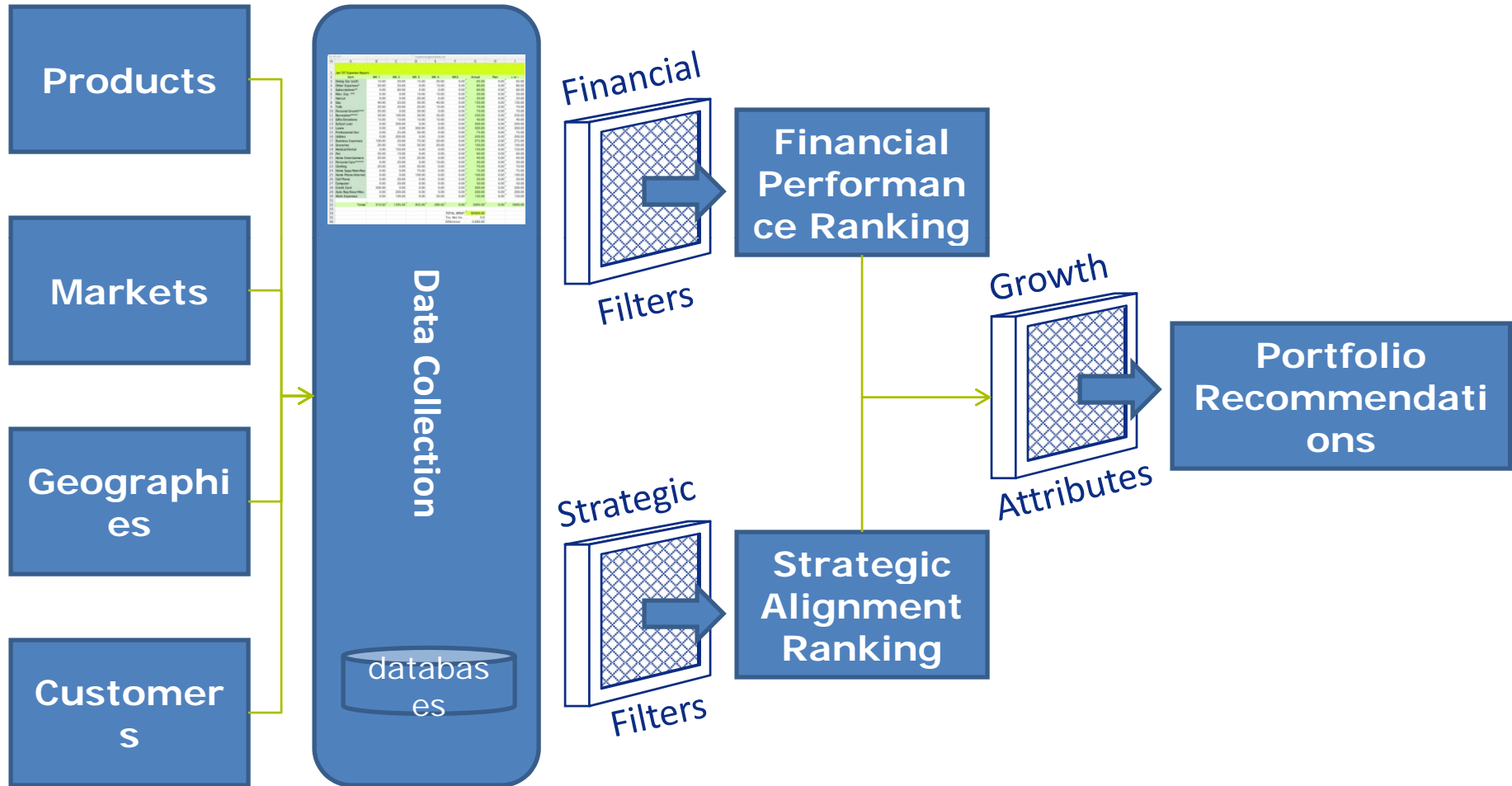




# Portfolio Analysis: A Process For Profit

Stages Of Innovation © 2009  
[www.stagesofinnovation.com](http://www.stagesofinnovation.com)

