Managing an R&D Portfolio Process in Real Time

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Answers That Matter.

Overview

The initial portfolio sweep

Cycle-based portfolio management process

- Process description
- Advantages & disadvantages

Real-time portfolio management process

- Goals
- Moving from a cyclic to a real-time process

The Initial Review

An organization's initial portfolio sweep sets a baseline for future reviews.

This review usually consists of:

- Portfolio model/process design stage
- Process implementation (data collection/analysis)
- Executive review (prioritization & decision-making)

By its very nature, the initial sweep sets the stage for future cycle-based reviews.

The Portfolio Cycle
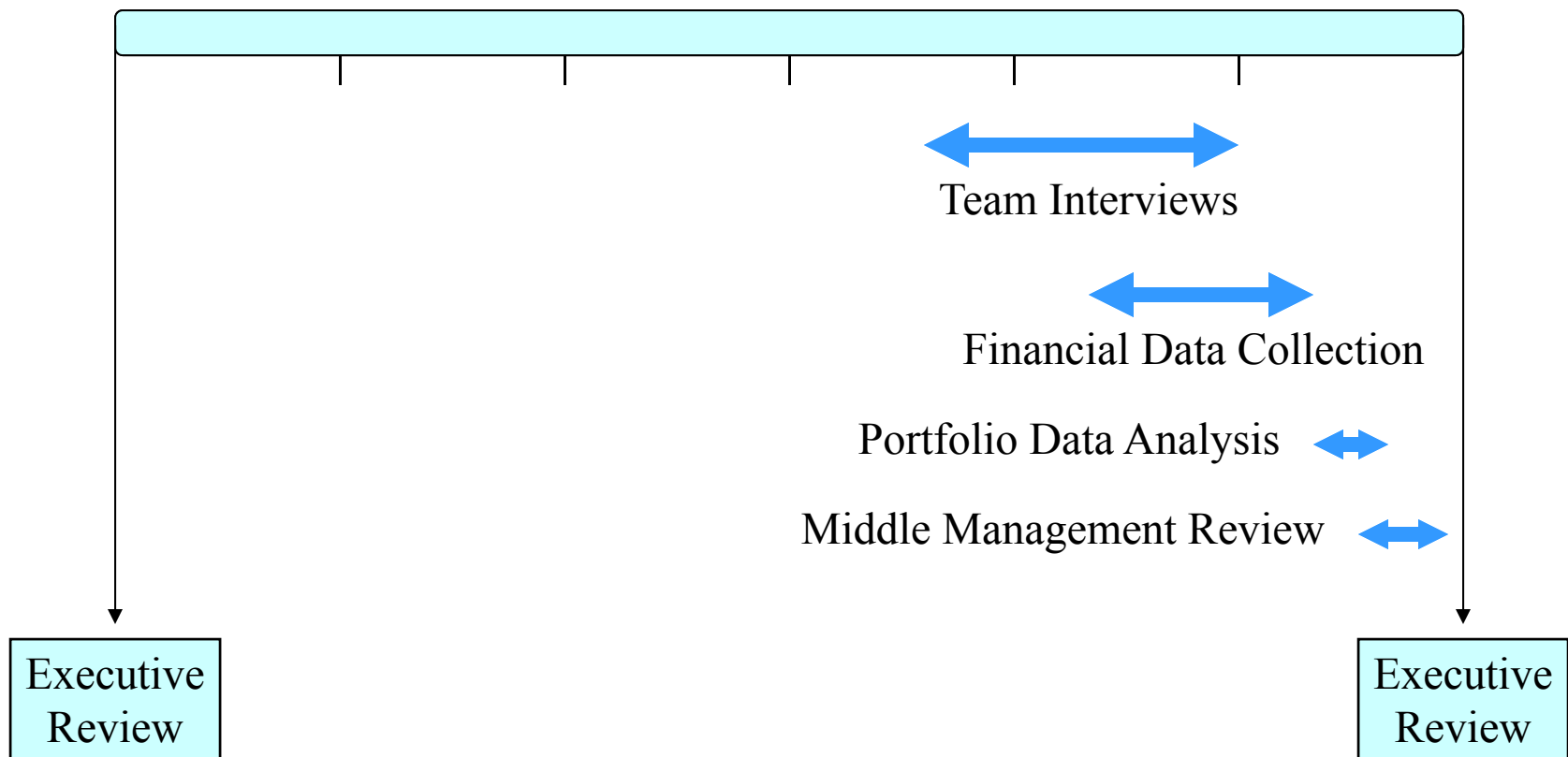
Cycle Based Portfolio Management

Advantages

- Provides a regular forum for portfolio decision-making
- Provides management with "fresh" portfolio data

Disadvantages

- Only supports portfolio decision-making on a periodic basis
- Requires a very resource-intensive support effort during a short period of time
- Inefficient use of time for some teams

