



SVPMA presents

## How to Prioritize Your Products Within and Across Strategic Business Units

Wednesday April 1, 2009

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Presented by:

**Michael Menard**

President – The GenSight Group



the **GenSight** group

# Michael J. Menard

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- President and Co-founder, The GenSight Group
- 37 Years Business Experience
  - 25 Yrs with J&J, VP Global RD&E
- Passion for Product Innovation
  - 17 US Patents
- Currently Head-up Portfolio Management Practice for The GenSight Group

# the GenSight group

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- 16 Year History of Innovation
- Enterprises Portfolio Management (EPfM)
  - Portfolio Management
  - Resource Management
  - Stage-Gate/ Management
  - Project Management
- Two Locations
  - Doylestown, PA
  - London, England
- Product Offerings:
  - Product Portfolio Management
  - Process Portfolio Management
  - Project Portfolio Management
    - Business Improvement
    - New product
    - Capital
    - IT
    - Six Sigma
- Total Solution
  - Business Process Design
  - Enterprise Software
  - Dynamic Integration

# the GenSight group

## Industry Recognition



## Current Clients



# Session Objectives

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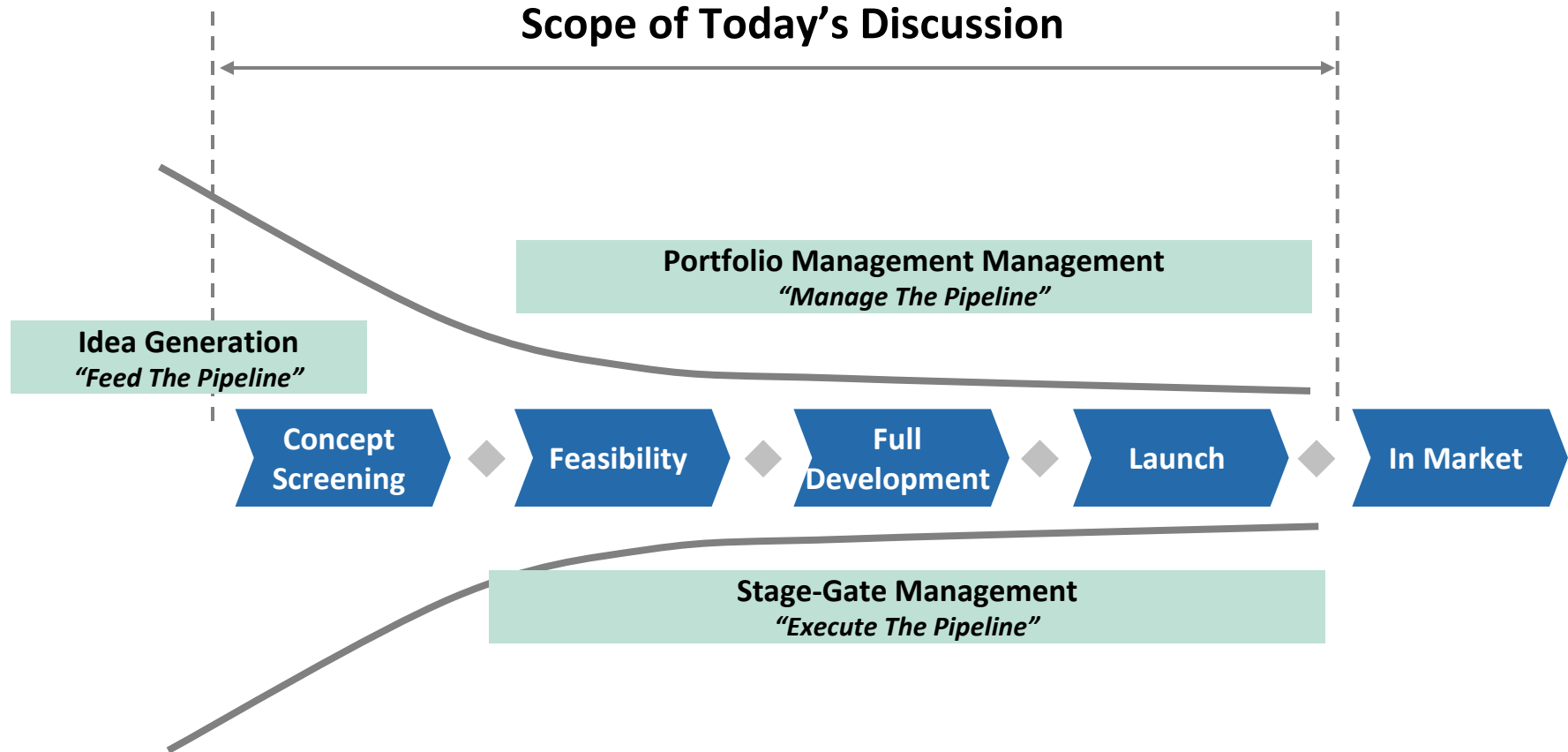
- Raise awareness to the importance and value of product prioritization
- Share best practices in the:
  - Creating prioritization criteria
  - Utilizing prioritization to make product selection
- It's Important, Difficult...and there is a better way

# Discussion Topics

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- Position Prioritization in the macro flow of business
- It's Important
- It's Challenging
- Range of methodologies used today
  - Emerging best practice
- How to create prioritization criteria
- Prioritization criteria and Stage-Gate management
- How to use Prioritization
  - Data Visualization of Prioritization Criteria
  - Portfolio Optimization
- Prioritizing within and across BUs

