PPM IS DEAD. LONG LIVE PORTFOLIO:

Portfolio Management Priorities

EXECUTIVE SUMMARY

As companies in industry after industry are coping with extraordinary stress and significantly hurt revenue streams in the aftermath of the economic downturn, the vital question on every executive's mind is, "How can I most effectively invest R&D and new product development resources to maximize my return on innovation?"

While there are no easy answers, one thing is for certain. Companies need a dynamic decision making process where the list of active new products and R&D projects is constantly revised to align with corporate goals and market needs. In this process, new projects are evaluated, selected, and prioritized. Existing projects may be accelerated, killed, or de-prioritized and resources are allocated (or reallocated) to the active projects. That is what effective portfolio management is all about: resource allocation to achieve corporate product innovation objectives.

Over 60% of executives struggle making fast go-kill decisions and reconciling top-down and bottom-up plans.

Why is portfolio planning so important? Today's new products decide tomorrow's growth, success and performance of the firm. An estimated 50% of a firm's current sales come from new products introduced in the market within the last 2-3 years. In high-tech it can be as short as one year. Much like how managing a personal investment portfolio is critical to your own financial well-being, effectively managing your company's portfolio of investments in its mix of products is critical to your business success. But product portfolio planning and management, as currently practiced, is a messy, complicated process and the weakest area in product innovation management, as this study confirms.

AIPMM (Association of Product Marketing and Management) and Accept Corporation conducted a joint study in April 2011 to investigate current corporate portfolio practices and their top challenges. Over 150 product and portfolio executives representing product management, marketing and development from a diverse array of companies, industries and geographies shared their views. And it was clear that these product and portfolio leaders feel the pain.

Key Statistics:

- Over 60% say they struggle making go/kill decisions
- More than 60% say reconciling bottom-up and top down plans are a big problem today
- 89% say they do not have an integrated view of their portfolios across the enterprise
- Over 80% say their portfolio management processes are mostly manual
- More than half say they are not satisfied with their current portfolio management tool

Overall, the study reveals that product and portfolio executives are struggling when it comes to deciding and managing their innovation portfolios given the rapid changes in business conditions today. They need to continually evaluate, select, prioritize, accelerate or kill products and projects to ensure that their resources are allocated to the highest value priorities.

And, today's tools are not helping executives do this rapid top-down modeling that aligns with corporate strategy and detailed bottom-up plans.

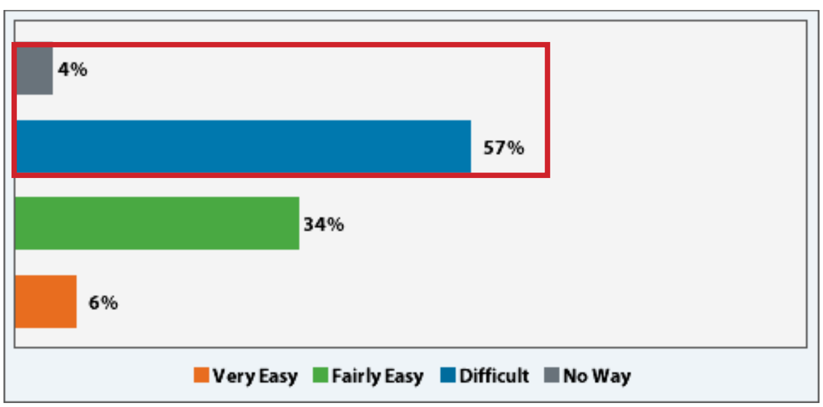
In other words, the traditional approach to managing portfolios as projects- 'PPM' as we know it, is dead. While many IT organizations are entrenched in Project Portfolio Management (PPM) approaches, top business performers are embarking on next generation portfolio practices that support rapid top-down portfolio modeling and link to clear requirements. They have a higher return on their new product innovation investments and will be the first to market with customer-driven products that fuel their growth and success.

