

# Strategic Portfolio Management:

Prioritize your Innovation Portfolio to align with your Strategy

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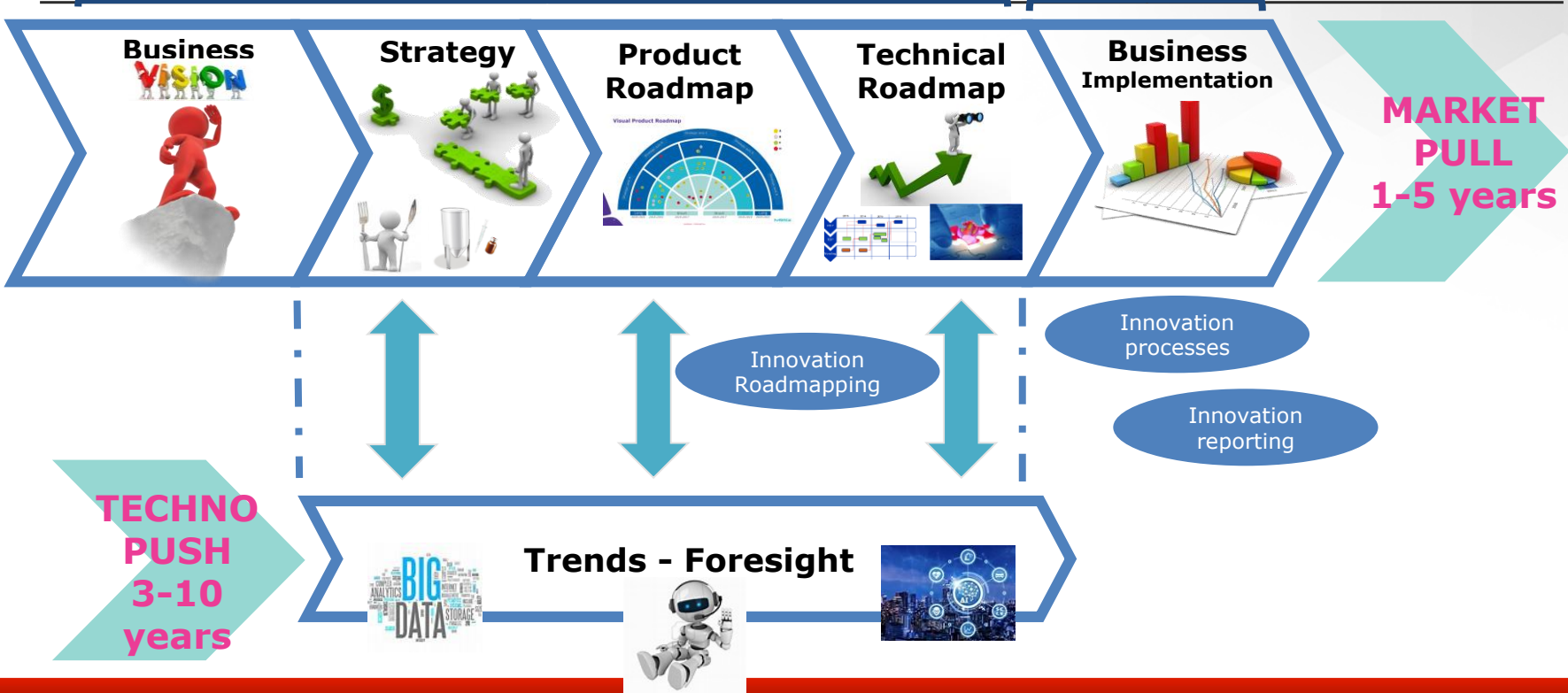
# Innovation is key !



