Dynamic Innovation Portfolio
Risk & Opportunity Management

- Keeping *ahead* of the pace of change

Thomas Brazil, CMI
Chief Digital & Innovation Officer
Integrated Computer Solutions, Inc.
Is this what you were expecting?

- Technical Events
  - What can go wrong?
    - Risk Management

- Programmatic Events
  - What has or is certain to go wrong?
    - Issue Management

- Business Events
  - What can be improved?
    - Opportunity Management

**Consequences:**
Both positive and negative impacts to cost, schedule, and performance
...Or this?

Opportunity Process Planning
What is the program’s opportunity management process?

Opportunity Identification
What can be improved?

Opportunity Monitoring
How has the opportunity changed?

Opportunity Analysis
What is the business case analysis of the opportunity?

Opportunity Management
Should the opportunity be pursued, reevaluated, or rejected? If so, how?
This one?
Department of Defense
Risk, Issue, and Opportunity Management Guide for Defense Acquisition Programs

January 2017

Office of the Deputy Assistant Secretary of Defense for Systems Engineering

Washington, D.C.
Dynamic Innovation Portfolio Risk & Opportunity Management

Understanding the Driving Forces of Change
Driver #1

New National Security Strategy (NSS)
2017 National Security Strategy
4 Main pillars & DoD Impacts

1. Protect the American People, the Homeland, and the American Way of Life

2. Promote American Prosperity
   + Research, Technology, Invention, Innovation

3. Preserve Peace Through Strength
   + Innovative Military Modernization

4. Advance American Influence
Driver #1
New National Security Strategy (NSS)
Driver #2
New National Defense Strategy (NDS)
2018 National Defense Strategy
3 Lines of Effort

1. Lethality:
   Build a More Lethal Force
   + Culture of Experimentation
     (Autonomy, AI, ML)

2. Partnerships:
   Strengthen Alliances and Attract New Partners

3. Reform:
   Change the Way we do Business
   + Organize for Innovation, & Streamline Processes, Partner with Industry
Review: Part 1
Understanding the Driving Forces of Change

Part 2
Dynamic Risk & Opportunity Management
“We must transition to a culture of performance where results and accountability matter. We will put in place a management system where leadership can harness opportunities and ensure effective stewardship of taxpayer resources.”

- General James Mattis, 2018 National Defense Strategy
“TO INNOVATE CONSISTENTLY, YOU HAVE TO MAKE A DISTINCTION BETWEEN LUCK AND INNOVATION.

EITHER YOU HAVE A RELIABLE SYSTEM FOR INNOVATION THAT DELIVERS CONSISTENT RESULTS, OR YOU HOPE THAT YOUR PEOPLE LUCK INTO GOOD IDEAS. THOSE ARE THE ONLY TWO OPTIONS.

WHICH DO YOU PREFER?”

- Langdon Morris, InnovationLabs
5 Key Tracks of an Effective Innovation Management System

Example Vision

ACHIEVE WARFIGHTER SUPREMACY IN ALL DOMAINS

Example Strategy

EFFICIENTLY OUT-THINK, OUT-MANEUVER, AND OUT-INNOVATE THE ADVERSARY
BREAKDOWN STRATEGY INTO MEASURABLE STRATEGIC OBJECTIVES IN ORDER TO DEFINE YOUR STRATEGIC INTENT.
STEP 2

BREAKDOWN STRATEGY INTO MEASURABLE STRATEGIC OBJECTIVES IN ORDER TO DEFINE YOUR STRATEGIC INTENT.

ASSIGN WEIGHTINGS TO THE STRATEGIC OBJECTIVES TO DENOTE CURRENT PRIORITIES.

EXAMPLE STRATEGIC OBJECTIVES & WEIGHTINGS:

- Achieve Warfighter Superiority through Autonomy, AI & ML 40%
- Streamline acquisition process / Innovative acquisition 30%
- Transform to an iterative, agile capability development 20%
- Optimize and reduce costs 10%
BREAKDOWN STRATEGY INTO MEASURABLE STRATEGIC OBJECTIVES IN ORDER TO DEFINE YOUR STRATEGIC INTENT.

ASSIGN WEIGHTINGS TO THE STRATEGIC OBJECTIVES TO DENOTE DEFCON INCREASE

EXAMPLE STRATEGIC OBJECTIVES & WEIGHTINGS:

- Achieve Warfighter Superiority through Autonomy, AI & ML 40% 30%
- Streamline acquisition process / Innovative acquisition 30% 40%
- Transform to an iterative, agile capability development 20% 30%
- Optimize and reduce costs 10% 0%
BREAKDOWN STRATEGY INTO MEASURABLE STRATEGIC OBJECTIVES IN ORDER TO DETERMING YOUR STRATEGIC INTENT.

ASSIGN WEIGHTINGS TO THE STRATEGIC OBJECTIVES TO DENOTE BUDGET CUTS

EXAMPLE STRATEGIC OBJECTIVES & WEIGHTINGS:

- Achieve Warfighter Superiority through Autonomy, AI & ML 40% 40%
- Streamline acquisition process / Innovative acquisition 30% 20%
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- Optimize and reduce costs 10% 20%
Before Weighting Changes
To dynamically pivot, your portfolio of ideas and projects must be SCORED in relation to the criteria which can change based on conditions.

<table>
<thead>
<tr>
<th>Strategic Objectives</th>
<th>Type of Innovation</th>
<th>Risk/Reward Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our innovation council members (CIMs) score for “closeness of fit”</td>
<td>Executive Leadership sets short, medium and long-term portfolio weightings, and projects are aligned to the right type</td>
<td>Executive Leadership weights factors by importance, and portfolio entries are scored for “closeness of fit”</td>
</tr>
</tbody>
</table>
### Innovation Portfolio Evaluation

**Idea or Project Name:**

**Big Idea Project**

<table>
<thead>
<tr>
<th>Risk Factors: What are the key external, strategic benefits affecting our business?</th>
<th>Weight (1, 2, 3, 5, 8)</th>
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<tbody>
<tr>
<td>1. Benefit to Customers</td>
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<td>2. Revenue Potential</td>
<td>5</td>
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<td>3</td>
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<td>6</td>
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<td>5</td>
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<tr>
<td><strong>Total</strong></td>
<td></td>
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<td><strong>116</strong></td>
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**Reward Factors: What are the key external, strategic benefits affecting our business?**

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<th>Reward Factors</th>
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### Risk Factors: What are the key risks with this idea?

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<td>5</td>
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<tr>
<td>2. Failure Risk</td>
<td>2</td>
<td>1</td>
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<tr>
<td>3. Technology Risk</td>
<td>5</td>
<td>8</td>
<td>40</td>
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<tr>
<td>4. Distribution Risk</td>
<td>1</td>
<td>2</td>
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<td>5. Market Risk</td>
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"Sweet Spot" is window of **low risk, high reward**

When Criteria change, re-evaluate portfolio

Summary

We Need to Merge Risk, Issue and Opportunity Management with Agile Innovation Management

Automate your portfolio management to keep up with the pace of change!
ISO 9001:2015 Certified