

Product Portfolio Management: Balancing Risk for Maximum Economic Gain



September 23–24, 2009 | Chicago

A two-day intensive workshop focused on how to optimize project and portfolio value by managing uncertainty, identifying and prioritizing high-value projects, and allocating scarce resources

LED BY:



David Matheson

President and CEO, SmartOrg, Inc., Instructor in Portfolio Management at Stanford University, and co-author of best-seller *The Smart Organization: Creating Value through Strategic R&D*



LEARN HOW TO:

- Identify and focus on high-value projects and weed out losers
- Achieve higher margins with limited resources
- Break through political deadlocks and accelerate portfolio decisions
- Select the right portfolio mix and balance your new product pipeline
- Apply proven tools and methods to make credible forecasts when there is a great deal of uncertainty
- Cut costs without cutting your future

Session is limited to 35 participants

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Why this workshop is important to attend

In making portfolio decisions, are you struggling with:

- **Obtaining credible and comparable project evaluations?**
- **Uncertainty and variability across different projects?**
- **A lack of objectivity in the decision-making process?**
- **A process that is unworkable or inefficient?**

Clearly, in the face of recessionary times, intense competition, scarce resources, and project uncertainty, selecting and managing projects and portfolios is a high risk activity. Having a consistent approach to evaluate project value and the impact of each project on the value of the portfolio is crucial.

This two-day intensive workshop will dispel common misconceptions about portfolio management and reinforce the importance of getting project evaluations right. The workshop will focus on systems and processes that enable you to identify and deal explicitly with key economic-value drivers and the uncertainties that impact value. You will learn how to provide the information managers and teams need to select high-value projects, kill losing projects early, allocate scarce resources, and create a balanced risk/reward portfolio.

By participating, you will come away with:

- An understanding of the principles for creating great portfolios and an assessment of where your company stands relative to benchmarks;
- A practical process model that provides step-by-step guidance on how to apply value-based principles to your portfolio decision making;
- Approaches to improve critical thinking about economic and strategic issues that affect your company's projects and portfolios;
- Proven tools and methods to create objectivity throughout the evaluation process—even when solid data is unavailable;
- Methods to ensure bottom-up reality meets top-down aspirations.

The workshop will include lectures, case presentations, group discussions, and interactive simulations to create an active learning experience where you will learn key concepts that you can readily apply when you return to your office.

Who should attend:

VPs and Directors of Product Development, R&D, Engineering, Marketing, Strategic Planning; Chief Technology Officers, and program managers.

NOTE: Attendance is limited to maximize your learning experience through team participation in exercises and to enable active discussion with other participants and the instructor.

INSTRUCTOR



David Matheson,
President & CEO,
SmartOrg, Inc.

Dr. Matheson has helped senior management of firms in the United States and Europe improve the value of R&D, product development, innovation, capital investment and strategy.

His practical experience covers a wide variety of industries, including software development, biotechnology, telecommunications, chemicals, pharmaceuticals, manufacturing, electric power and entertainment. He is co-author of the best selling book, *The Smart Organization: Creating Value through Strategic R&D* (Harvard Business School Press). After a decade of consulting as a principal at the international consulting firm SDG, he co-founded SmartOrg in 2000. SmartOrg is a leading provider of value-based management solutions—processes and software that optimize project and portfolio value. His Ph.D. is from Stanford University where he also teaches portfolio management classes in the Strategic Decision and Risk Management program.

GUEST PRESENTER



Dr. Ward Peterson,
Senior Vice President
of Scientific Affairs and
Strategic Interventions,
Inspire Pharmaceuticals

Dr. Peterson has over ten years of experience in biotech and pharmaceutical R&D. He has authored peer-reviewed scientific journals, book chapters and review articles, and has presented on topics such as translational/preclinical research and drug discovery and development. He has a keen interest in using decision analysis tools in project and portfolio decision making. He spearheaded the implementation of value-based portfolio management approaches at Inspire by working with SmartOrg and Strategic Decisions Group, and has given presentations on this topic at various conferences, including INFORMS, Frost and Sullivan, Management Roundtable and Marcus Evans. He is currently Chair of Inspire's Portfolio Management Board. Dr. Peterson received his Ph.D. at University of California, Berkeley.