# Innovation Process

## DEFINE

## EXECUTE



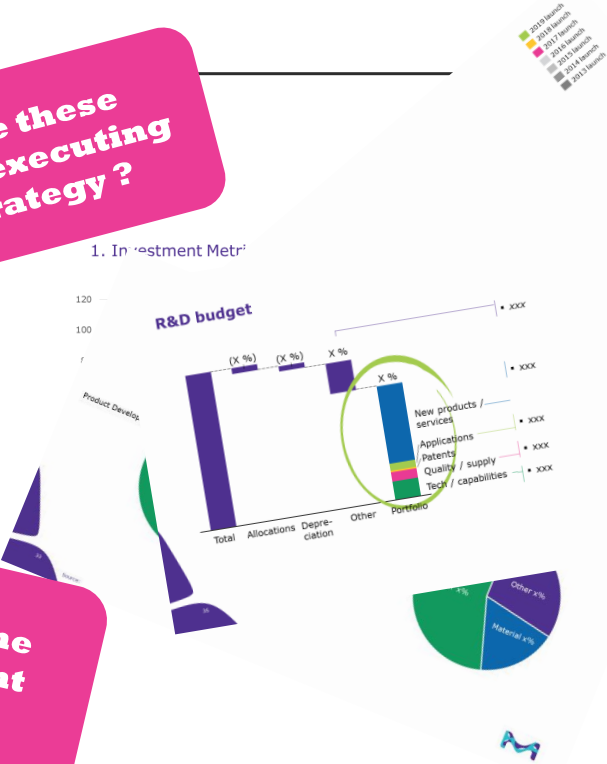
# Challenges

**How are these projects executing our strategy?**

**If I give you more or less money, what would you do and why?**

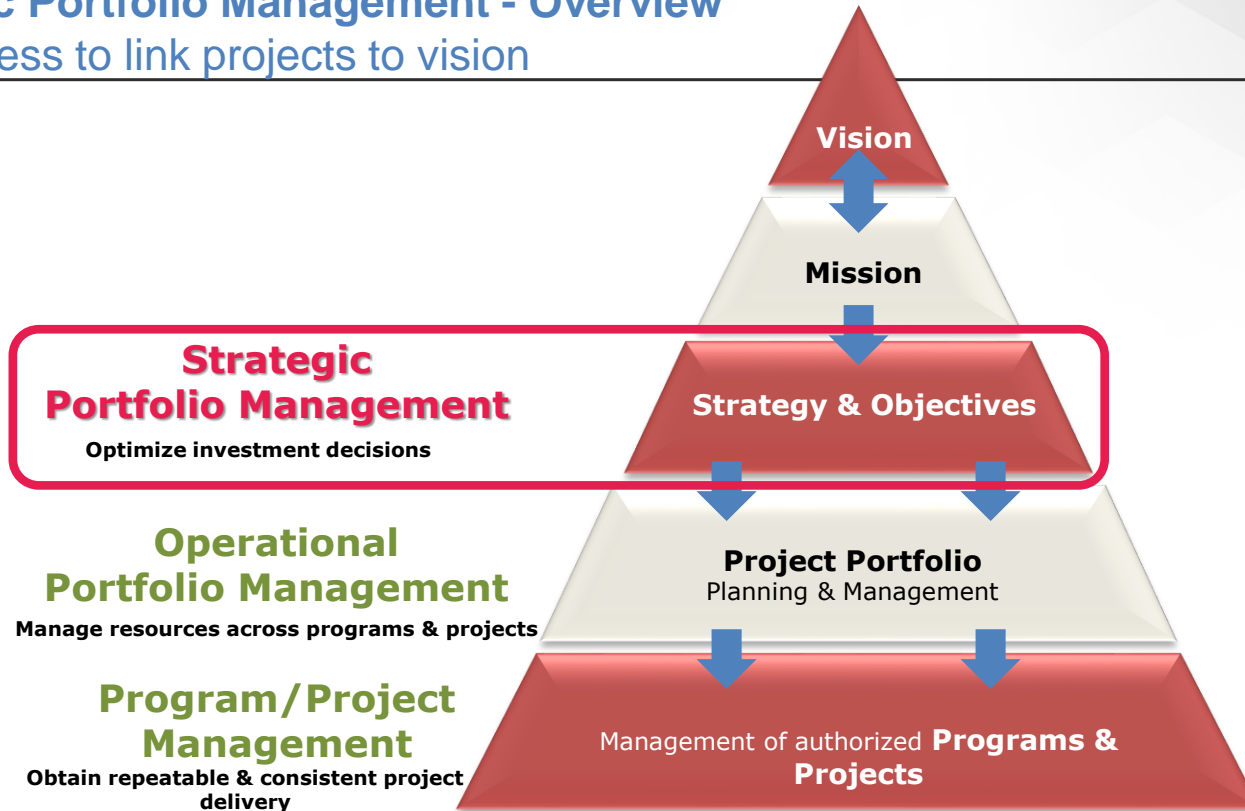
**Are we putting the money in the right place?**