Goals of a Real-Time Process

Create a process that has all the advantages of a cyclic portfolio process without the drawbacks

- On-demand access to up-to-date portfolio information
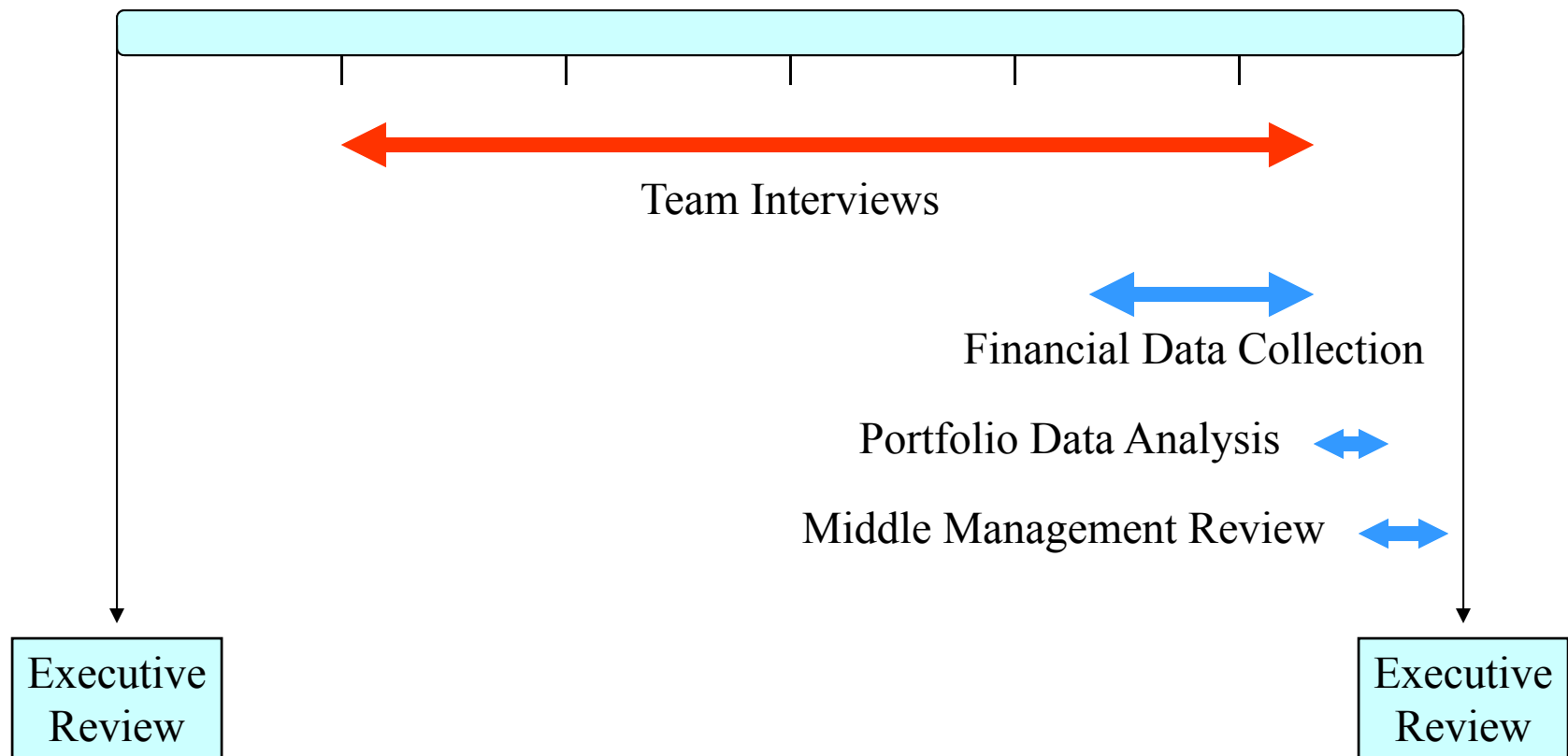- Supports real-time executive decision making

Changing the mindset of the organization

- From: update information because an executive is going to review it
- To: update information because it is out of date