# SOI Portfolio Analysis Process



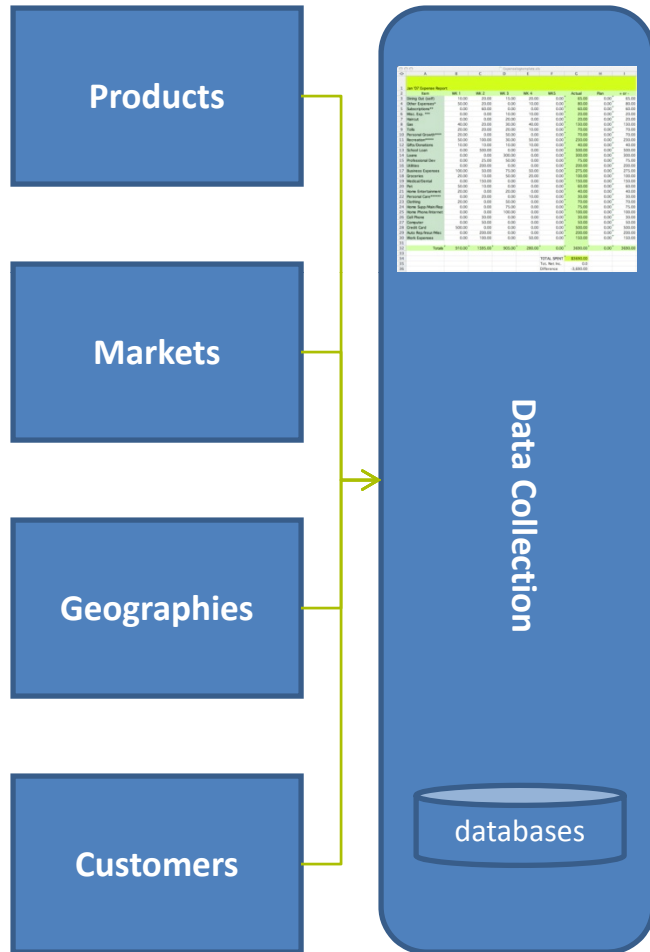
## Project Initiation: Product Charter

- Scope and objectives identified, baseline created and projected savings targeted

Key Focus Areas	
Improvement Hypothesis	Key Analyses
<ul style="list-style-type: none"> <li>Exit of low profit and non-aligned products /services will improve profit</li> <li>Improved performance gained with tighter lifecycle management control of legacy products</li> <li>Some geographic markets / presence not profitable/sustainable</li> <li>Low kill rate to incubated and released products, below benchmark for comparable companies</li> <li>Some acquisitions, while strategically important, have opportunities to improve revenue and profit</li> <li>Some acquisitions no longer fit enterprise or business group level strategies</li> <li>Realignment of current capabilities should be considered as a means to improve business group collaboration and/or resource planning and strategy harmonization</li> <li>Greater clarity needed around role / mission / strategic value of New Product Development practice as a means to enable enterprise or business group growth</li> <li>Tighter link to New Product Development portfolio and process to the mainstream</li> <li>Improvement of financial objectives will be achieved through:               <ul style="list-style-type: none"> <li>Increasing scale of customers, innovation</li> <li>Creating even tighter alignment of growth targets and strategies</li> <li>Improving long-term value for business groups, sub groups</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Develop enterprise view of product and service portfolio segmented by business group, sub-group and product management area</li> <li>Baseline current financial performance across offering portfolio (e.g., revenue, profit contribution, growth potential, return on capital)</li> <li>Evaluate business group/products/services according to strategic fit and underlying critical capabilities and attributes (i.e., productivity, alignment to corp. objectives, alignment to business group goals, etc.)</li> <li>Prioritize portfolio offerings and acquisitions according to financial performance, strategic fit, critical capabilities</li> <li>Develop recommendations on opportunities to trim portfolio investments, and where to re-align investments</li> <li>Compare portfolio processes with best practices operating models</li> </ul>

## Stage 1 – Building of Taxonomy

- Developing the right taxonomy for your company will determine best ROI results

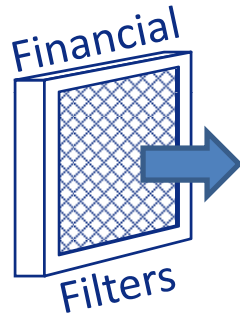


Data is collected whether in spreadsheet form or directly from internal databases

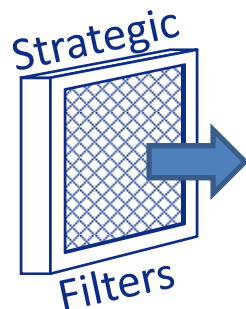
Business Group	Sub Group	Product Management Area	Products	Points of Contact