**Are these numbers good or bad?**



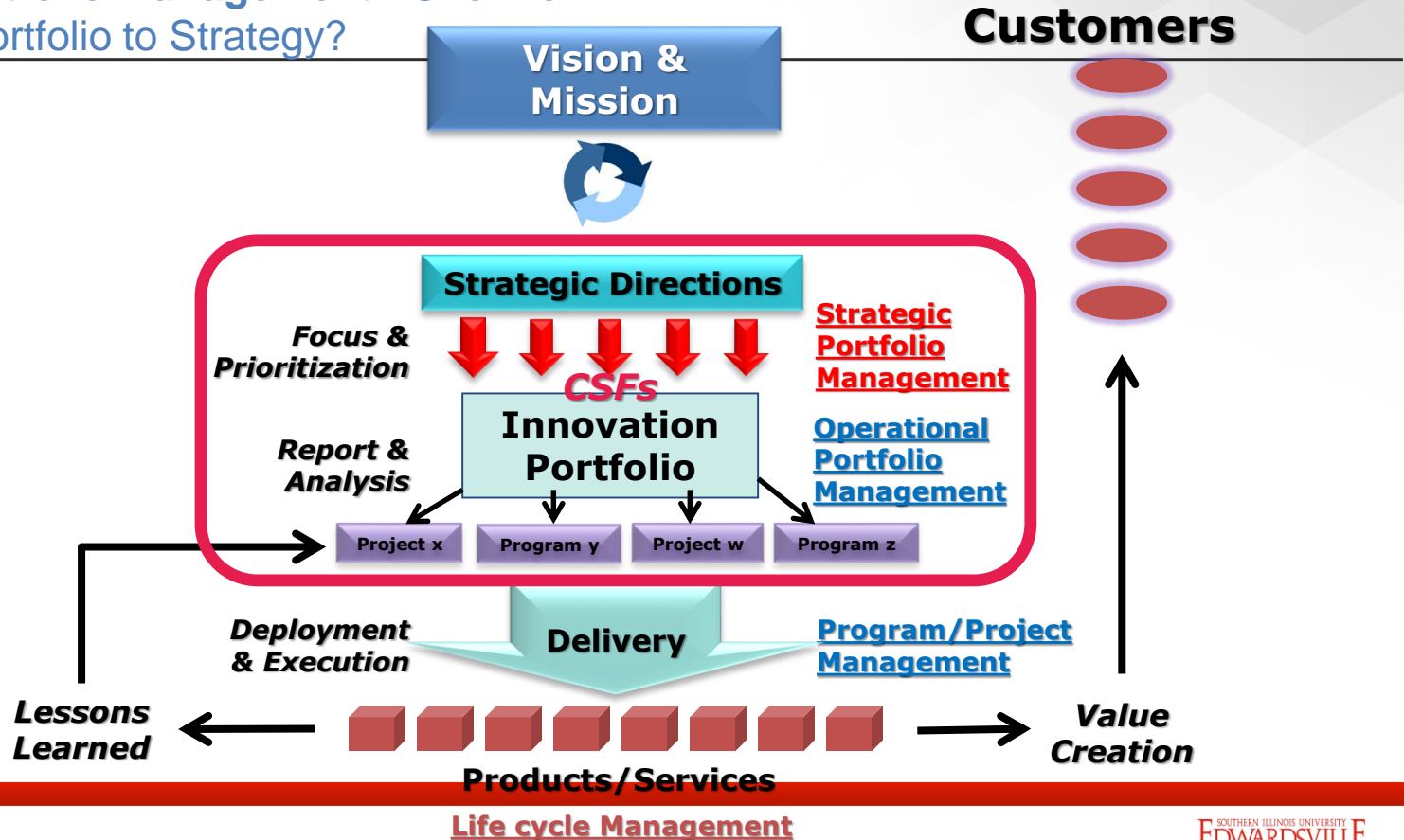
# Strategic Portfolio Management - Overview