WHY TRADITIONAL PPM IS DEAD - A CLOSER LOOK

Over 60% say they struggle making go-kill decisions in the absence of solid information – Product and portfolio executives confess that criteria and decision points for making serious Go/Kill decisions are either non-existent or rarely exist. The up-front homework is often substandard in projects, the result being that management is required to make significant investment decisions, often using very unreliable data.

As a result, companies have too many 'got-started' projects or focused on projects that are no longer strategic given changing conditions spreading limited resources too thin or to waste.

Figure 1. How easily can you make a go/no go/kill decision?



The primary objective of portfolio management is to periodically review the portfolio and make critical go/kill decisions to ensure that resources are not wasted on products and projects that while may be burdened with a huge demand pipeline are not as strategic as others. As a result, the best new product and project candidates are starved of the critical resources needed to meet launch targets. Many executives today lack the visibility across their entire project and product portfolio in order to analyze risk, return and project attractiveness and make Go/Kill decisions at the right time.

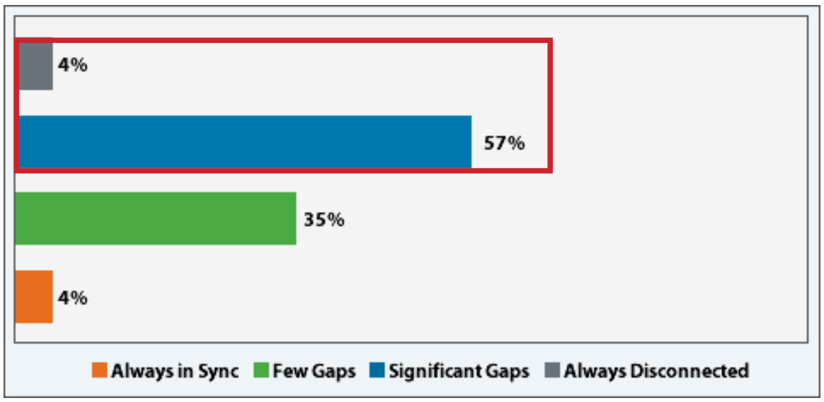
When intelligence and insights are available, market and technical information on the project is superior. Thus, management has the information it needs to select the winning projects (and to remove the dogs). The result is a much better portfolio of projects, and again higher success rates. For example, bad market information plagues many new product projects.

Lacking solid information on target markets, critical customers, competitors and risk makes it difficult to undertake a reliable portfolio analysis and usually renders the decision making process a hit-and-miss exercise. One might be better off tossing a coin.

Many executives today lack the visibility they need to analyze risk, return and project attractiveness and make Go/Kill decisions at the right time.

Over 60% say reconciling bottom-up and top down plans are a big problem - Many product and portfolio executives are struggling with reconciling their top-down priorities with detailed bottom-up plans.

Figure 2 - How well/easily do you reconcile top-down business models with bottom-up operational plans?



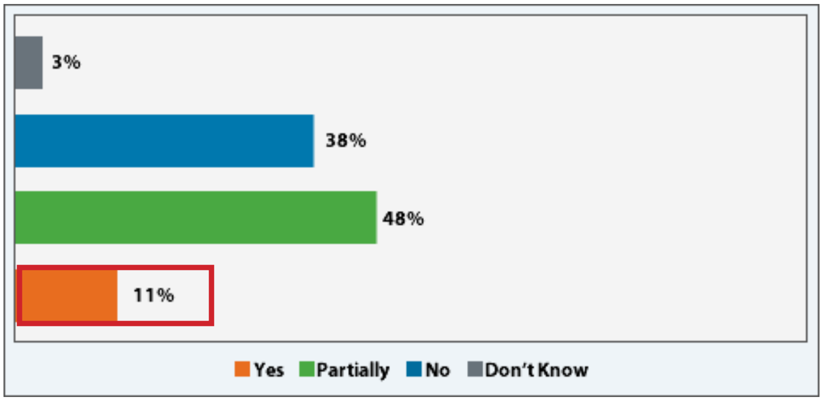
Executives need to ensure that the final portfolio of projects reflects the corporate strategy, that the breakdown of spending and allocation of resources across projects, areas, markets, etc., mirrors the corporate strategy and that all projects are "on strategy". This is one of the top challenges for executives today when it comes to effective portfolio planning and decision making.

