

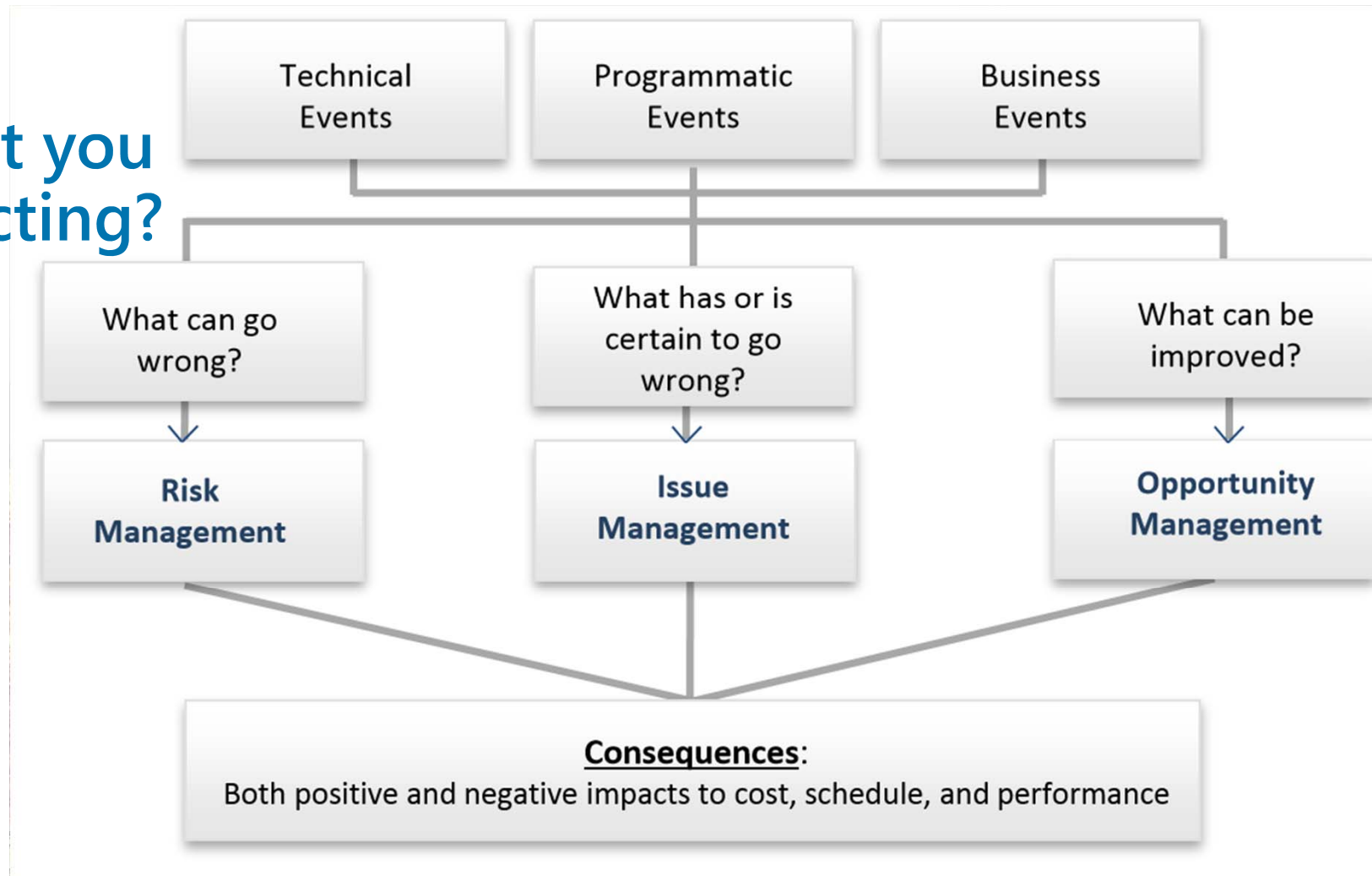
Dynamic Innovation Portfolio

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?