Full process to link projects to vision



# Strategic Portfolio Management - Overview

How to link Portfolio to Strategy?



# Strategic Portfolio Management - Definition

## Contribution to Strategy Factors = CSF



- Goal – The outcome you want to achieve
- Strategy – The approach you want to take to achieve the goal
- A **CSF** is a criteria to help us align with the strategic direction. They must be (pre-)assessed, typically qualitative
  - **CSF** is the essential area of activity that must be performed well to achieve the mission, objectives or goals for your business
- A **KPI** is a criteria by which success will be measured, typically quantitative
  - **KPIs** are usually a sub-set of **CSFs**



# Strategic Portfolio Management - Definition

## Contribution to Strategy Factors = CSF – some examples

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- **Priority on specific market**
  - CSF1= Speed to customer
  - CSF2= Extend market share at our key accounts
- **Grow in some countries**
  - CSF3= Develop new products dedicated to these countries
- **Customer Focus**
  - CSF4= Improve Margins
  - CSF5= Foster direct customer access through electronic channels





# Strategic Portfolio Management - Deployment

## How to Deploy ?

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**1**

**Define strategic directions**

**2**

**Define the CSFs, establish a scorecard, Weight each CSF, Create the parameters for each CSF and a Rubric for rating each project**

**3**

**Each component is rated on Rubric yielding a weighted, Contribution to Strategy Score**

**4**

**Each component gets also an “Achievability” score (Based on the risk inherit in the project based on commercial or technical complexity)**

## Strategic Portfolio Management - Deployment

2

Define the CSFs, establish a scorecard, Weight each CSF, Create the parameters for each CSF and a Rubric for rating each project

Contribution to Strategy Score =						
	1	4	7	10	Rating	Weight
CSF1						
CSF2						
CSF3						
CSF4						
CSF5						
CSF6						

## Strategic Portfolio Management - Deployment

2

Define the CSFs, establish a scorecard, Weight each CSF, Create the parameters for each CSF and a Rubric for rating each project

	CSF1	CSF2	CSF3	CSF4	CSF5	CSF6	Score	Weight
CSF1	0	4	5	5	5	0	19	38%
CSF2	1	0	4	5	5	0	15	30%
CSF3	0	1	0	4	3	0	8	16%
CSF4	0	0	1	0	4	0	5	10%
CSF5	0	0	2	1	0	0	3	6%
CSF6	0	0	0	0	0	0	0	0%

## Strategic Portfolio Management - Deployment

3

Each component is rated on Rubric yielding a weighted, Contribution to Strategy Score

Contribution to Strategy Score								53%
	1	4	7	10	Rating	Weight	Score	
CSF1	Equal or Slower delivery	Improve Deliver 5%	Improve Delivery 10%	15% or more improvement in delivery	4	38%	1.52	
CSF2	Project does not focus on the XXX Market	Project focuses on the Sub Market Y	Project focus on Sub market Z	Project focus on both Y & Z sub markets	4	30%	1.20	
CSF3	China is not impacted or a focus	Product is available for sale in China	Product Designed for the Chinese Market	Product Designed for the Chinese Market and Marketing plan and available outside of China	7	16%	1.12	
CSF4	negative or no impact	Margin is between equal to 0 and 5% better	Margin is between 5 and 10% better	Margin better by 10% of the Franchise Trade Margins	10	10%	1.00	
CSF5	X	XX	XXX	XXXX	7	6%	0.42	