This requires enterprise wide portfolio visibility and the capability to do rapid top-down modeling scenarios and then quickly ensure alignment with detailed bottom-up plans. This top–down portfolio modeling can be done rapidly with a few high-level assumptions about current and proposed initiatives which set the context for strategic decisions: what are the relevant market and demographics to focus on, who are the critical competitors and why, who are our key customers and partners, how much do we want to invest in which product lines and services. This rapid top-down modeling needs to meet detailed bottom-up planning- do we have the resource capacity to execute based on timing, what are the risks associated to execute based on the top-down priorities? What happens if we skip this minor upgrade and invest directly in the next big release? How much time can we shave off?

Over 89% say they do not have a unified view of their product portfolios – It is very clear that companies today do not have complete picture of the product portfolio process. Most are very much operating in silos either within their functions or product lines.

Over 89% of product and portfolio executives say they do not have a unified view of their product portfolios.

Figure 3 - Do you have an integrated view of your portfolios across the enterprise today (IT, NPD, Corporate Initiatives, Services)?



The problem with this approach is if taken independently, you may be able to execute these parts on a repeatable basis, might even move you up a level on the capability maturity model, but it is not going to help you smoke the competition and meet revenue targets, especially if all of these processes are being executed in disjointed, non-integrated tools.

Let's take the example of Company A that has a corporate objective to grow revenues by 20% In order to attain that growth, the company decides to penetrate a new market, Brazil. This corporate decision leads to several macro decisions and numerous micro decisions that all need to align in a dynamic fashion to achieve this goal. Decisions need to be made on product investments, new offices, capabilities, people infrastructure and a complete go-to-market plan to say the least. How will we take this new product to the Brazilian market? Who will be our major partners? What marketing campaigns and programs do we need to invest to support the launch? The list goes on.

In order to support and execute upon this business strategy, executives need insight into the entire portfolio to control the cost, quality and scheduling of project deliveries and the detailed go-to-market plan. And herein lies the gap within most enterprises today,

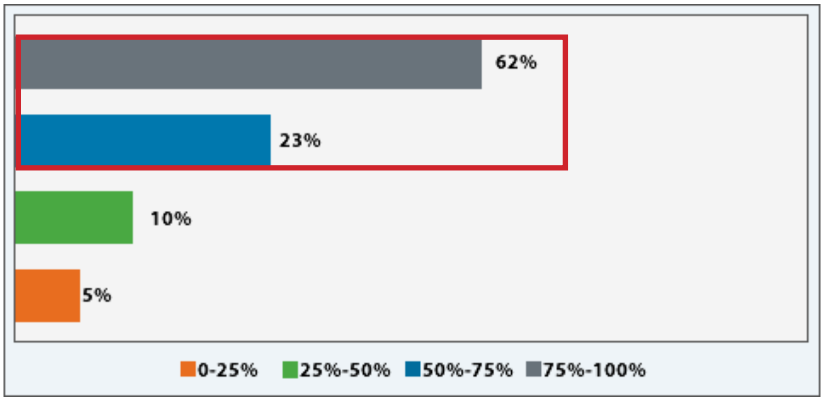
Often, executives and managers lack this consolidated, real-time view of all the initiatives mentioned in the above example across the enterprise, preventing them from making timely, informed decisions based on accurate data. As a result, staff and financial resources are not properly allocated, resulting in decreased returns and compounding the difficulty in delivering quality projects on time and on budget to support critical corporate initiatives.

Over 85% say their product portfolio planning activities are mostly manual – One notable finding is the heavy usage of documents and spreadsheets in the product portfolio management process, particularly for making portfolio decisions. Most of the companies still rely on spreadsheets, documents, presentations and basic project tools to plan and manage their portfolio activities.

Over 85% say their portfolio product planning activities are mostly manual.

Accept Software. an ARTEMIS company

Figure 4 - What percentage of your product portfolio planning activities are manual today (Spreadsheets, PowerPoints, Word Documents, etc.)?



