

Strategic Portfolio Management Tools Create Value for Leading Pharmaceutical Company

“Portfolio management” has many meanings depending upon the situation. In R&D and NPD, there is often confusion between strategic and operational portfolio management. In our view, strategic portfolio management is about the future, where there are little or no facts, and operational portfolio management is fundamentally about current activities where there is an abundance of data and information.

SmartOrg solutions support decisions about investments in projects and portfolios that are future-focused with emphasis on the impact of risk and uncertainty on achieving forecast value. This case study illustrates the use of SmartOrg software by a leading U.S. pharmaceutical company where development cycles are long and risks are high.

Business Situation

A major American pharmaceuticals company successfully implemented portfolio management systems developed by SmartOrg to help steer its efforts toward projects that have the greatest chance of success while eliminating those that may have trouble making it all the way to the finish line.

No company, no matter how large, profitable, or innovative, has the resources to pursue every idea that its employees dream up. This simple statement of fact is the basis for the area of business decision-making known as strategic portfolio management, which is focused on helping organizations prioritize their resources to focus on projects that have the highest likelihood of success. It may sound relatively simple, but in order for portfolio management to be successfully implemented companies need to be willing to shuffle human and capital resources and cancel projects so that they can focus on work that will ensure long-term growth and viability. To borrow a line from George Orwell, it's all about “shooting an elephant”—having the willingness to eliminate large projects that are deemed to be less than optimal. It's a lot harder than it sounds because individuals and teams can often get entrenched in certain projects and develop an attachment to something that may ultimately not create positive outcomes.

Nowhere is this truer than in the pharmaceutical industry. Developing drug therapies is a numbers game. Only one in 5,000 drugs developed in a laboratory will ever make it to market, and it often takes more than a decade for a therapy to go through all of the testing, evaluation, and research before it is approved for sale. It is an extreme pyramid, and the industry is littered with the remains of companies that didn't focus their energy and effort on the things that were most likely to create value. In many cases proper portfolio management can mean the difference between massive success and having to close the doors. Pharma companies that thrive and survive do so because they have

SMARTORG SOLUTIONS

- Enterprise software
- Project/portfolio evaluation
- Decision-process consulting
- Business model development
- Workshops

BENEFITS

- Support faster decisions at all levels
- Avoid spreadsheet drudgery and rework
- Evaluate “what ifs” in real time
- Balance risk vs. return
- Develop and manage multiple P&Ls
- Identify and kill losing projects early

“SmartOrg makes it possible for us to quickly and accurately make the difficult decisions that we need to make every day so we can focus our efforts and resources on driving value for all of our stakeholders and creating therapies that will benefit the people who need it most.”

Director of Portfolio Management

learned to shoot their elephants as soon as they realize that a successful outcome may be elusive. This allows them not only to avoid dumping resources into work that will never see the light of day, but it also allows them to reallocate their teams to focus on drugs that have a better chance of making it through the gauntlet.

Solution

The pharmaceutical company's Director of Portfolio Management has relied on SmartOrg's portfolio management expertise for the last two years, and says that in 2013 the company decided to make SmartOrg its sole technology platform to help manage this critical aspect of its business. "In this industry we need to focus our efforts on projects that we think are going to work and divert resources away from those that don't have a lot of promise. Everyone looks at spreadsheets all the time, but we need a focused, organized, disciplined approach to figuring out what to keep and what to put on the back burner. SmartOrg gives us an easy way to look at all of our information in a format that makes it crystal clear so that we can make the decisions that we need to make. It's a great resource for us, and it is really helping us excel in this aspect of our business."

Results

David Matheson, President and CEO of SmartOrg, notes that strategic portfolio management is a deceptively difficult corporate function that very few organizations get right. "Companies are made up of people who have deep expertise and knowledge that drives innovation. At the same time, however, decision-makers are guided by factors other than cold, hard data. Our role is to help leaders make educated and informed decisions that are driven by real information rather than 'soft' factors that often influence how companies allocate their resources. Our client is not only a leader in developing pharmaceuticals that help people every day, but also in making forward-thinking business decisions that will keep them at the top of the market for decades to come. We are excited to be part of this effort, and it is gratifying to know that our approach and platform are driving the development of new drugs and allowing the company to focus on its core strengths."

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Since 2000, SmartOrg software and services have helped companies discover their most profitable opportunities. We provide solutions for the economic evaluation of opportunities, especially when the future is clouded with uncertainty. Companies like Boeing, Chevron, Dow AgroSciences, HP, SanDisk and TEVA Pharmaceuticals use SmartOrg to build capability; drive innovation from ideas to commercialization; and select projects and improve returns on their portfolios.

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