

Why Are Portfolio Management Approaches Commonly Mismatched To Companies' Needs?

A Study of BioPharma Product & Portfolio Management (PPM)

Executive Summary

September 2009

Companies Place High Hopes on PPM, But Are Often Disappointed

PPM is seen as the link between strategy and execution – it should set the direction for the company’s R&D efforts

Companies hope PPM will let them:

Instead, they end up with:

Select assets and build a portfolio that fits the strategy

- Gaps in their pipelines
- Hodgepodge portfolios

Prioritize the portfolio and allocate resources accordingly

- Too many projects (too few kills)
- Budgets that don’t reflect priorities

Make the best possible decisions

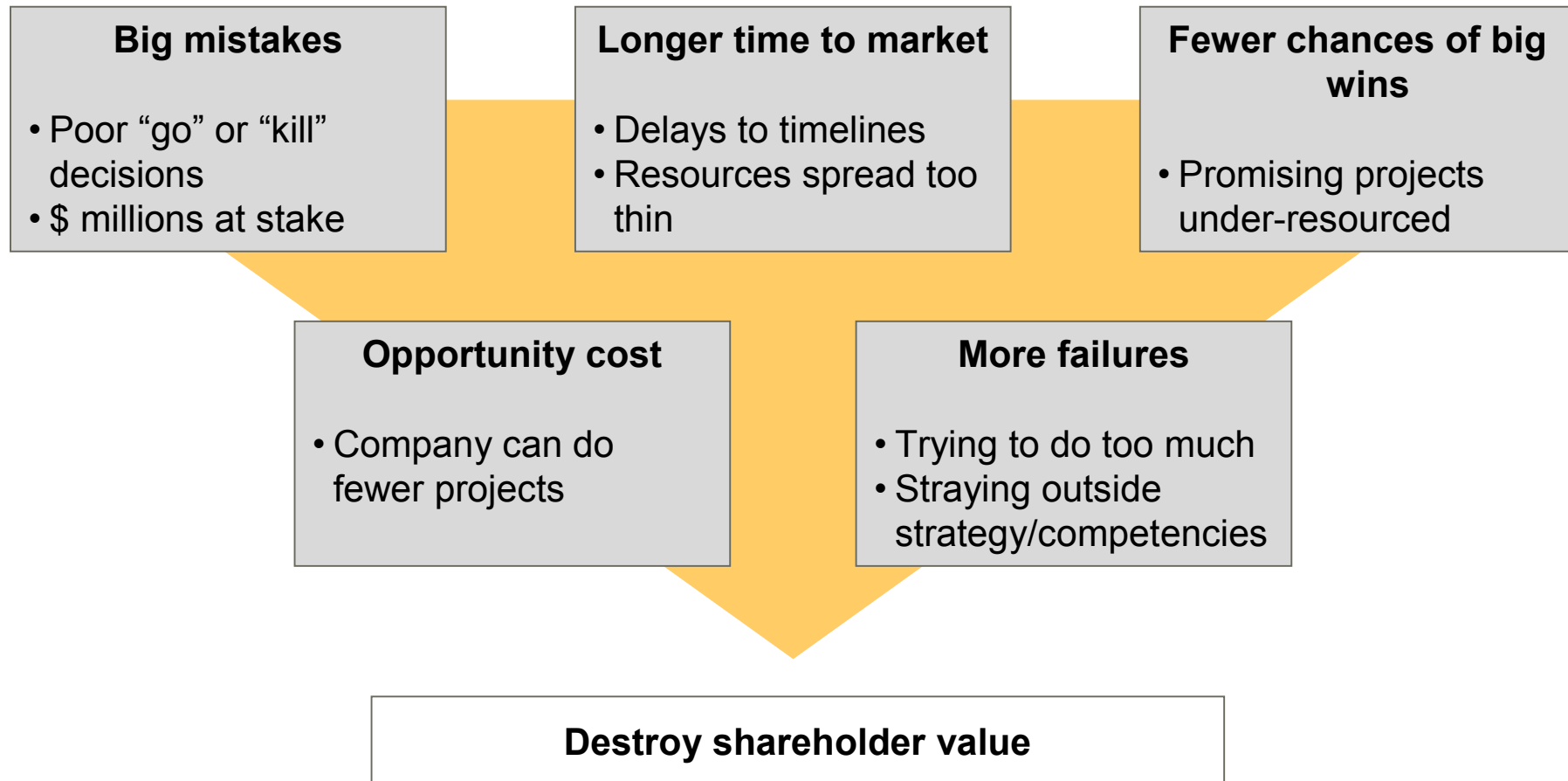