Spreadsheets and documents are not designed to support multiple users working concurrently. As processes expand across the enterprise to incorporate more functions and users, spreadsheets and documents will fail to scale appropriately. Leading companies take more than product parameters into account in order to maximize the value of their portfolio investments. They consider revenue potential, competitive and market assessment, risk and resource constraints in addition to the right product features and specifications.

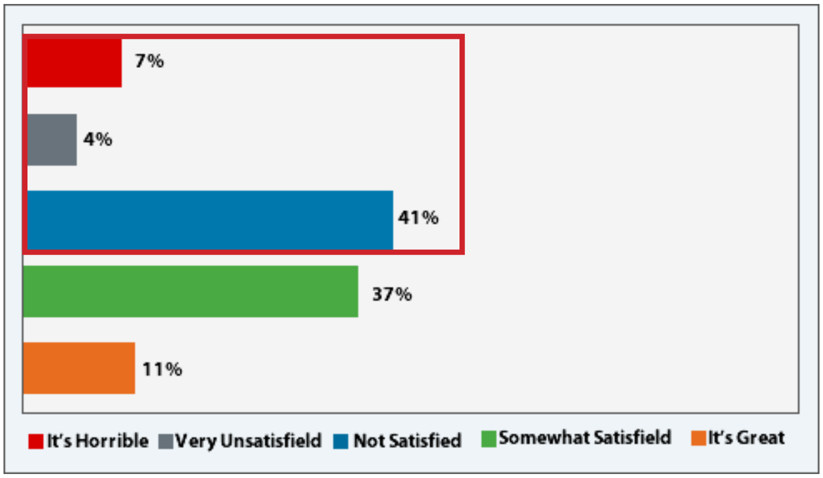
For example, if one of your key corporate strategies is to penetrate the Asia-Pacific market with a product that meets local needs, requirements and regulations, in addition to ensuring the right features and requirements are considered, you also need to ensure that the investment aligns with other key parameters like revenue, risk and resource constraints. Gathering this information and analyzing it across multiple product opportunities can be very challenging for companies. This calls for specific capabilities and 'What-If' analysis that traditional tools, spreadsheets and presentations cannot support.

Developing and analyzing this information in a collaborative way requires greater participation by multiple parties, driving the need for automation. No wonder the results are far from good considering that most product portfolio processes, the heartbeat of innovation, are still very manual.

More than half say that they are dissatisfied with their current portfolio management tool – Project portfolio management (PPM) solutions - including traditional project management tools and professional services automation (PSA) software – are still falling short of fulfilling all the requirements of many of their users.

Rapid to-down modeling and aligning strategic priorities with operational plans biggest challenges today.

Figure 5 - If you are using some type of commercial portfolio management tool, how satisfied are you?



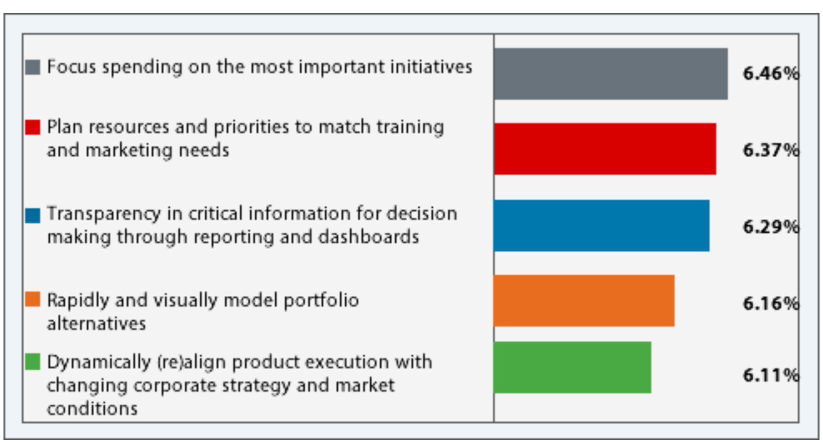
While most project portfolio tools are very good at resource management, they fall short in providing rapid top-down modeling capabilities that align with detailed bottom-up plans. They also lack a unified view across all portfolios and do not link to requirements management which ensures that your product execution efforts are aligned with your corporate priorities. This leaves many companies struggling with identifying the most strategic investments and the effective allocation of resources and execution across these initiatives.