# Focus on Products in the Pipeline



# Portfolio vs. Project Management

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**Portfolio Management:** “What” you do  
*Processes, tools and skill sets to Analyze, Select, Resource, Communicate and Track the portfolio of projects that maximize contribution to the business. Focus on strategy*

**Project Management:** “How” you do it  
*Processes, tools and skill sets to complete the overall project objectives on time and on budget. Focus on execution.*

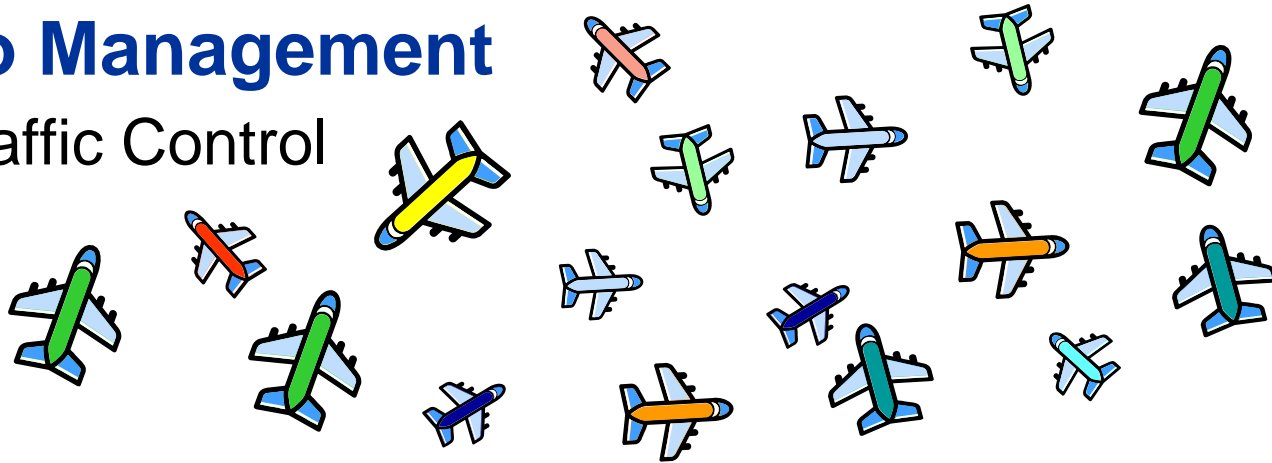


# An Airline Analogy

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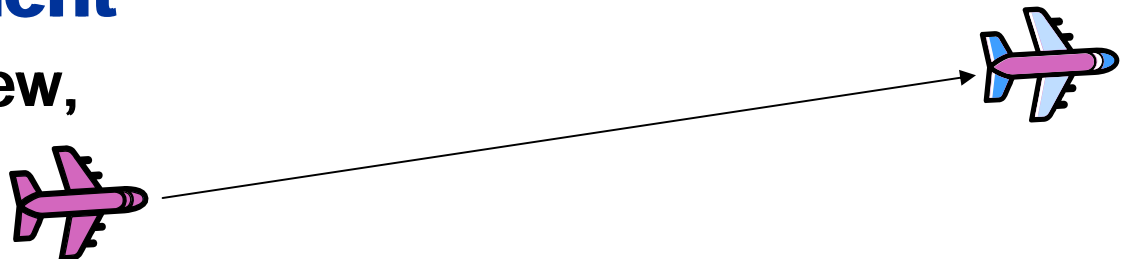
## Portfolio Management

Air Traffic Control



## Project Management

One plane, one crew,  
one destination



# Why Prioritize?

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1. Make best use of constrained resources
2. Improve speed and agility of decision-making process
3. Brings order to chaos
4. Reduces organizational stress
5. Legitimate way to say “no”
6. **Heart of Strategic Management**

# Product Prioritization and Selection...

## Heart of Strategic Management

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### Strategic Management

*“The investment, redeployment, and restructuring of financial, human, organizational, and intellectual resources that create flows of revenues and cash beyond the short-term horizon.*

*This requires a very special planning skill; the ability to understand and anticipate the effects of the complex, often chaotic, dynamic interaction between a firm's deployment of its resources and its evolving business environment”*

# A Significant Challenge

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*“Product Selection was identified as the...*

- Most critical
- Least understood
- Most commonly mishandled

*...aspect of business today”*

Pande, Neuman and Cavanagh

Authors: *The Six Sigma Way*

# What Makes It So Difficult?

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1. *Lack of defined, consistent process*
2. *Lack of consistent prioritization criteria and weights*
3. *Complexity*
4. *Cognitive Limitations*
5. *Inability to “See the Big Picture”*
6. *Our “Perceptual Bias”*  
*We believe...and then we see*
7. *Our Mindset*  
*“It’s suppose to be difficult.”*  
*“There is no better way.”*



# Emerging Best Practice

## Advocacy Approach

- Lack of prioritization process/capability
- Limited understanding of what it takes to deliver project objectives
- Limited understanding of current allocation and available resources

*“Work harder”*

*“Work smarter”*

*“Do More”*

*“Find a way”*

## Force Rank – Draw Line

- Prioritize projects based on single variable or scorecard
- Draw the line based on resource constraints

## *Emerging Best Practice* Portfolio Optimization








Select optimized portfolio

### • **Multi-Variant Prioritization**

- Weighted Scorecards
- Optimize Product Selection:
  - Multiple constraints
  - Goal Maximization
  - Interdependencies
  - “Must do” projects
- Ability to rapidly model “what-if” scenarios