- Decisions that are biased or delayed

Do all of the above efficiently

- Wasted effort from duplication and unnecessary work

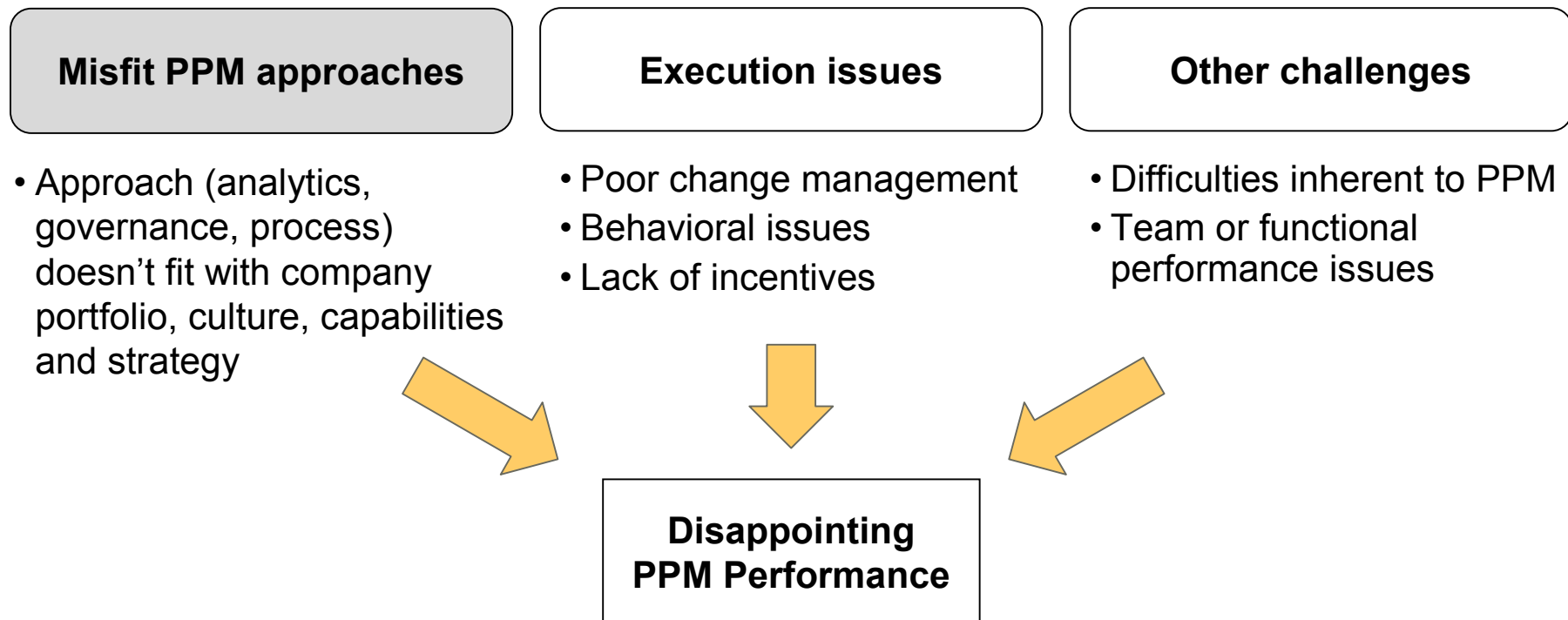
“I’ve been in a half billion dollar business, a \$2B, and a \$9B one and I have yet to see PPM done really well.” – Head of PPM

Disappointing PPM Performance Can Be Very Costly



Misfit Approaches Are Key Cause of Disappointing PPM Performance

S&A's review of PPM practices across more than thirty BioPharma companies identified three main causes of disappointing PPM performance:



Two thirds of companies studied currently have a misfit approach – and nearly all have had a misfit at some time

Under-scaled PPM Approaches Can Lead to Bad Decisions and Misallocated Resources...