In short, organizations need to ensure that their project portfolio management solutions fit the purpose; otherwise they are reducing the effectiveness of their operations and putting their business at risk.

TOP FIVE PORTFOLIO MANAGEMENT CHALLENGES

Following are the specific challenges executives mentioned they are faced with today in planning and managing their innovation portfolios.

Figure 6 - What are your top portfolio management challenges today?



These confirm the findings in the previous section that alignment between strategy and execution is the biggest problem. Companies lack rapid top-down modeling capability that allows them to focus and invest in the most strategic initiatives. They also lack the ability to ensure that those initiatives align with detailed operational plans that align resources and priorities. Lack of visibility into a unified view through reports and dashboards make it more challenging to obtain critical information to make the most effective decisions. And finally, the lack of ability to dynamically adjust and realign their execution efforts with changing corporate strategy and market conditions make it very hard on companies to continue investing in the right products and initiatives.

The above challenges reiterate that the traditional PPM tools and approaches are falling short as discussed and companies need to take a hard look at their existing portfolio practices and start adopting next generation portfolio planning and management capabilities and approaches that will ensure their growth, revenue and profitability.

NEXT GENERATION PORTFOLIO PLANNING - 5 SUCCESS FACTORS

Regardless of where you are today in your innovation journey and your readiness in transforming portfolio planning and management into a key competitive advantage, the following recommendations will help you embark on necessary performance improvements for next generation portfolio planning:

1. Align portfolio with company goals and product strategies

This means that your entire portfolio is "on strategy"; and that your breakdown of spending across projects, areas, markets, etc., must mirror your strategic priorities (your areas of focus and their respective priorities). This top–down portfolio modeling can be done rapidly with a few high-level assumptions about current and proposed initiatives which set the context for strategic decisions: what are the relevant market and demographics to focus on, who are the critical competitors and why, who are our key customers and partners, how much do we want to invest in which product lines and services. This step will ensure that your portfolio investments are focused on the most important initiative, the number one challenge with most executives today as we saw in the previous section.

2. Unify an enterprise wide portfolio focused on full investment lifecycle

Optimize your portfolio performance by integrating operational planning and execution across the enterprise. Invest in a comprehensive enterprise portfolio planning and execution system. Ensure that the technology platform empowers you to collaborate on and codify your strategic priorities into an operational plan through project execution, enabling you to efficiently allocate and dynamically manage money and resources across the enterprise. With this unified view across all stakeholders and departments, cost, quality and scheduling decisions will be made collectively versus in silos within a department, as an example,

Plus executives and managers will have a consolidated, real-time view of all the initiatives and can make timely, informed decisions across the entire lifecycle of a product/initiative and all its sustaining activities and cost, not just managing one-time projects.

As a result, staff and financial resources are properly allocated, resulting in increased returns and delivering quality projects and products that support critical corporate initiatives, on time, every time.

3. Accelerate with rapid top-down modeling that meets detailed bottom-up plans

Top–down portfolio modeling can be done rapidly with a few high-level assumptions about current and proposed initiatives. Company objectives and initiatives set the context for strategic decisions: what are the relevant market and demographics we want to focus on; who are our critical competitors and why; who are our key customers and partners; how much do we want to invest in which product lines and services. What–if scenarios are created to model different approaches and combination of initiatives in a sandbox. Which products and initiatives are most aligned to company objectives? What are the tradeoffs? Should any of the current projects be stopped because the criterion under which it was funded is no longer valid?

Rapid top-down modeling however, needs to meet detailed bottom-up planning. Visualize and align bottom-up operational plans to corporate strategy and portfolio initiatives. Real-time dashboard-style views will help you quickly get the big picture (spotting trends, identifying red flags before they create significant difficulties for the organization, and confirming that projects and initiatives are aligned with corporate strategies) and ensure that the resulting decisions contribute to maximizing financial value and corporate growth.