Agenda

Product Portfolio Management: Balancing Risk for Maximum Economic Gain

Day One | Wednesday, September 23, 2009

7:00 – 8:00 **Registration and Continental Breakfast**

8:00 – 8:30 **Introductions and Course Overview**

8:30 – 9:30 **Principles of Good Portfolio Management**

Review of key principles that drive successful portfolios:

- Credible and comparable project evaluations
- Creating the real decision forum
- Maintaining a value creation focus
- Embracing uncertainty

Uncovering common misperceptions about portfolio management, including:

- Portfolio processes are merely top-down implementation of strategy
- Risk should be avoided
- Simple weighted scores can resolve conflict
- The right executive displays will make everything possible

9:30 – 10:45 **Portfolio Simulation**

- This interactive simulation will give participants the opportunity to make key portfolio decisions, compete with other teams and see first-hand how these decisions directly impact portfolio value.
- Gain a thorough understanding of the real world-challenges and dilemmas involved in creating winning portfolios.

10:45 – 11:00 **Refreshment Break**

11:00 – 12:00 **Case Presentation: Applying Value-based Management Principles**

Ward Peterson, Senior Vice President of Scientific Affairs and Strategic Interventions, Inspire Pharmaceuticals

- Addressing the challenges of corporate portfolio decision-making such as: politics dominating the decision process, lack of consistency in measuring R&D projects, and the inability to address risk and uncertainty in a consistent manner.
- Introduction of a practical process model to provide step-by-step guidance on how to apply value-based principles to your portfolio decision-making process. This model involves five critical steps: set-up, project evaluation, cross-project calibration, portfolio decision-making, and uncertainty and value tracking.

12:00 – 1:00 **Lunch**

1:00 – 2:00 **Photofinish Case: Set-up**

Throughout the course, attendees will participate in a case study to learn and apply a best practice-based process for managing portfolio strategy. This first segment focuses on the set-up phase of the portfolio process. Mapping your approach—determining how to address key questions including:

- What is the best unit of analysis for evaluating a portfolio?
- What standards do you use to compare projects?
- What are the sources of information?
- Who should be involved in the process?

2:00 – 3:30 **Project Evaluation**

Achieving portfolio optimization requires credible and comparable project evaluation. Conventional approaches to business case analyses and managing uncertainty can lead companies astray. This session will prepare you to:

- Develop the best measures of project value
- Manage uncertainty with confidence during project evaluation
- Measure the difficulty of project: cost, schedule and probability of success
- Make the right decisions with limited information
- Determine the potential economic size of the opportunity
- Assess ranges of uncertainty in regards to market size, price margins and other critical factors

3:30 – 3:45 **Refreshment Break**

3:45 – 5:15 **Photofinish Case: Project Evaluation**

In small groups, participants will apply the key concepts outlined in the previous section to the Photofinish case. Groups will then share learnings.

5:15 – 5:30 **Q&A**

Day Two | Thursday, September 24, 2009

7:30 – 8:00 **Continental Breakfast**

8:00 – 8:15 **Overview of Day Two**

8:15 – 9:00 **Project Evaluation** (continued)

9:00 – 9:30 **Photofinish Case: Project Evaluation**

Continuation of case exercises on project evaluation.

9:30 – 10:45 **Cross-Project Calibration**

The calibration step is an essential knowledge-based activity to improve projects and ensure that they are comparable. It is often left out of portfolio processes because people want to drive to decisions quickly; this impatience only serves to slow down the process and reduces the chance that decisions will stick. This section will examine:

- How to manage common issues that arise during project comparisons including: standards, common inputs, comparing probabilities of success and ranges of commercial contribution
- Peer and expert review meetings: why are they necessary, who should participate, how to run them and manage conflict

10:45 – 11:15 **Refreshment Break**

11:15 – 12:00 **Photofinish Case: Cross-Project Calibration**

In small groups, participants will apply the key concepts outlined in the previous section to the Photofinish case. Groups will then share learnings.

12:00 – 1:00 **Lunch**

1:00 – 1:45 **Portfolio Decision Making**

Project prioritization is only one aspect of portfolio decision-making. This section will examine how to manage and reconcile competing objectives including: short- versus long-term investments, strategic goals and organizational politics. Topics will include:

- The importance of starting debates based on value
- Reconciling conflicting objectives, such as demands from different organizations
- What to do when your portfolio isn't positioned to meet expectations
- Refining strategic goals and setting project priorities
- Incorporating "soft" and strategic issues into the decision making
- Balancing risk and return across the portfolio
- What to track and when to revisit portfolio decisions

1:45 – 2:15 **Photofinish Case: Portfolio Decision Making**

In small groups, participants will apply the key concepts outlined in the previous section to the Photofinish case.