Under-scaled PPM approaches

Analytics too simplistic for criticality of decisions and complexity of portfolio

- × No criteria to evaluate products
- × Decisions made without right information
- × Weak data and analyses

Process and governance too informal for size of company and complexity of portfolio

- × Lack of clear decision makers
- × Insufficient strategic context and planning
- × No process to link portfolio decisions and resource allocation

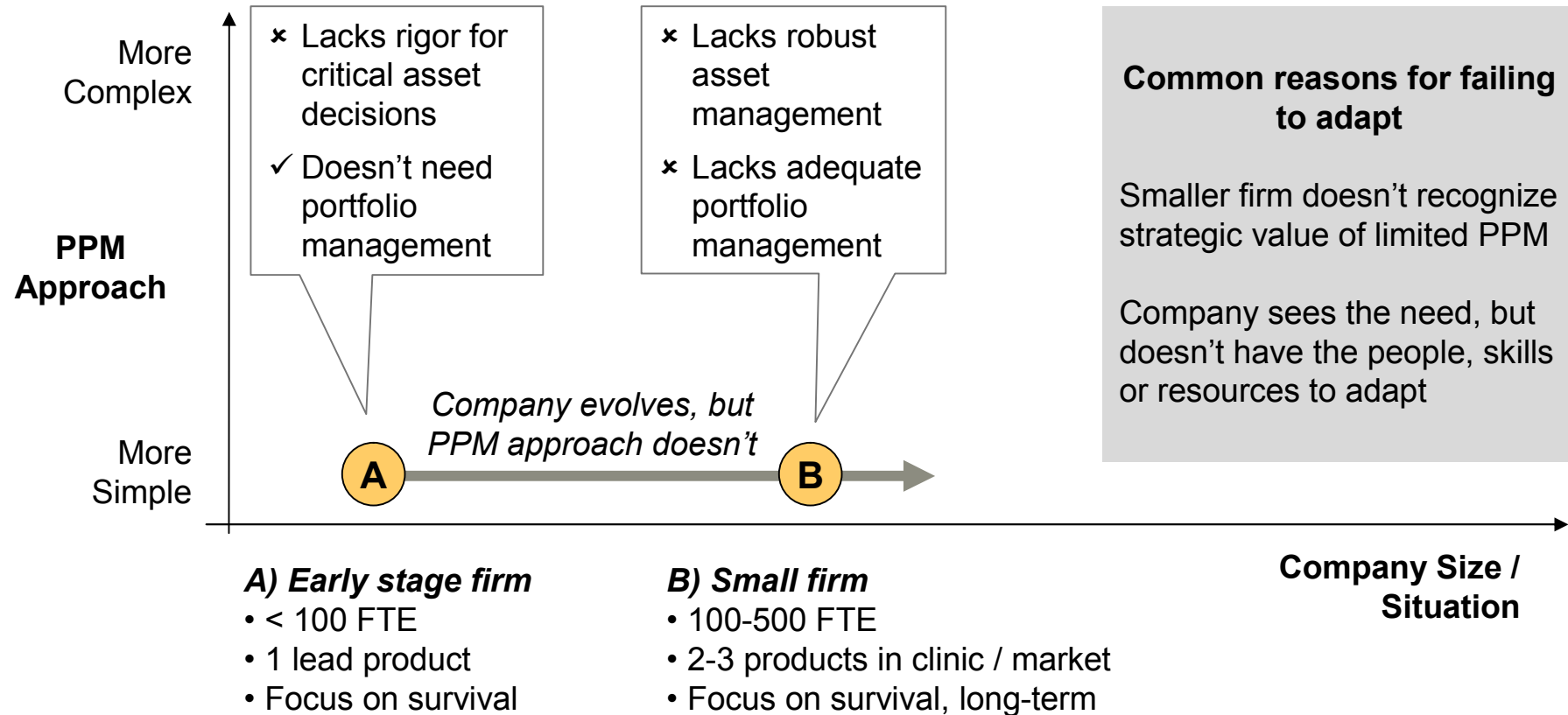


Examples of poor PPM performance from under-scaled approaches

- 1) Product with weak IP takes over two years to kill because of passionate supporters
- 2) Company spends millions on clinical trials for a product that had failed to prove efficacy in animals
- 3) Firm proceeds with four products in the same space – then runs into serious difficulties enrolling patients