4. Adapt Dynamically to Changing Company and Market Conditions

Like your personal investment portfolio management, enterprise portfolio management is also a balancing act that requires constant monitoring and adjustment over time. Risks, returns, resources required, and alignment with overall strategy are just a few of the factors that must be adapted dynamically to changing company and market conditions.

You have carefully weighed the alternatives and have allocated just the right amount of your assets to stocks versus fixed-income investments. You feel comfortable with the growth/income and risk profile of your investment portfolio, and you have carefully diversified your assets over all the investment categories, and even within each category. Then, inevitably, the market jumps up or down, and your investment portfolio is thrown completely off balance.

Here are some basic information needs and how they can be used to rebalance or adjust a portfolio of products or projects:

Risks – Feedback from the project or product teams can provide information or changing risk levels, including schedule risk, cost risk, or quality risks, such as not being able to provide the deliverable originally envisioned for the project. It may also be that project risks have not changed appreciably, but the organization’s tolerance for those risks has changed.

Returns – “Returns” refers to the expected benefits from the project. Like an investment that is expected to earn a 12% annualized return, there are similar expectations for a project. However, changing conditions could influence the expected benefits of the project, and it may be better to speed up, slow down, or even cancel a project as a part of the portfolio adjustment process.

Resources required – Outside conditions may be in alignment with expectations, but resources required to achieve the project’s objective may have changed. Adjusting resources deployed to the project will need to be considered.

Alignment with overall strategy – When overall organizational strategy changes, each project in the portfolio needs to be reviewed for alignment with the new strategy. It is easy to imagine that some projects may no longer be needed, whereas other projects that previously did not “fit” in the portfolio will now, and perhaps even other projects that were previously not considered may emerge as clear possibilities.

5. Enable next generation portfolio planning through technology

Start small. Invest in an easy, intuitive product portfolio modeling and planning solution that will help you as a product or portfolio executive model your investment options in context of your constraints and market drivers. Your next step is to automate the entire portfolio planning process. Eliminate manual processes as much as possible.

Finally, integrate and expand your portfolio planning processes into an end-end integration management system that covers Ideation, Strategy and Product Portfolio Management, Requirements Management and Execution. Ensure that your portfolio planning solution can also integrate with other systems and third party applications that will enable you to capture, prioritize, and hyper-collaborate and execute on winning products like never before.

CONCLUSION

Portfolio management is not a onetime event. It is a dynamic process. Effectively executing on your innovation portfolio requires ensuring strategic and execution alignment across frequently disjointed aspects of the corporate strategy, product planning and development lifecycle most often managed through heavy usage of documents and spreadsheets or traditional PPM approaches and tools.

These individual and other conventional applications are usually designed to address a specific business need of the enterprise. They fall short when it comes to making sure business processes and execution are aligned with company strategy to efficiently, reliably, securely, and consistently deliver products and services that further the company's business goals in today's rapidly changing business environment where detailed upfront analysis is no longer an option.

Portfolio management is an on-going, dynamic process. Companies need to manage resources to shifting priorities and react to change quickly.

In short, companies need the right set of capabilities and codified best practices to develop and execute on corporate strategy, identify key initiatives, manage resources and react to change quickly to effectively meet company goals and objectives.

And the mantra is:

Do a rapid top–down portfolio modeling with a few high-level assumptions about current and proposed initiatives

Support with detailed bottom-up planning to understand what is it really going to take to build these products and services

Track and manage product investments across their entire ***lifecycle*** from proposals, to planning, to development, to launch, and all the work to support and maintain a product or service.

PPM IS DEAD. LONG LIVE PORTFOLIO.

APPENDIX

Research Methodology

Participants included more than 150 product and portfolio executives representing from a diverse array of companies, industries and geographies. Nearly 40 percent of the participants represented companies with more than $1B in annual revenue. Over 46 percent of the participants were Director, VP or CXO level. Companies headquartered in the Americas represented 60 percent of the total respondents, Europe and Middle East/Africa followed with 35 percent and the rest representing Asia Pacific/India (5 percent).