# Elements of Decision Excellence®

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	1. Process Design
	<b>2. Decision Criteria</b>
	3. Data Collection and Management
	4. Data Visualization
	5. Portfolio Analysis
	6. Resource Optimization
	7. Dynamic Integration



## How are product decisions *currently* being made?

- Spread the investment/cost across “all”
- Give to the “biggest”
- Give to those that have a history of delivering
- Support the most impassioned / best presenter

**or...**

make the decisions based on managements' individual mental models

Experience

Opinion

Judgment

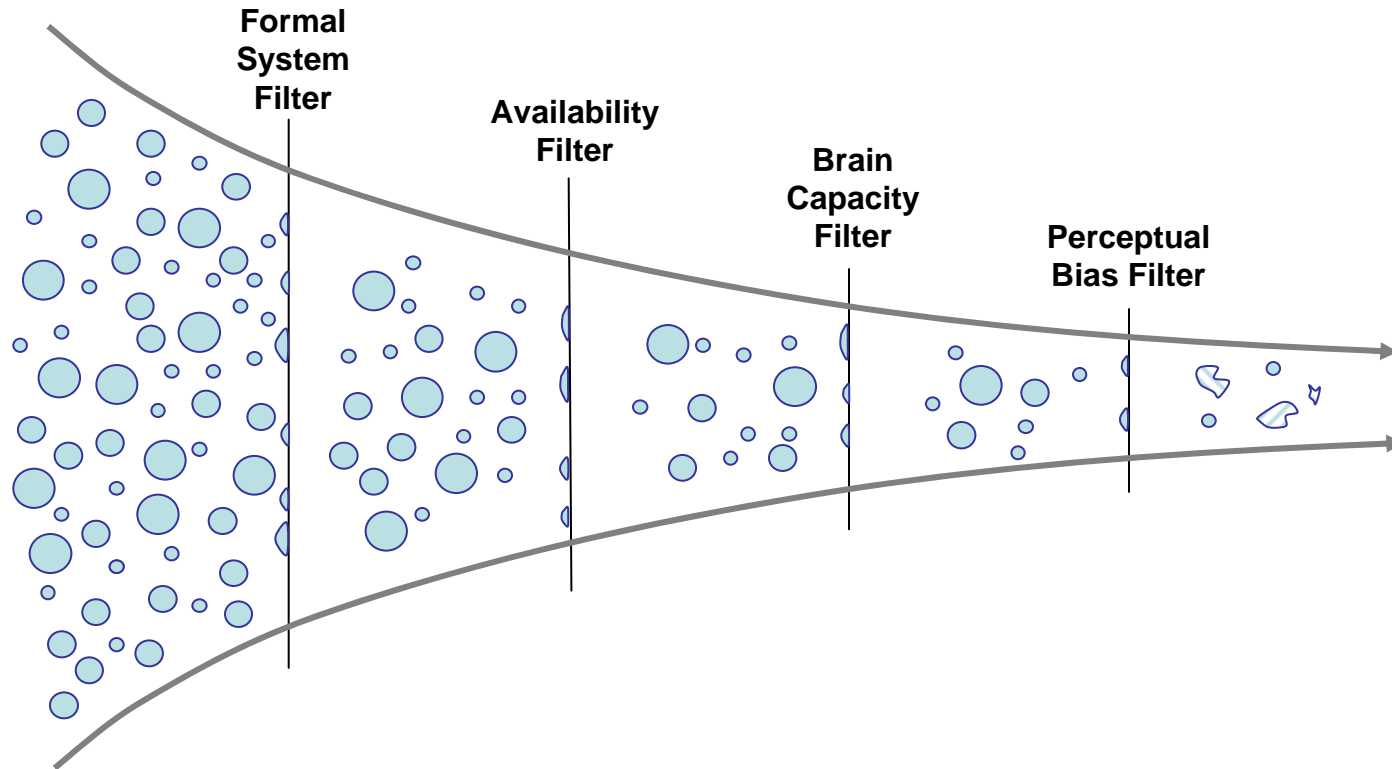
Privately held  
....difficult to  
“put on the table”...