“Management says ‘this sounds like a good idea’ and expects that to be enough... They cross their fingers and hope.” – VC Partner

... And Typically Result When Companies Fail to Adapt as they Grow



“We realized we needed it, but nothing really pushed us to do it... until we went through a horrible, drawn-out budget process.” – VP, PPM

Overly Complex PPM Approaches Lead to Inefficiency and Delays, or Are Simply Not Followed...

Overly complex PPM approaches

Analytical method too complex for style and skills of leaders, and capabilities of teams

- × Heavily quantitative and sophisticated
- × Requires very robust inputs



Process and governance too formal for company culture

- × Convoluted processes
- × Multiple tiers of bureaucracy
- × Extensive documentation

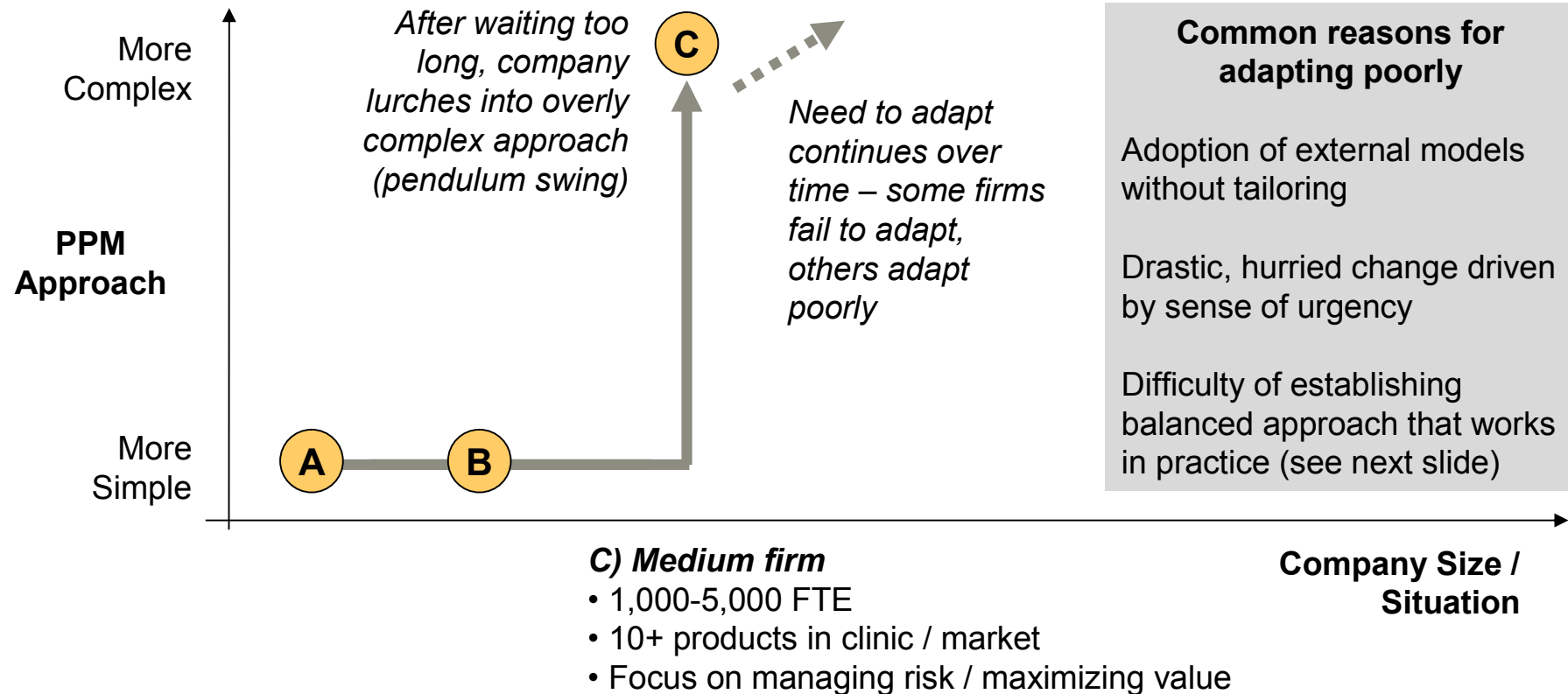


Examples of poor PPM performance from overly complex approaches

- 1) For an early stage go/kill decision impacting small dollars and few resources, the process takes two months and produces a 2-inch binder
- 2) One firm's teams spent up to 40% of their time on PPM
- 3) Company doesn't have the right people, asks them to do analyses anyway, then no one trusts the output

“Our executives don't know how to interpret the analyses, so they tend to fall back on their biases to make decisions.” – Head of PPM

... And Typically Result When Firms Adapt Poorly Without Considering Their Needs



“The pendulum swung completely... nothing was too much, we went over a cliff and way beyond.” – Medical Director

Companies Face Difficulties in Designing PPM Approaches That Fit Well and Work in Practice

When designing their PPM approach, companies often...

Find it hard to consider all the drivers, and how they should impact the PPM approach

Tend to view PPM as an analytical problem and neglect process, governance, and incentives

Underestimate the importance and difficulty of implementation and change management

Drivers of PPM approach

What does the company need?

- Portfolio
- Company size
- Strategy and imperative
- PPM goals

What will work within the company?

- Culture
- Capabilities

Components of PPM approach

Analytical methodology	Processes
Support systems	Governance

Implementation challenges

- Changing governance and process
- Overcoming resistance to change
- Managing dysfunctional executive behavior
- Adapting continuously as needs evolve

Recommendations for Establishing a High-Performing PPM Approach

Successful companies do all or most of these

When to establish and update PPM

- Establish a limited PPM approach sooner than is typical