## Strategic Portfolio Management - Deployment

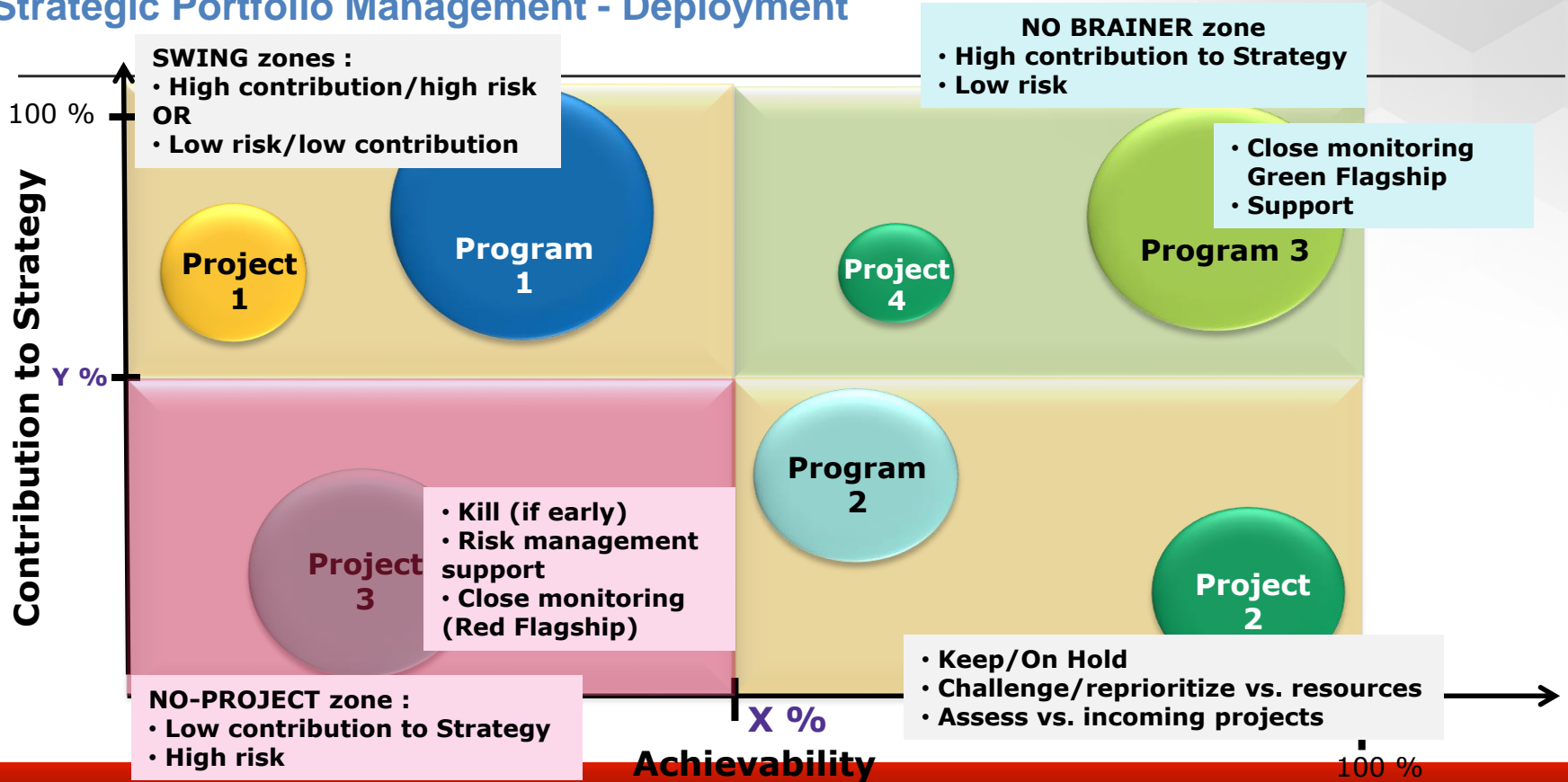
4

Each component gets also an “Achievability” score (Based on the risk inherit in the project based on commercial or technical complexity)