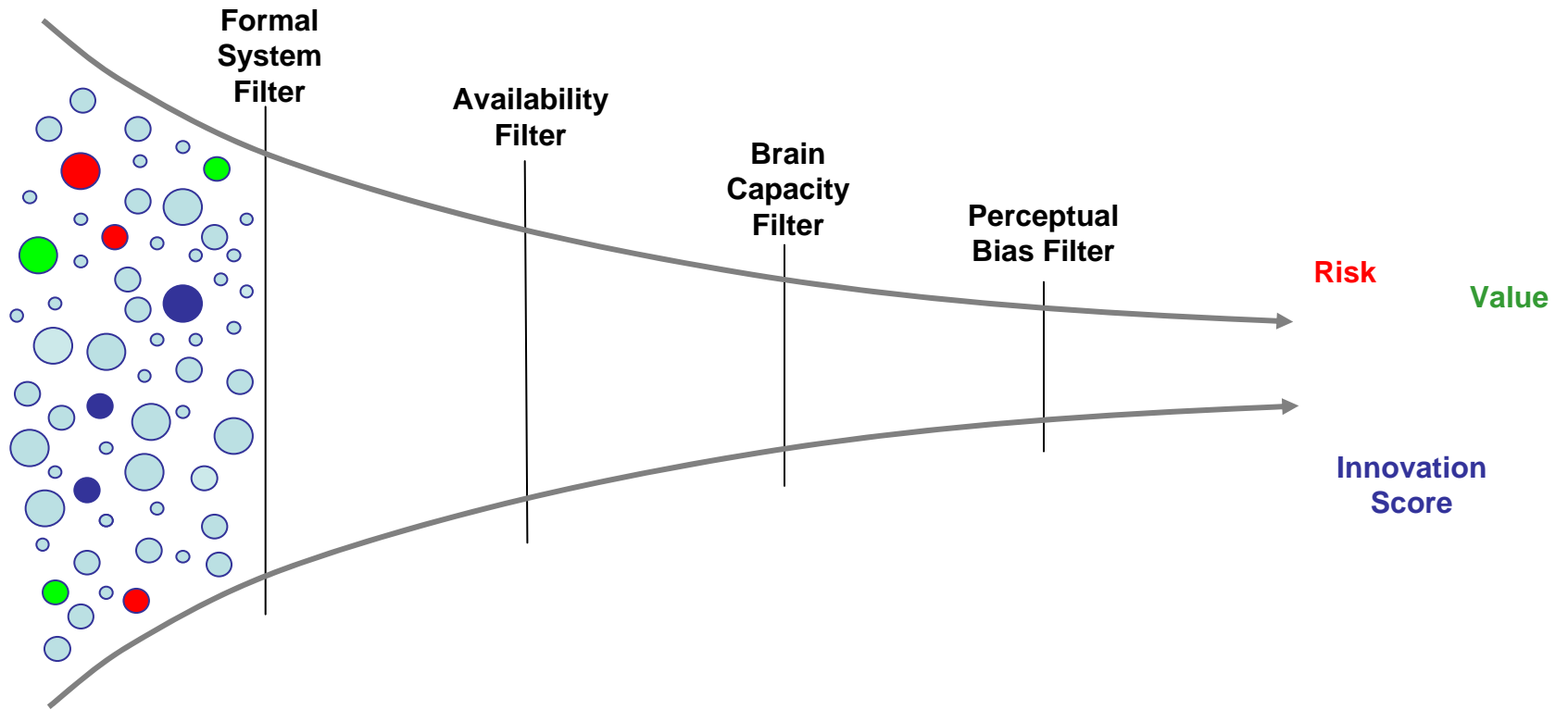




# Data Filters

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# Principles of Criteria Design

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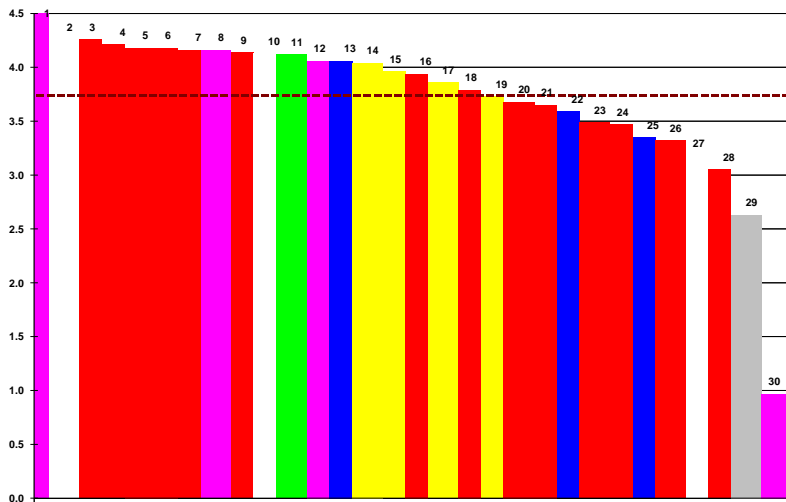
1. Select the most appropriate variables
2. Single focus for each variables
3. Utilize Multi-Factor variables
4. Consistent and linear scoreguides
5. Explicit descriptions
6. Weight criteria based on importance
7. Greatest possible discrimination

***Design and selection of the criteria can have a profound effect on value and priority***

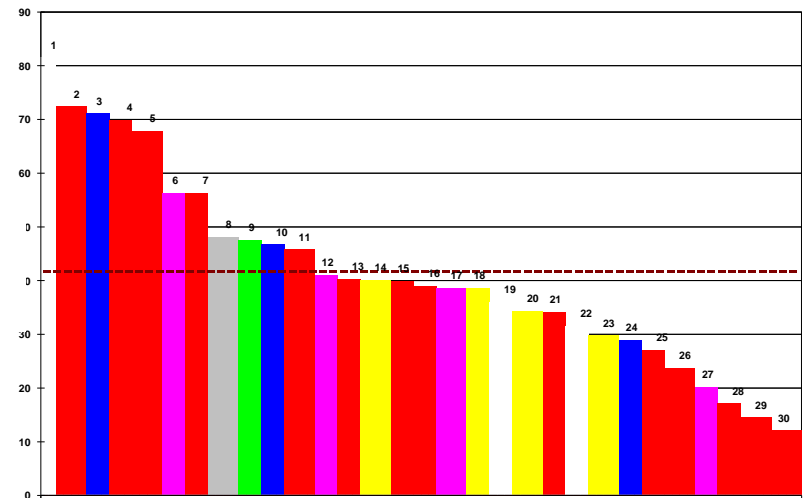
# Design and selection of the variables can have a profound effect on priority and value

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## Before



## After



# Four Types of Criteria for Decision-Making

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- 1. Value:** Criteria used to assess the overall value/goodness of a project and to discriminate the value between multiple projects or alternatives (Incremental Sales, Innovation Level, NPV, etc.)
- 2. Risk/Uncertainty:** Criteria used to assess the overall risk/difficulty of a project and to discriminate the risk between multiple projects or alternatives (Examples: Technical Risk, Commercial Risk, Etc.)
- 3. Investment:** Criteria used to assess the cost required to achieve the project objectives (Examples: Development Expense, FTE's, etc)
- 4. Categorization:** Criteria used to define and describe. Typically used to place a project into a "bucket". (Examples: Focus area, Stage, BBU, Etc.)