- Adapt the approach incrementally, as company needs change, but with a vision

“If I make one mistake with a small portfolio, the entire company could be at risk.” – Head of PPM

What PPM approach to establish

- Tailor the approach to the company’s strategy, imperative, portfolio, culture and capabilities
- Create an approach that integrates analytical methodology, process and governance

“PPM is as much an ‘HR’ exercise as it is analytic. It allows everyone to understand where projects fit and keeps people happy and motivated.” – CBO

How to drive successful execution

- Prioritize change management and support systems

“My main obstacles are leadership philosophy and behavior, and an org structure that doesn’t foster collaboration .” – Head of PPM

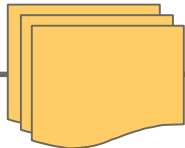
Full study report provides detailed recommendations

What Next?

Additional information and support options are available to help companies assess and improve their PPM approach:

Full study report

- *Comprehensive findings*
- *Detailed recommendations*



Self-assessment tool

- *Short, comprehensive list of questions*
- *Helps identify issues*



S&A support

- *Discuss your situation*
- *Full assessment*
- *Develop and implement solutions*



S&A is pleased to share and discuss the full study report and self-assessment tool at no charge. For more information, please contact:

- Lynley Sides – lynley@sidesandassociates.com – (925) 451-1249
- Alejandro Gutierrez – alejandro@sidesandassociates.com – (415) 971-4010

“PPM can be flawed in many ways, but is still better than the alternative: not doing it.” – VP, PPM

About Sides & Associates (S&A)

S&A was founded in 2001 to help high-potential biotech and technology businesses drive and manage growth. We work with promising start-ups and rapidly-growing companies to:

- Identify the right opportunities,
- Plan their next stage of growth, and
- Manage the consequences of that growth on their organizations.

By carefully customizing our approach and efforts to each company's size, culture and priorities, we enable client leaders to effectively manage improvements while focusing their attention and internal resources on core business operations.

Expertise

- Product & portfolio management
- Decision making
- Cross-functional project team systems
- Organizational development for functions critical to drug / product development
- Operational efficiency

Consultant backgrounds

- Dozens of biopharma projects for companies including Genentech and XenoPort
- MBA and engineering degrees from top schools
- Executive-level operational roles
- Top-tier consulting firm experience