## Stage 2 – Application of Filters

- Evaluation (and potential pruning) of the portfolio based on financial performance, strategic fit, and future attractiveness to maximize growth



**Revenue:** Sales, Services, Licenses, Other  
**Performance:** ROIC, EBIT, Margin  
**Growth:** Current/Adjacent Markets, Investments  
**Geography:** High level scan of country performance

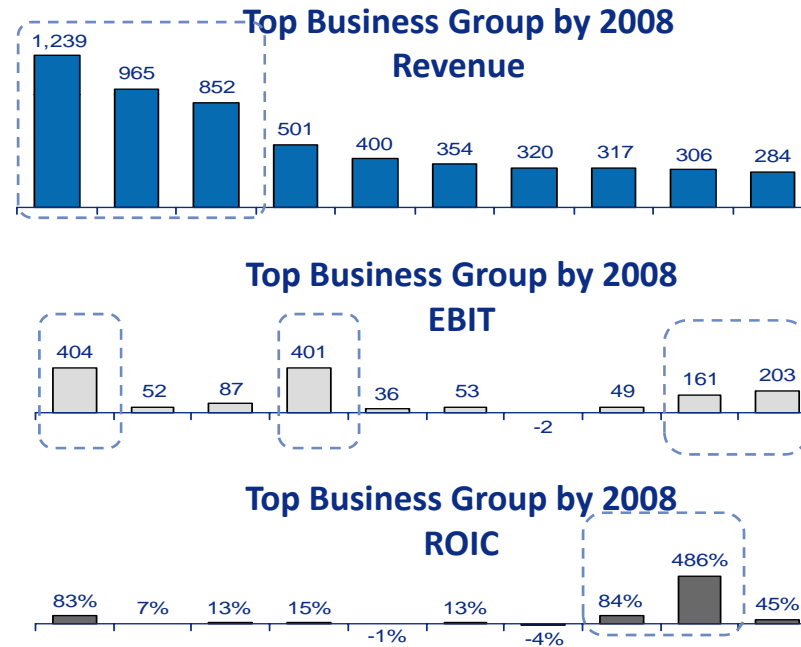


**Strategic intent:** Company and business group;  
Product/service solution strategy  
**Attractiveness:** Market, Basis for competition, Value  
creation, right-to-play, ability to sustain

## Stage 3a – Analyzing Financial Results

- Financial analysis and ranking provides transparency into the portfolio

Financial  
Performance  
Ranking



## Stage 3b – Analyzing Strategic Alignment

- Strategic alignment articulated within context of strategy and goals

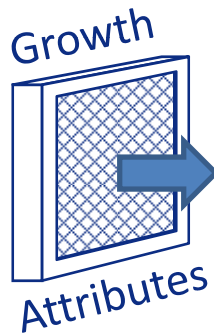
### Strategic Alignment Performance

#### Strategic Alignment Review

Segment	Wgt	Filter	Type	Wgt	1	2	3	4	5
Maintain Profit	25%	Customer growth	Quant.	33%	Flat-to-negative growth	1%-3% growth	3%-6% growth	7%-9% growth	≠/+ 10% growth
		Underserved markets	Quant.	33%	Saturated market - highly competitive	A few, strong competitors present	Many, fragmented, weak competitors	Few and weak competitors	Open market/customer
		Optimize channel	Quant.	33%	High direct channel duplication	Channel repeated at the product family levele	Channel repeated for natural businesses	Limited channel cross selling - market approach	Multiple products sold thru single channel
Grow Mail into Adjacencies	25%	Enables Growth Strategy in: •Records Mgmt. •Customer Comms •Secure Trans. •Business portal solutions	Quant.	100%	Does not enable	Has very limited application	Enables with high complexity	Provides modular "75%" solution	Fully enables
Develop Enterprise-Wide Solutions	25%	Product & Services Solutions	Quant.	33%	Is not bundled w/ others		Enables solutions	Zero contribution	High contribution via bundling
		Enables partnerships w/ 3 <sup>rd</sup> party	Quant.	33%	Is not part of partnerships		Enables 3 <sup>rd</sup> party partnerships	Zero contribution	High contribution via 3 <sup>rd</sup> party partners
		Enables enterprise-level Bus. Process Outsourcing	Qual.	33%	Stand alone product, svc or systems		Enables BPO	Zero contribution	High contribution via BPO
External Market Factors	25%	Market Growth	Quant.	50%	Flat-to-negative growth	1%-3% growth	3%-6% growth	7%-9% growth	≠/+ 10% growth
		Competition	Quant.	50%	Saturated market - highly competitive	A few, strong competitors present	Many, fragmented, weak competitors	Few and weak competitors	Open market/customer