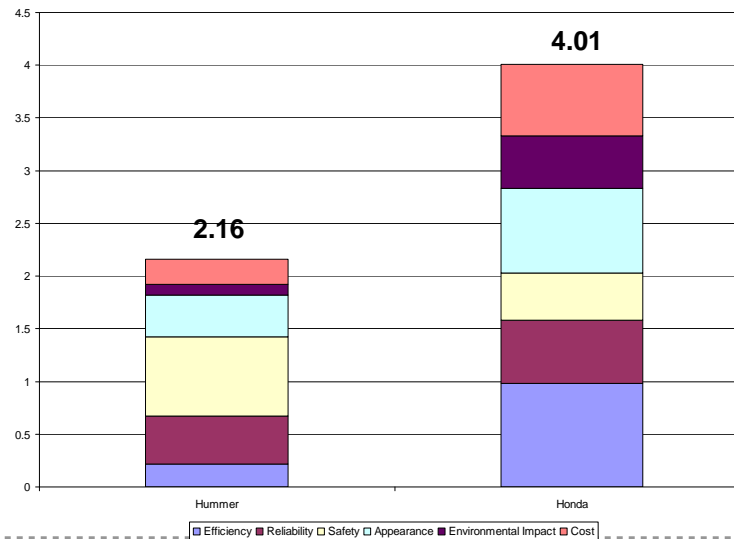
# What Is A Prioritization Scorecard

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- *A scorecard is a collection of criteria to provide a multi-variant score used for prioritization and assessment.*
- *Criteria within a scorecard is weighted to reflect the relative importance of the criteria to the decision or prioritization*
- *Scorecards typically reduce perceptual bias*
- *Scorecards merge subjective and objective data through use of utility curves (i.e. Innovation Levels and NPV)*

# Scorecard Methodology

Criteria	Type of Score	Weight	Hummer			Honda Hybrid		
			Score	Converted to 1-5	Weighted Score	Score	Converted to 1-5	Weighted Score
Efficiency	MPG: Direct Input	20%	8 MPG	1.1	0.22	53 MPG	4.9	0.98
Reliability	Multiple Choice: 1-5	15%	3	3	0.45	4	4	0.6
Safety	Multiple Choice: 1-5	15%	5	5	0.75	3	3	0.45
Appearance	Multiple Choice: 1-5	20%	2	2	0.4	4	4	0.8
Environmental Impact	Multiple Choice: 1-5	10%	1	1	0.1	5	5	0.5
Cost	US\$000: Direct Input	20%	\$60,000	1.2	0.24	\$26,000	3.4	0.68
<b>Totals</b>		100%			<b>2.16</b>			<b>4.01</b>