Collection method

An anonymous online research survey was distributed in April 2011 via e-mail. Two additional reminders were sent before the research was closed. Responses were screened for completeness.

Audience

Survey recipients were product executives representing product management, marketing and development from a diverse array of companies, industries and geographies.

Scoring methodology

Product professionals in various roles at companies across the world identified the most important priorities they are focused on today. Participants were asked to rate the importance associated with fifteen priorities on a scale of 1 to 10, with 1 indicating "Low" and 10 indicating "High".

Aggregate Participant Profile - Total Participants: 150

Region:

Americas	60%
Europe/Middle East/Africa	35%
Asia Pacific	5%

Company Size:

$0-10M	18%
$10M-100M	23%
$100M-500M	12%
$500M-1B	6%
$1B-10B	24%
$10B+	16%

Role:

Cxo (CPO, CFO, CEO, etc)	8%
Vice President (including SVP, EVP, etc)	15%
Sr. Director/Director	23%
Portfolio Manager	33%
Business Analyst	3%
Staff/Administration	4%
Other	14%

Sector:

Automotive	2%
Consulting or Professional Services	11%
Consumer Packaged Goods	2%
Diversified Manufacturing	3%
Financial Services	6%
Health-care	6%
High Tech	13%
Logistics/Transportation	4%
Oil & Gas	2%
Process Manufacturing and Chemicals	1%
Public Sector	1%
Pharmaceutical	1%
Research Firm	1%
Retail	2%
Software	26%
Telecommunications	13%
Utilities	1%
Other	7%

ACCEPT360™ PRODUCT INNOVATION MANAGEMENT SUITE

Accept360 Suite

Accept partnered with leading companies in the most demanding and competitive industries to develop its product innovation management suite. Accept360 is imbued with the proven product innovation processes and best practices required to manage complex product portfolios and deliver at market speed. It is uniquely effective, bringing together four functionally deep yet highly-integrated modules that deliver enterprise agility across ideation, planning, and execution: Accept360 Ideation, Accept360 Strategy & Portfolio, Accept360 Requirements Management, and Accept360 Execution.

Accept360 Ideation

Accept360 Ideation is an on-demand software solution that helps you harness the collective wisdom of your community, tapping a vast new source of market insight that will completely change the way you innovate.

Engage customers, partners, suppliers and employees in an "always on" conversation about your products and services. Capture thousands of new ideas. Validate existing ones. Pinpoint trends. Anticipate demand. As community members contribute enrich, and refine ideas you gain precise real-time insight - with the certainty to innovate at market speed.

Accept360 Strategy & Portfolio

Accept360 Strategy & Portfolio allows you to define a strategic, balanced product roadmap, to help you align product strategy with company strategy. Integration with Accept360 Ideation enables you to easily evaluate new products across key portfolio objectives such as investment, ROI, competitive advantage, resources, and others then drill down to get specific details on the factors that drive your portfolio decisions.

Accept360 Requirements Management

Accept360 Requirements creates a living repository of information that ties together market, customer, competitive, and requirements data in a proven market model framework. In addition to what you see in the Fast Track Program, Requirements lets you create any number of Functional Areas - to manage multiple product lines, divisions or brands independently - plus, comprehensive reporting.

Accept360 Execution

Agile software development methods like Scrum and Extreme Programming are quickly becoming the norm. Given the methodologies' focus on urgency and fast delivery, this is an area that clearly calls out for real-time integration with the big picture.

Accept360 Execution accomplishes this by:

- Discovering, evaluating, and prioritizing the features that will yield the best satisfaction to the customer
- Maximizing the creation of value throughout the agile development process, and
- Providing clear measurements of the business value delivered after each sprint.

About Accept Software Inc.

Accept Software, Inc. delivers The Product Innovation Management solution that technology-driven companies use to decide which products to bring to market for the fastest time-to-profit. The Accept360 Suite is the only complete end-to-end software solution that tightly links company and product strategy through ideation, portfolio planning, roadmaps, requirements and execution. For more information, visit www.accept360.com

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