## Stage 4 – Applying Growth Filters

- Analysis and screen of future business, market attractiveness, against capabilities



### Capabilities

- Organic capabilities critical to growth or NBO strategies

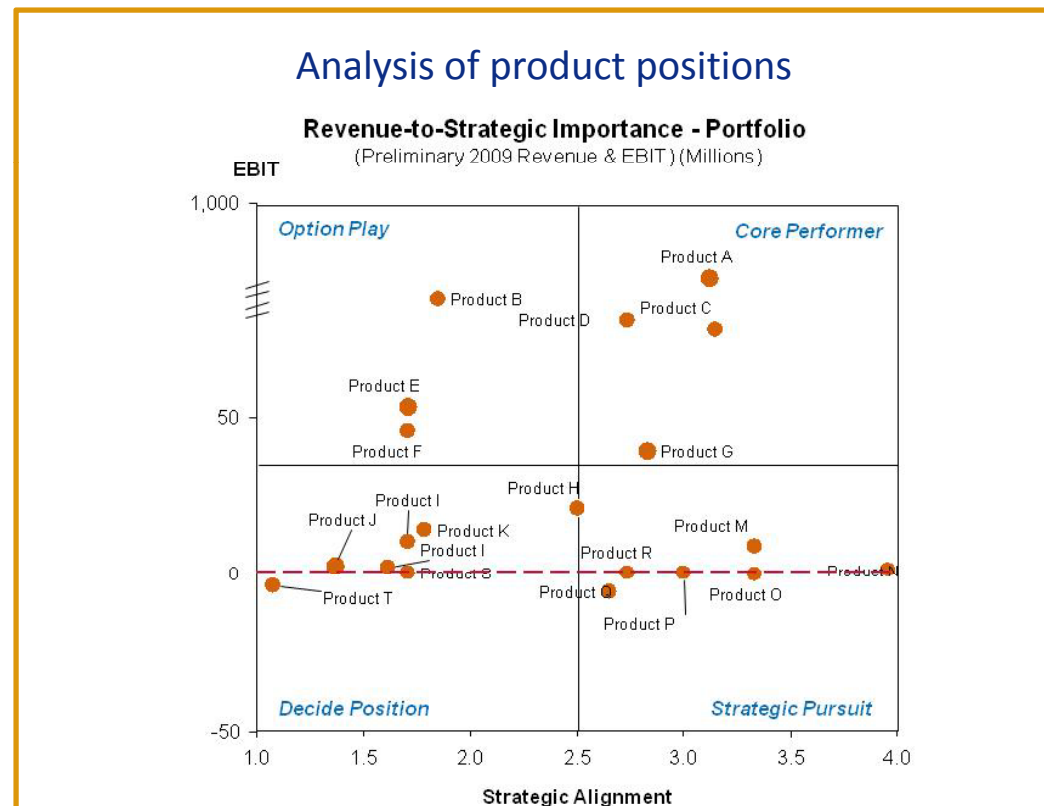
### Attributes

- Potential differentiators for future growth initiatives (e.g., market access)