2:15 – 2:30 **Refreshment Break**

2:30 – 3:30 **Higher Level Portfolio Management Topics**

Based on specific needs of the participants, Dr. Matheson will address topics for additional discussion, such as:

- Risk concentration and hedging across the portfolio
- Synergy and competition among projects
- The business unit perspective
- Typical patterns and templates useful in long-range versus short-range industries

3:30 – 4:30 **Gap Analysis and Action Planning**

- Participants will receive a custom report of how well their company is performing in relation to the principles of good strategic portfolio management (The report will be based on a survey participants completed prior to the course).
- This section will help participants determine where their company stands relative to benchmarks; participants will identify and prioritize the areas most important to creating company value.
- Participants will develop an action plan to address their priorities.

4:30 **Workshop concludes**

12 Key Benefits

By participating in this workshop, you will learn how to:

- 1 Achieve strategic objectives with limited resources
- 2 Create a balanced risk/reward portfolio
- 3 Refine strategic goals and set project priorities
- 4 Increase portfolio value by killing losing projects faster and cheaper
- 5 Allocate scarce resources to create an achievable portfolio
- 6 Develop the best measures of project value
- 7 Assess and prioritize project uncertainty to better drive the upside and avoid the downside of projects
- 8 Determine the potential economic value of an opportunity
- 9 Make quality decisions with limited information
- 10 Break through organizational politics and accelerate portfolio decisions
- 11 Manage and reconcile competing objectives
- 12 Improve return on R&D and NPD investments

"Understanding how to effectively use Product Portfolio Management is essential to managing and optimizing a company's development portfolio. David Matheson has consistently demonstrated his depth of understanding in this field and is able to bring a wealth of practical examples from his work with his corporate clients and their portfolios. This knowledge will truly help the participants connect the theory with the real-life deployment and use of these technologies."

Ken Edwardsson, Global Leader, Create Product Success,
Dow AgroSciences

About Management Roundtable



The Management Roundtable (MRT) is the foremost knowledge and networking resource for industry practitioners involved in product, service, technology, and business development. Practitioner-oriented and unbiased, MRT's focus is on strategies and processes that enable speed, innovation, profitability, and overall competitive advantage. Through its highly regarded conferences and publications, MRT has helped companies achieve their objectives since 1980. Its membership offering, the Management Roundtable FastTrack, (www.roundtable.com/membership) offers direct, year-round access to leading-practice insights via teleconference and online reports.

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4 WAYS TO REGISTER:

CALL: 1-800-338-2223 or 781-891-8080
(weekdays, 9:00am–5:30pm EST)

FAX TO: 781-398-1889

INTERNET: info@roundtable.com or
www.ManagementRoundtable.com

MAIL TO: Product Portfolio Management
c/o Management Roundtable
92 Crescent Street, Waltham, MA 02453

Please accept the following registration for the "Product Portfolio Management" workshop:

(Please use photocopies for additional registrants. Please type or print clearly.)

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DATES/SCHEDULE: The workshop will be held September 23–24, 2009. Registration and continental breakfast begins at 7:00am on Wednesday, September 23; the workshop commences at 8:00am and concludes at 4:30pm on Thursday, September 24.

LOCATION/ACCOMMODATIONS: The Hilton Suites, 198 East Delaware Place, Chicago, IL 60611.

RATE: \$179 (limited block of rooms available—reserve rooms early). For reservations, please call 312-664-1100 and mention Management Roundtable.

WORKSHOP FEE: \$1995 per person. Fee includes program materials, luncheons, continental breakfast and refreshment breaks.

EARLY-BIRD DEADLINE: Register by August 15 and Save \$200!

NO-RISK GUARANTEE: Your satisfaction is 100% guaranteed—money back or credit. If you are not satisfied with the quality of this program, let us know in writing and we will refund your entire registration fee.

CANCELLATIONS/SUBSTITUTIONS: You may send a substitute attendee in your place at any time with no penalty (please inform us in advance if possible). Cancellations made within 5 business days of the event are subject to a \$500 administration fee OR the full fee can be credited towards a future purchase. No-shows are liable for the full fee.