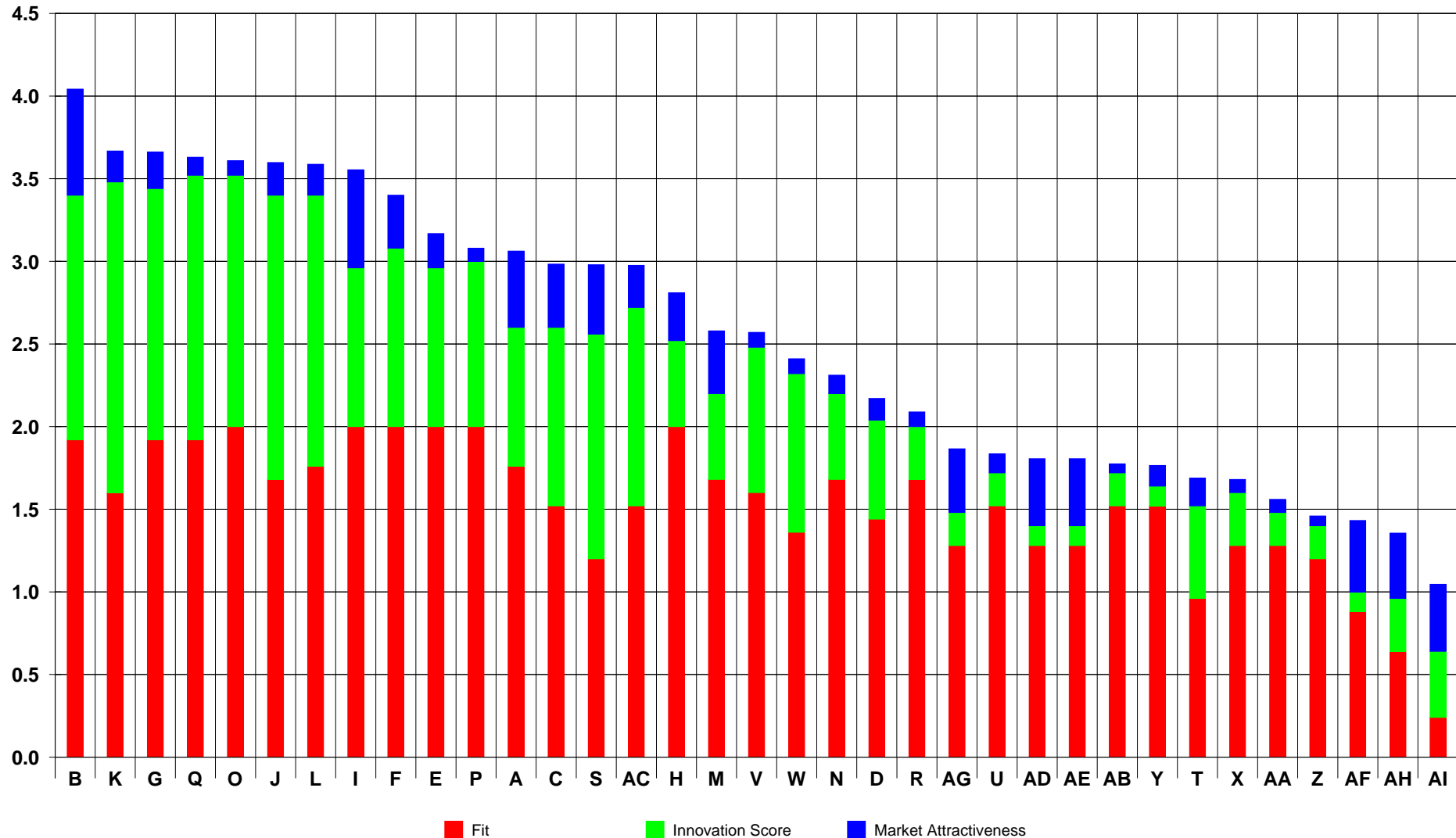
# How To Use Prioritization

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- **Priority Order**
  - Ranking
  - Viewing elements of prioritization criteria
- **Graphic Models**
  - View priority in context of:
    - Risk
    - Resources Required
- **Resource Optimization**



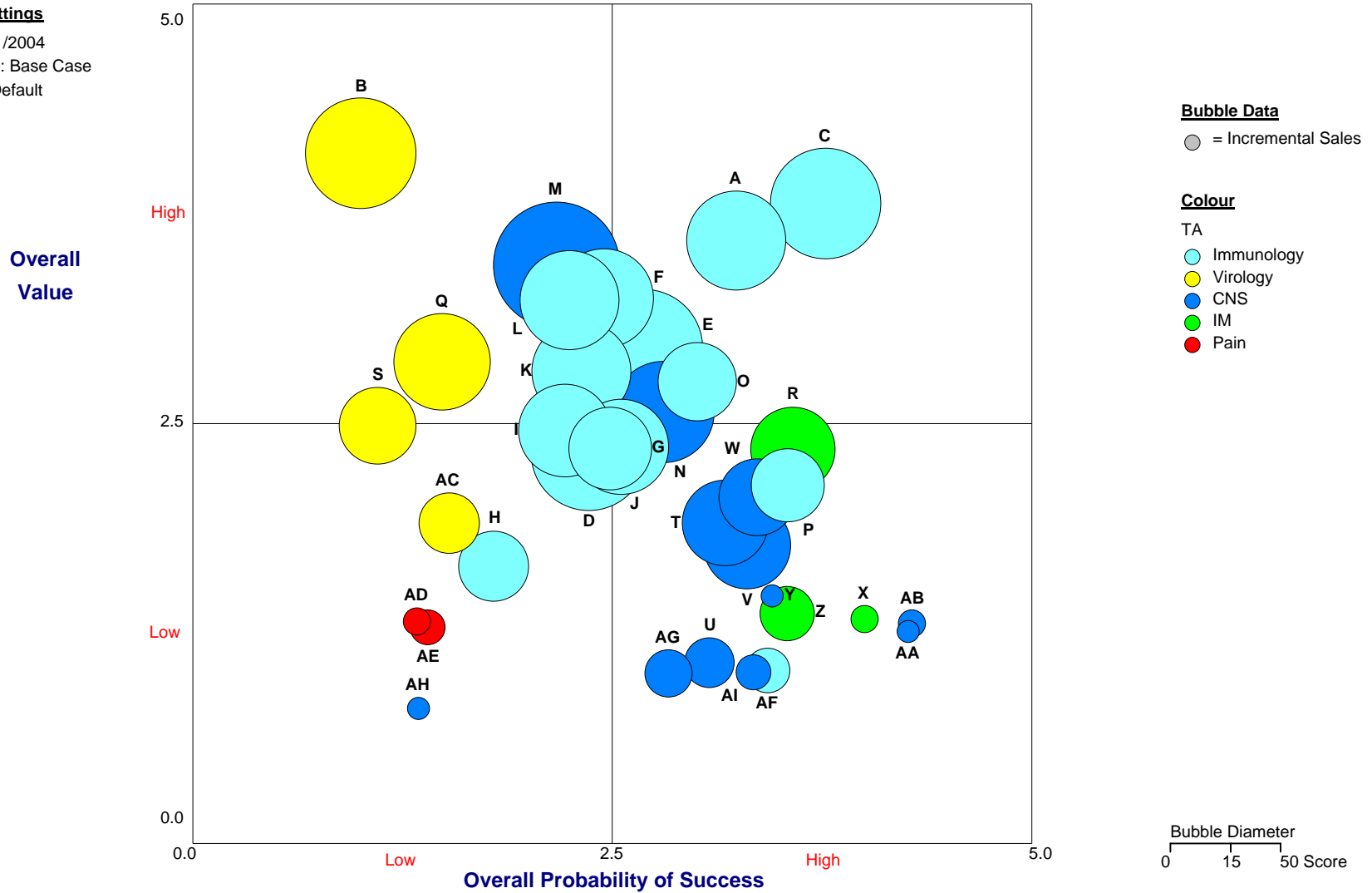
Time: Q1/2004  
Scenario: Base Case  
View by Project