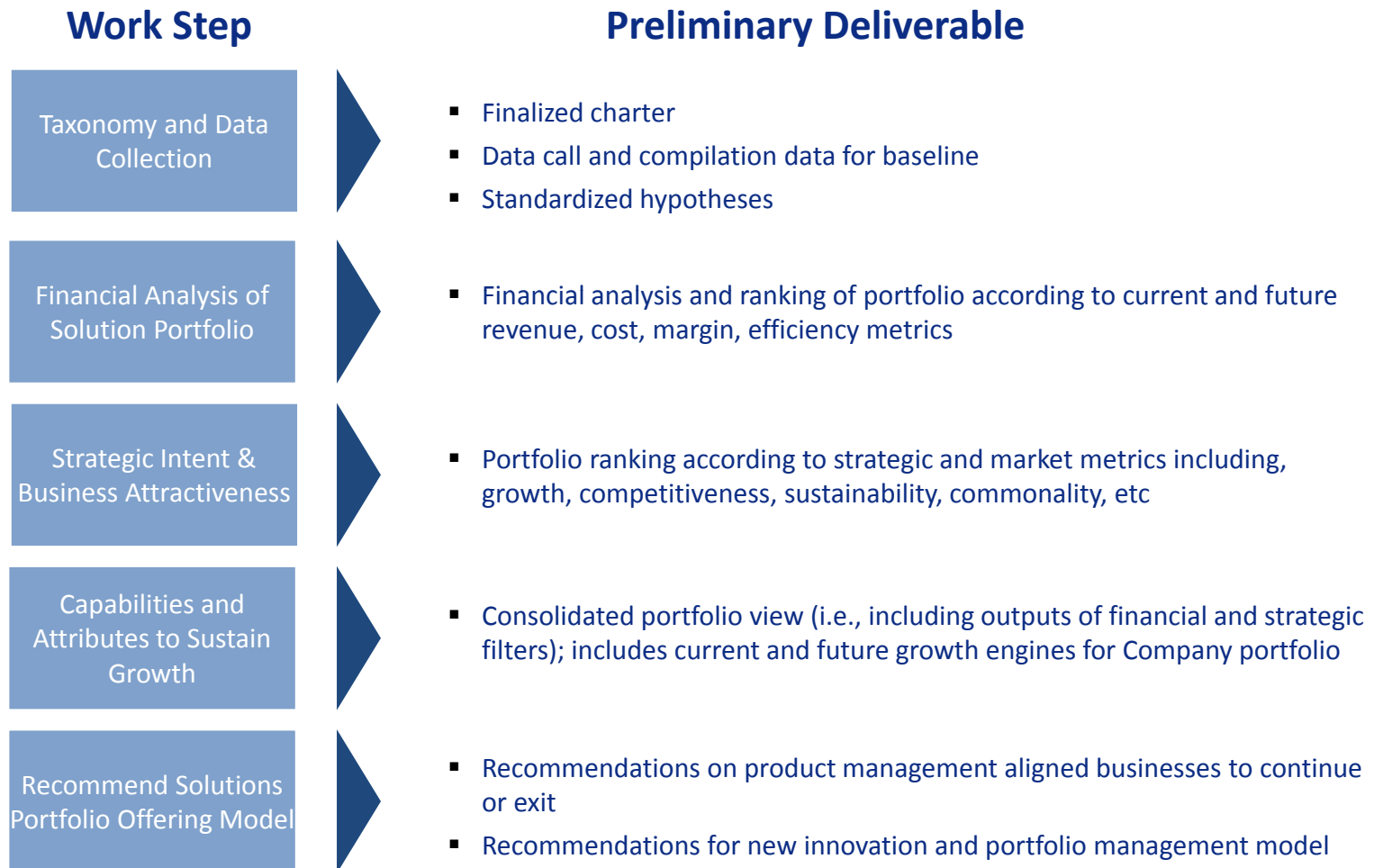
## Stage 5 – Recommendations

- Analysis of product/service positioning performed to identify alignment to revenue or strategic objectives

### Portfolio Recommendations



## SOI Deliverables



***Stages of Innovation  
Program Management Services***



## Ongoing Project Tracking

We provide the framework to track all of your ongoing projects.

Meeting on a weekly basis with your product development and/or marketing staff we review the status of every active project in the portfolio.

Project Description	Activities for Next Month
	Decisions Made This Month
Activities Accomplished This Month	Issues / Actions
	Key Assumptions for Success
Project Plan	

©2007 Stages of Innovation

# Monthly Gating Reviews

## New Product Development

Dimension	Dimension	Element	Description
Size of market opportunity	Perception	Target Markets	<ul style="list-style-type: none"> <li>Vertical</li> <li>Geographic</li> </ul>
		Customer Profile	<ul style="list-style-type: none"> <li>Buying Circle structure (User, Decision-Maker, Influencer)</li> <li>Purchasing Process</li> <li>Buying Relationship (Transactional, Relationship, Partnership)</li> <li>Credit Score</li> </ul>
Growth of Market	Competitive Density	Positioning	<ul style="list-style-type: none"> <li>Points of Differentiation                             <ul style="list-style-type: none"> <li>Brand</li> <li>Product Attributes (Features, Functions, Benefits)</li> <li>Services (pre-sales &amp; Post-sale)</li> </ul> </li> </ul>
Strength of Customer Relationships	Brand Image	Communication Strategy & Channels	<ul style="list-style-type: none"> <li>Message Content for each Buying Circle Member</li> <li>Channel Mix for Awareness                             <ul style="list-style-type: none"> <li>Advertising in trade journals</li> <li>Trade shows and conferences</li> <li>Telemarketing</li> <li>Direct mailing</li> <li>Targeted sales call</li> </ul> </li> </ul>
Value Creation	Innovation	Pricing Strategy & Tactics	<ul style="list-style-type: none"> <li>Penetration versus Skimming                             <ul style="list-style-type: none"> <li>Prices</li> <li>Rates</li> </ul> </li> </ul>
Degree of Government Involvement	Experimentation	Projections & Objectives	<ul style="list-style-type: none"> <li>Revenues</li> <li>Expenses (Marketing, Operations)</li> <li>Market Share</li> </ul>
Degree of Competitive Density	Business Model	Customer Acquisition Strategy & Channels	<ul style="list-style-type: none"> <li>Channel Mix for Acquisition                             <ul style="list-style-type: none"> <li>Telemarketing</li> <li>Direct mailing</li> <li>Targeted sales call</li> </ul> </li> <li>Credit Policy</li> <li>Enrollment Process</li> </ul>
Value Delivery	ROI		
Window of Opportunity Duration	Cost of Entry		
Overall Score			