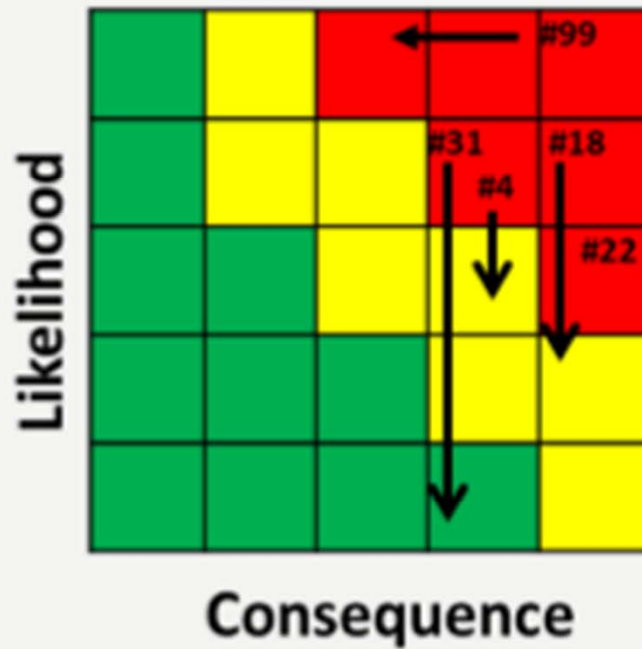
How about this?



...Or this?



This one ?



<u>Risk No</u>	<u>Risk Item Description</u>	<u>Risk Trend</u>
31	Risk Title	↓
4	Risk Title	↓
18	Risk Title	↓
99	Risk Title	←
22	Risk Title	Retired

↓ = Likelihood decreasing
↑ = Likelihood increasing
← = Consequence decreasing
New = New risk added
Retired = Retired since last report

**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.

Part

1

Dynamic Innovation Portfolio Risk & Opportunity Management

Understanding the Driving Forces of Change



NATIONAL SECURITY
STRATEGY

of the United States of America

DECEMBER 2017

Dec 2017

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



NATIONAL SECURITY
STRATEGY

of the United States of America

DECEMBER 2017

Dec 2017

Driver #1

New National Security Strategy (NSS)



NATIONAL SECURITY
STRATEGY

of the United States of America

DECEMBER 2017

Jan 2018

Driver #2

New National Defense Strategy (NDS)