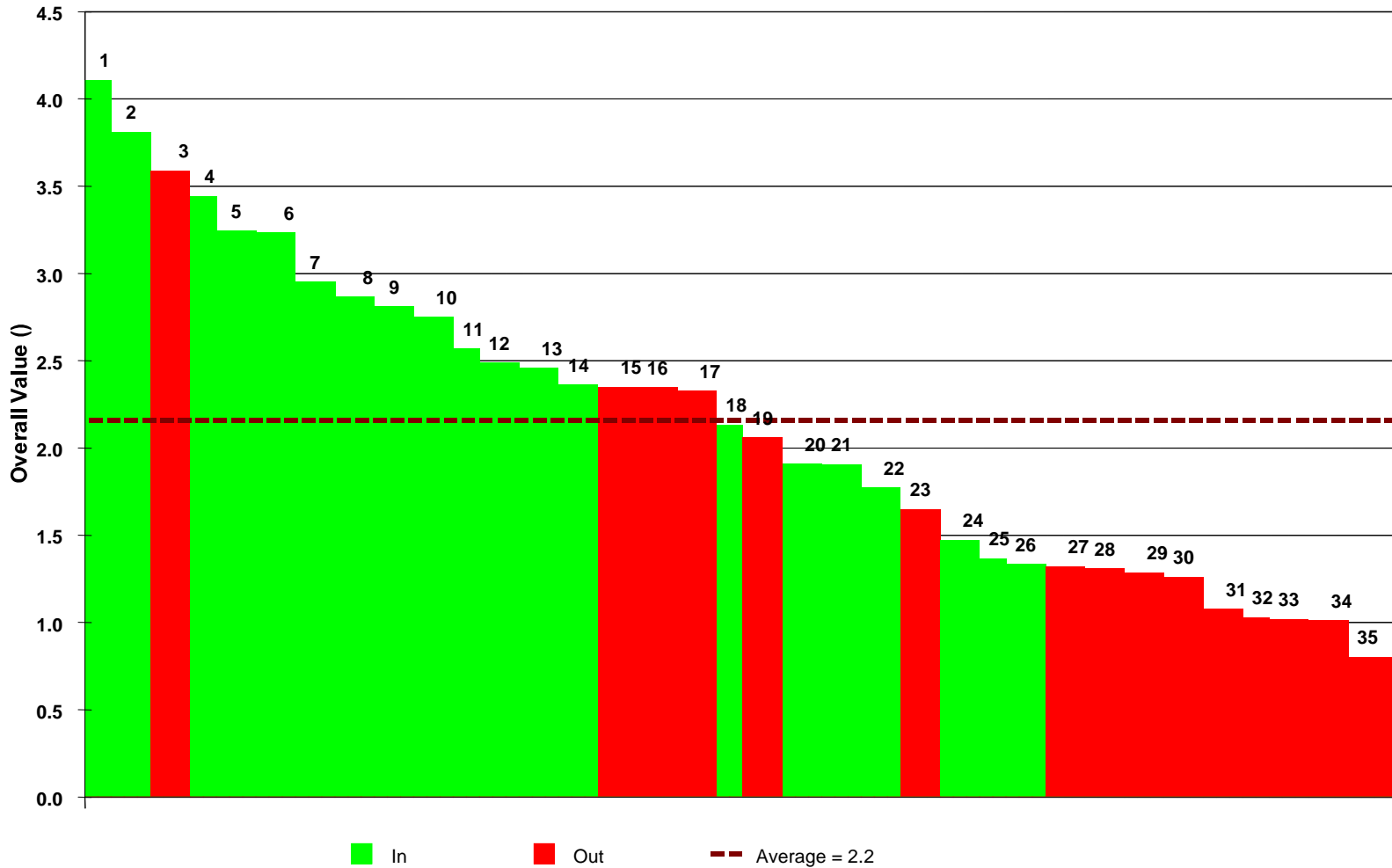
## Value and Probability of Success

**View Settings**

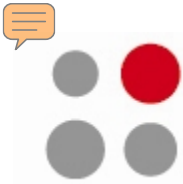
Time: Q1/2004  
 Scenario: Base Case  
 Query=Default



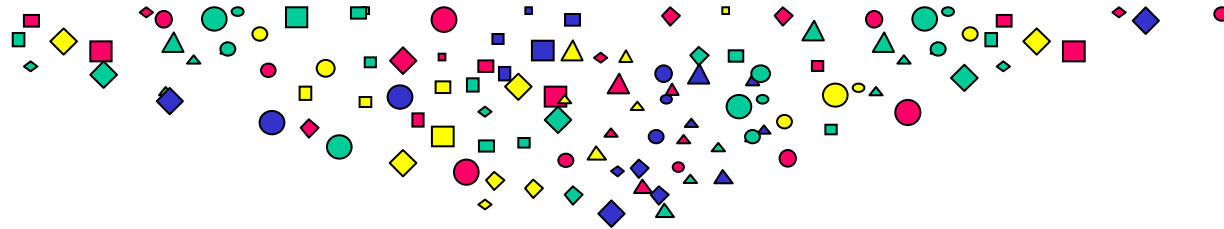
Overall Value Analysis



Time: Q1/2004  
Scenario: Base Case  
Project: All (Shown)