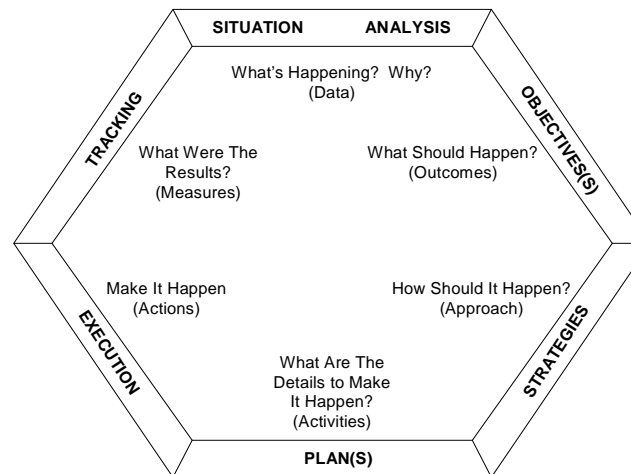
## Partnering

Dimension	Assessment	Score
Size of market opportunity		
Growth of Market		
Strength of Partnership		
Value Creation		
Investment in Technology/Development		
Customer response rates		
Value Delivery		
Window of Opportunity Duration		
Overall Score		

SOI uses a proprietary process for evaluating new products and services. Each product is worked through the SOI gating process to determine the likelihood of success.

The scoring enables the product development team to prioritize opportunities that should be developed because they have the highest likelihood of success.

## Line Extensions



## Project Prioritization

SOI understands the importance and the ease of doing the project. Along with the gating scores these additional metrics are helpful in prioritizing which projects across the portfolio to work on.

- How well the project fits the overall strategic direction.
- What the impact to the organization will be: customer, profitability, revenue, productivity.
- The perceived benefit to the organization: dollar savings, revenue growth, business effectiveness.
- The cost of funding the project in the current period.
- The degree of difficulty for design, development, implementation, and roll out.
- The availability of resources to implement.

Description	High (9)	Medium (5)	Low (1)
Project Importance			
Strategic Importance			
Magnitude of Impact			
Economic Benefit			
Ease of Doing			
Cost of Doing			
Project Complexity			
Resource Availability			

## Quarterly Portfolio Review

It's in this phase that we maximize the value of the portfolio. Throughout the quarter many projects will be evaluated. The question is how do you know if a partnership will be more valuable to work on versus a line extension versus a new product. SOI has a set of portfolio management tools to help.

Rating Scale	High (9)	Medium (5)	Low (1)
Strategy Alignment	Fits Strategy	Support Strategy	Neutral
Value	Significant Differentiation	Moderate	Slight
Competitive Advantage	Strong	Moderate	Slight
Market Attractiveness	Highly Profitable	Moderately Profitable	Low Profitability
Fit to Existing Channel	Fits Current Channel	Some Change, Not Significant	Significant Change
Time to Break Even	Company Defined	Company Defined	Company Defined
NPV	Company Defined	Company Defined	Company Defined

## Determining Commercial Value

The expected commercial value is then calculated for each project and the projects are ranked by the ECV.

There are many ways to calculate ECV, we use present value of the income stream at launch minus launch costs minus development costs.

Depending on the sophistication of the company, we can add probabilities of commercial success as a discount factor.

Once ranked, budgets can be developed using the cumulative resources column.

Project	NPV	Resources Remaining to be spent	Expected Commercial Value	Immediate Resources to be spent	Cumulative Resources