2 0 1 8

National Defense Strategy

of

The United States of America

Sharpening the American Military's Competitive Edge

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

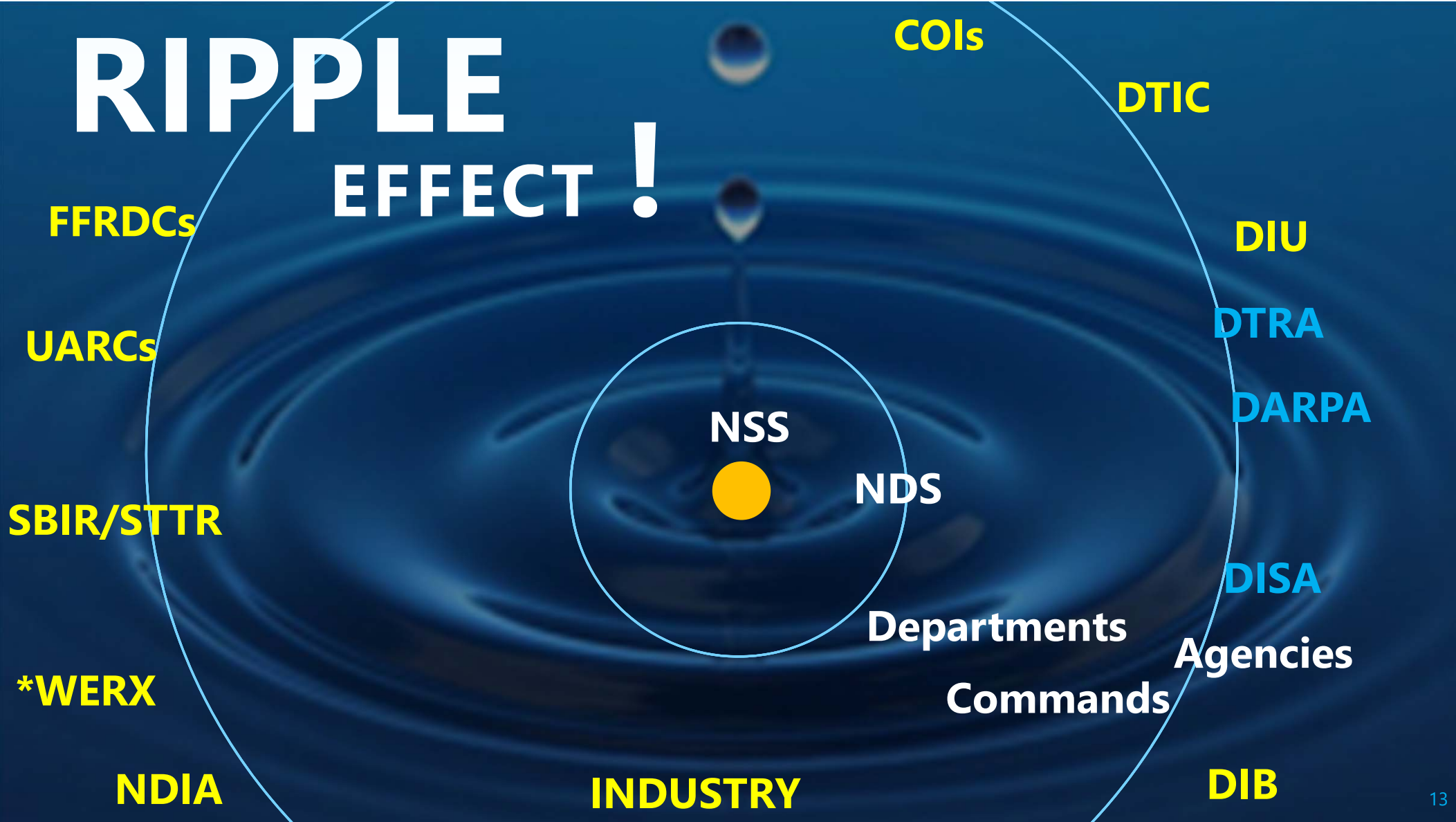
Reform:

Change the Way
we do Business

+

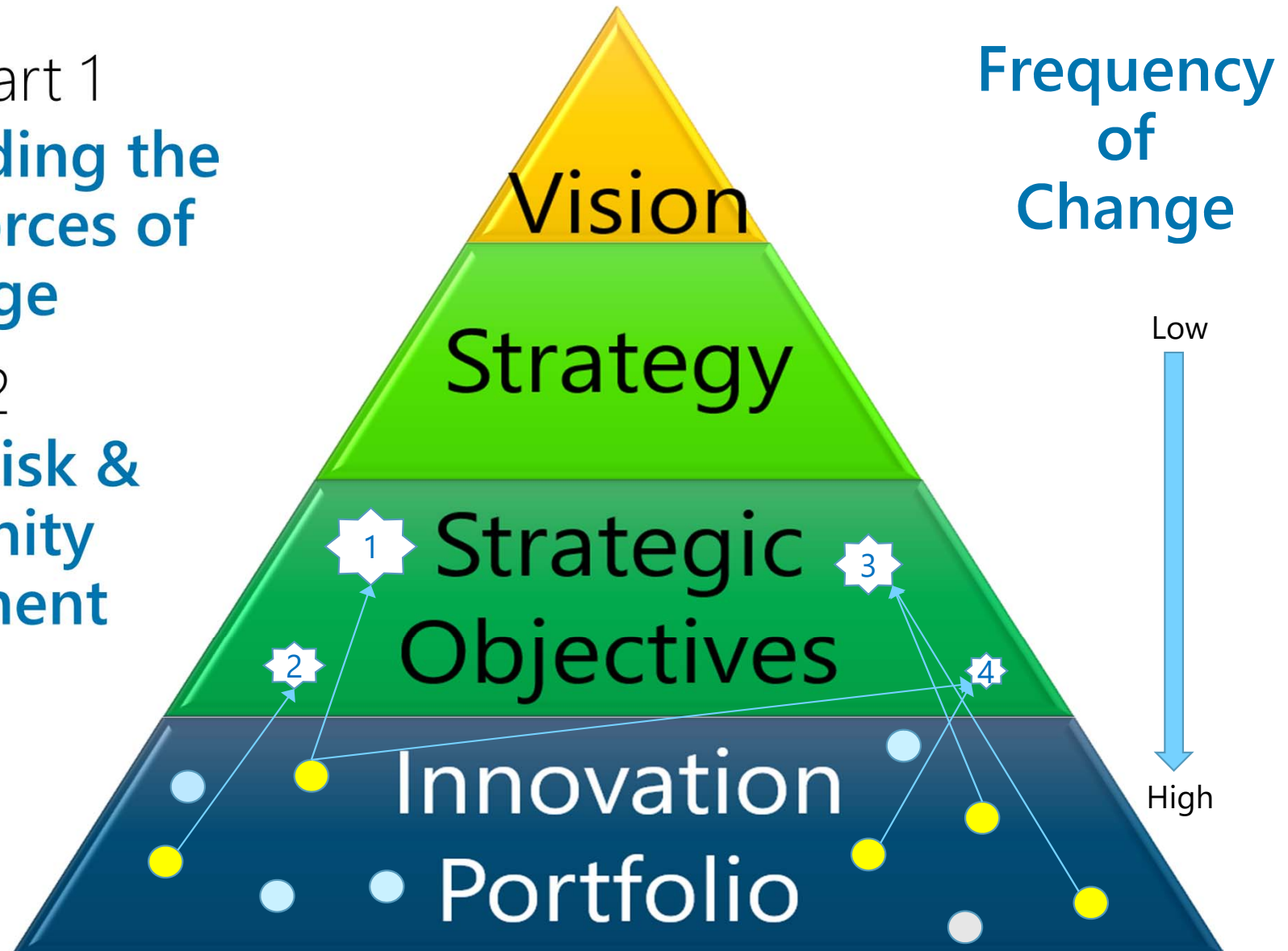
Organize for
Innovation, &
Streamline
Processes,
Partner with
Industry

RIPPLE EFFECT !



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



Why?

Strategy

What?

Portfolio

Strategy is Derived from
VISION



Example Vision

**ACHIEVE
WARFIGHTER
SUPREMACY
IN ALL DOMAINS**

Example Strategy

**EFFICIENTLY OUT-
THINK,
OUT-MANEUVER,
AND OUT-INNOVATE
THE ADVERSARY**

STEP 1

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%

STEP 2

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%**

STEP 2

BREAKDOWN STRATEGY INTO MEASURABLE STRATEGIC OBJECTIVES IN ORDER TO DETERMINE 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%
- **Transform to an iterative, agile capability development** 20% 20%
- **Optimize and reduce costs** 10% 20%

Before
Weighting
Changes





Before



After Weighting Changes

PIVOT PREP

To dynamically pivot, your portfolio of ideas and projects must be SCORED in relation to the criteria which can change based on conditions.