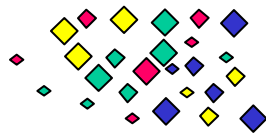
# Prioritization



Core



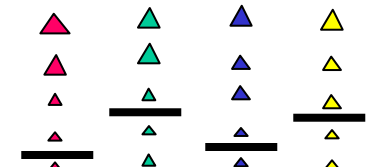
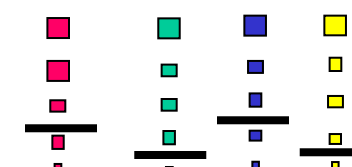
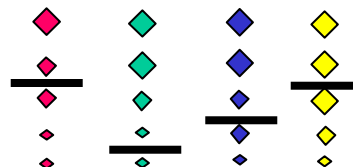
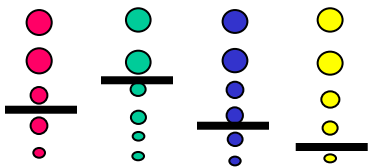
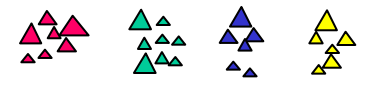
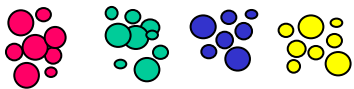
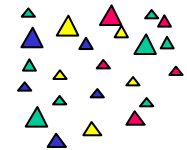
Bariatric

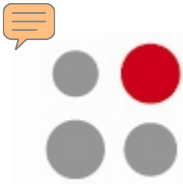


Ther Endo



Oncology





# Prioritization

## By Project Stage

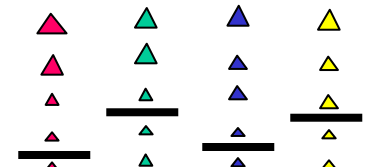
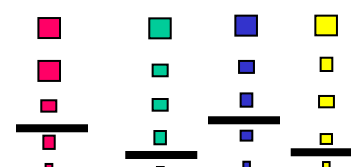
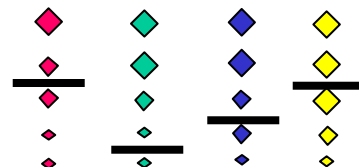
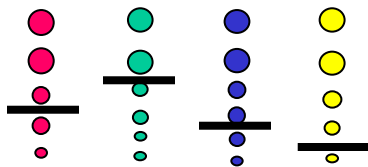
**Core**

**Bariatric**  
Concept Feasibility

**Build**

**Ther Endo**  
Deploy.

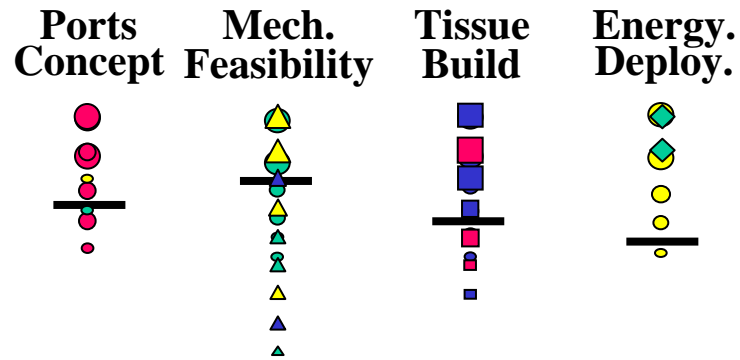
**Oncology**





# Prioritization

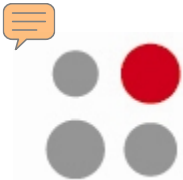
By Project Stage  
By Technology





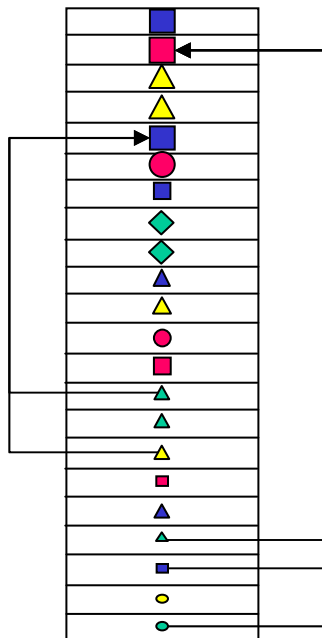


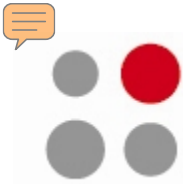




# Optimization

## Project Interdependencies

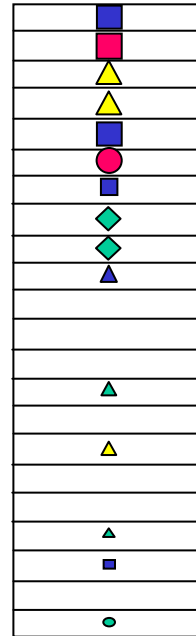




# Optimization

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## Project Interdependencies



## The Results:

### The Optimal Portfolio Comprehending:

- Desired Value
- Project Synergies
- Must do Projects
- Resource Limits



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