Progress Toward a Real-Time Process

1. Spreading team interviews out over the cycle

2. Creating an on-line, real-time database

3. Real-Time financial valuations and updates

4. Holding team interviews on an as-needed basis

5. Monthly executive reports and real-time prioritization

1. Team interviews spread throughout the portfolio cycle

Team Interviews

Financial Data Collection

Portfolio Data Analysis

Middle Management Review
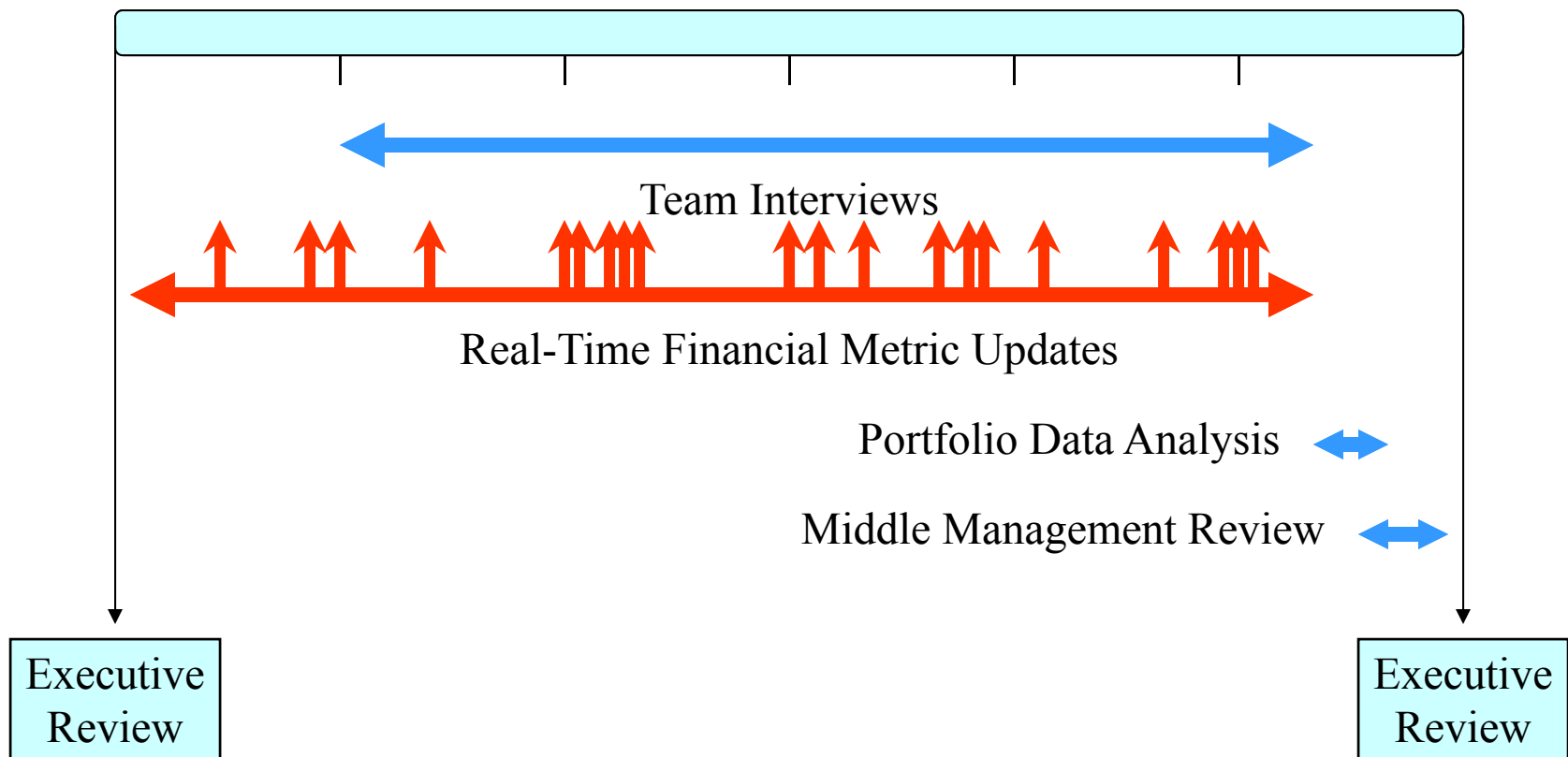
Executive
Review

Executive
Review

2. Create a real-time on-line database

Decision-makers and key portfolio stakeholders have real-time access to:

- Priority lists
- Portfolio analyses and summaries
- Specific portfolio metrics
- Timely project team updates
- Project team detailed information

This tool helps support some (but not all) off-cycle portfolio decisions.