Strategic Objectives

Our innovation council members (CIMs) score for "closeness of fit"

Type of Innovation

Executive Leadership sets short, medium and long-term portfolio weightings, and projects are aligned to the right type

Risk/Reward Factors

Executive Leadership weights factors by importance, and portfolio entries are scored for "closeness of fit"

126

Project #

Reward Factors

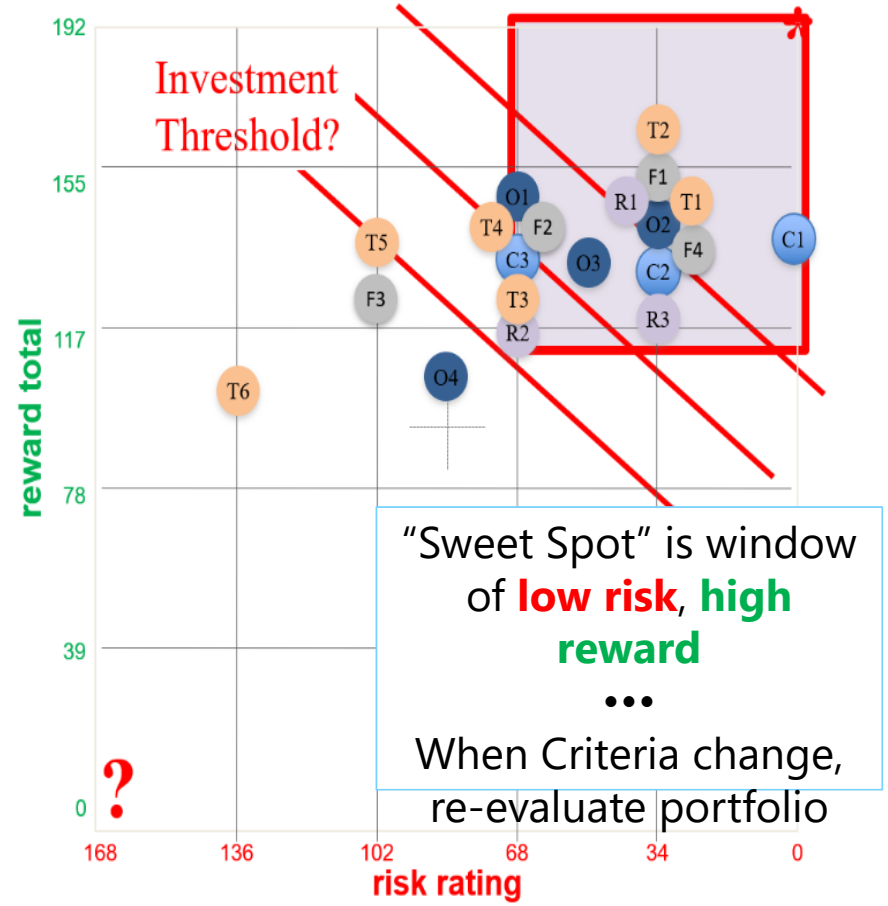
Risk Factors

Reward Factors

Risk Factors

Innovation Portfolio Evaluation		Idea or Project Name: Big Idea Project		
Reward Factors: What are the key external, strategic benefits affecting our business?		Weight (1, 2, 3, 5, 8)	Rating (1, 2, 3, 5, 8)	Score (Weight x Rating)
1. Benefit to Customers		8	5	40
2. Revenue Potential		5	8	40
3. Competitive Advantage		3	2	6
4. Enhances our Digital Presence		5	3	15
5. Enhances our Brand		3	5	15
6.				
7.				
Total				116 Reward
Risk Factors: What are the key risks with this idea?		Weight (1, 2, 3, 5, 8)	Rating (1, 2, 3, 5, 8)	Score (Weight x Rating)
1. Financial Risk		5	5	25
2. Failure Risk		2	1	2
3. Technology Risk		5	8	40
4. Distribution Risk		1	2	2
5. Market Risk		3	5	15
6.				
7.				
Total				84 Risk

Totals



Reference : Langdon Morris. *The Agile Innovation Master Plan*, FutureLab Press, 2017.

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!



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