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VALUEPOINT™

Six Principles of Strategic Portfolio Management How Does Your Company Rate?

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During the past 20 years companies have greatly improved processes and systems for managing the “operational” aspects of project/portfolio management (PPM)—budgeting, project management, resource planning, StageGate and phase gate processes.

Strategic portfolio management, while practiced for many years by leading companies in pharmaceuticals, oil and gas and aerospace, is only now emerging as the next step in the maturity of PPM. What is the difference and why does it matter?

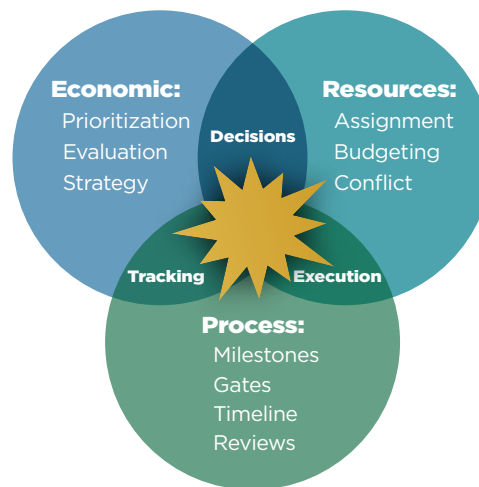
Early adopters of strategic portfolio management characterized the difference as “doing the right projects” vs. “doing the projects right.” They recognized that large amounts of money were wasted on project/product failures (80% or more of new products fail according to numerous studies); projects that continued to soak up valuable resources when they should have been killed long ago and simply, poor initial investment decisions.

Many companies are finding that while operational processes and tools have improved results, they fall short when addressing decisions around selecting the best projects in which to invest and how best to allocate capital and other resources to optimize the value of project and project portfolios.

To optimize decisions that drive top-line and bottom-line value, companies need to consider three distinct areas: economic,

resources and process. The Venn diagram shows how these areas relate to value creation.

Great Portfolio Results



Economic Decisions in this area underpin strategy and relate to **what**: selecting the most promising projects in which to invest, allocating resources, and developing a balanced risk-vs.-reward portfolio.

Resources Decisions in this area are fundamental to “making it happen” and revolve around **who**: achieving StageGate or phase gate goals, allocating and managing human resources, budgeting and day-to-day project management.

Process Processes and decision-support software in this area support **how**: the project/portfolio management process from ideation and concepts to commercial launch.

HOW DOES YOUR COMPANY RATE?

Take this five-minute survey to receive an analysis of your company compared to others in our database. Your response will be confidential. You will receive an analysis of your responses compared to other companies in our database.

[TAKE SURVEY ▶](#)

As noted, each of these areas involves different decisions, decision makers, processes and tools. The challenge is to bring everything together to avoid sub-optimization of any one area to the detriment of the whole.

Six Principles

In this issue of ValuePoint and in the next six issues, we will focus on the Economic area, which sets the foundation for creating exceptional value through strategic portfolio management. Through research and consulting experience with dozens of companies in a wide variety of industries, we have identified six principles that are basic to value creation:

Aligned Decision Forum: Include the right people at the right levels at the right time.

Value Creation Focus: Focus decisions on creating value at each development stage.

Credible, Comparable Evaluations: Employ clear, transparent evaluation frameworks.

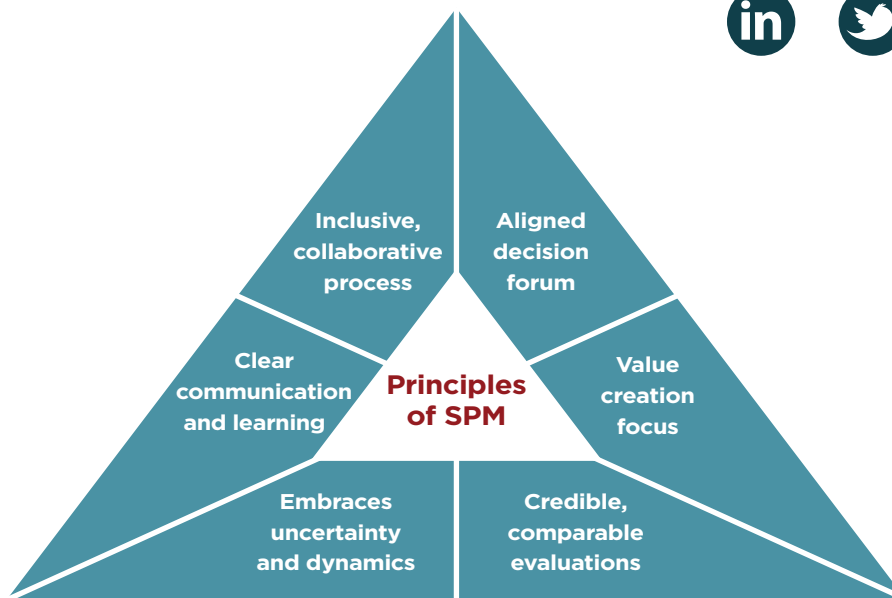
Embrace Uncertainty and Dynamics: Explicitly identify the impact of uncertainty on key decision variables and track changes throughout development.

Inclusive, Collaborative Process: Involve key stakeholders from ideation to commercialization.

Clear Communication and Learning: Assess, track, inform and continuously improve.

TAKE THE SURVEY. How does your organization stack up relative to the six principles? How does your organization compare with others? Take this brief, confidential survey and find out where you stand and how you can add value to your portfolio decision making.

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