3. Real-time financial valuation

Team Interviews

Real-Time Financial Metric Updates

Portfolio Data Analysis

Middle Management Review
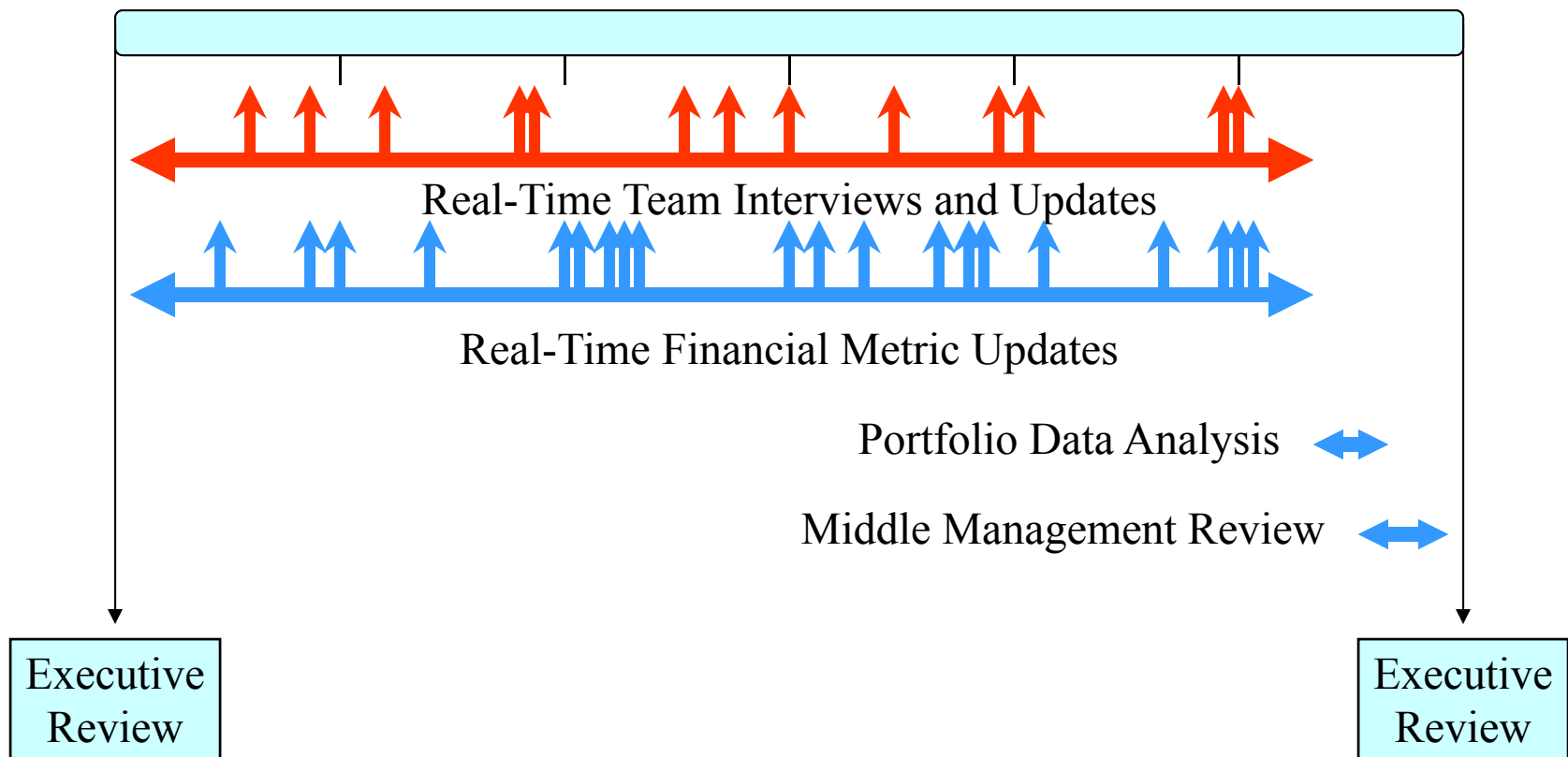
Executive Review

Executive Review

Real-Time Financial Valuation

Under the cyclic valuation process, significant effort was required by marketing and finance to re-value every portfolio project (whether it needs to be updated or not).

Under the real-time valuation process, project valuation is driven by the occurrence of Events

- handled on a per-project basis (only significant change triggers an Event)
- declaration of Events is tightly controlled, but thoroughly communicated
- resulted in a significant reduction of current work
- decision makers are able to access portfolio data in real-time

4. Real-time team interviews

Real-Time Team Interviews and Updates

Real-Time Financial Metric Updates

Portfolio Data Analysis

Middle Management Review

Executive Review

Executive Review

Real-Time Team Interviews

Under the cyclic valuation process, each team was interviewed once every 6 months.

- For some teams, this was too frequent: not much had changed
- For some teams, significant changes had occurred since the previous interview that had not been captured in the database

Under the real-time process, teams are interviewed when significant new information is available.

- Resolution of technical uncertainty
- Achieving a milestone
- Significant change in scope

Brief monthly updates with the team leader allow modest changes to be updated in the database.

5. Monthly Executive Portfolio Report

Highlights significant changes over the past month

- Additions/attrition from portfolio
- Milestones achieved
- Anticipated milestones
- Change in key portfolio metrics
- Examination of key portfolio analyses

Used as a vehicle to highlight opportunities for "course corrections" and prioritization changes

Current Portfolio Management Process