management also requires a disciplined structure in which to enable entrepreneurial activities. Each initiative needs to be well defined, planned, resourced, and monitored to enable its success despite a continued need for innovation and entrepreneurship. These seemingly contradictory disciplines are in fact complimentary and a necessary balance to achieve new business success.

The critical factors for establishing both a structured and creative new initiative management approach include:

- Clear delineation of initiative objectives and major assumptions
- Business case and performance measures for tracking
- Work plan with clear deliverables, timing, and lead responsibilities
- Team based approach along with top leadership involvement
- Initiative resource requirements and monitoring
- Regular progress reviews against the business objectives including proving or learning about major assumptions and go/no go decision points
- Recognition that making a decision to not launch is acceptable, but not making decisions based upon best available information is not acceptable
- Rewards that recognize success as well as the risks associated with pursuing new initiatives

Managing Initiative Portfolios

Effective initiative portfolio management is also critical for the overall success of launching a series of new business efforts. Generally, a number of new business efforts



are simultaneously being pursued, which will benefit from sharing of lessons learned, market intelligence, use of essential resources, investment management, and leadership approaches. Each initiative should have its own focused effort, but recognize the linkages among them.

However, it is not sufficient to manage the portfolio of new initiatives without taking into consideration existing business and established improvement initiatives. New and existing business initiatives need to be viewed as an overall portfolio for resource allocation and management. This is generally referred to as Enterprise Portfolio Management. Effective leaders are focusing on the initiative management effectiveness of the whole organization and the delivery of multiple, individual and interacting projects to achieve the business' goals. Business leaders should be measured and rewarded based upon their success with pursuing innovation and their effectiveness in initiative management.

Corporate Program Management offices have also been formed by leading organizations to address this need, but tend to largely have an IT orientation due to the importance and scarcity of that critical resource. We find that Program or Initiative Management needs to be driven from top corporate leadership and IT needs to be viewed as an enabler of these opportunities. Innovation and initiative management need to be promoted as critical values throughout the organization by the organization's leadership team.

Effective enterprise wide initiative portfolio management requires top leadership focus and the deployment of proven methodologies including:

- Common set of initiative management structures, information systems and communications, and monitoring approaches including assessment and intervention
- Repeatable initiative management technical support including mentoring, planning, auditing, recovery, and knowledge management
- Opportunities to share experiences among initiative team members
- Resource allocation, management, training and development
- Return on investment monitoring for refinement of initiative approaches
- Aligned rewards and compensation structures to support these efforts

Integrating and Balancing Innovation and Initiative Management

Innovation, initiative and portfolio management are each necessary for delivering profitable growth. Great ideas that are not well pursued are a lost opportunity. The creativity involved in idea generation and business definition must give way to a more disciplined and structured orientation in order to implement successful initiatives individually and on a group basis.

Innovation workshops (new business definition), initiative management structures and portfolio management approaches are all necessary tools to enable implementation of



innovative new business efforts. Those efforts need to be integrated and managed to ensure smooth transitions as innovative ideas move toward becoming real business operations. While each effort is critical individually, a balanced and comprehensive perspective is required for achieving results from these challenging efforts.

This requires a leadership commitment to the full process from innovation through enterprise portfolio management. It requires a process versus a more traditional functional orientation within the financial institution. Managing processes, especially three components that require different skills and perspectives, is generally a more complex management challenge. There also needs to be recognition throughout the organization that supporting new initiatives is integral to individual roles and success of the overall business. Individuals often feel that their work on an initiative is an interesting distraction and look forward to getting back to their normal functions. However, most will find that supporting initiatives will be a constant portion of their responsibilities, especially if they are valued within an organization. Finally, the financial institution needs to put their best people in charge of the innovation, initiative management processes, and the new initiatives for successful implementation. The organization needs to see that top talent is being assigned to these efforts due to their importance.

There are no simplistic approaches to easily establish, integrate, and balance innovation and initiative management throughout a financial institution. It takes leadership commitment, top talent dedication, supporting processes and structures, performance measurement and aligned rewards.

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