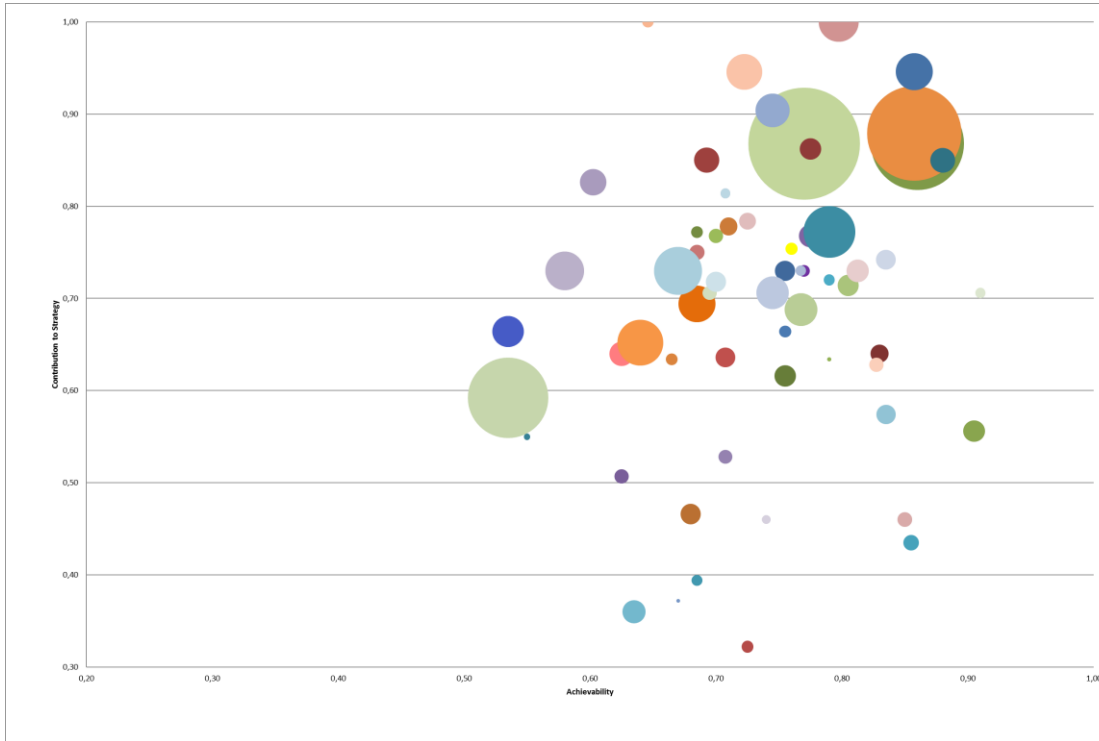
Achievability score can be obtained by using probability of success criteria, risk evaluation of the project etc.



# Strategic Portfolio Management - Deployment



# Strategic Portfolio Management - Outcome



## Ranking criteria

- 1 – Strategic Fit
- 2 – Achievability
- 3 – Financial attractiveness

Project Name	CSF Score	Risk Rating	Fin. Score	Total Score	2020 Est R&D Costs	2020 Cum. R&D Costs
Project K	2.12	2.94	3.30	8.29	€ 2.00	€ 2.00
Project L	2.90	1.94	3.30	8.07	€ 1.50	€ 1.54
Project D	2.75	1.94	3.30	7.92	€ 0.30	€ 1.84
Project V	2.73	2.94	2.30	7.89	€ 0.42	€ 4.48
Project T	2.38	2.34	2.30	7.05	€ 1.46	€ 6.94
Project R	2.31	1.94	3.30	7.48	€ 1.21	€ 7.75
Project C	2.27	2.34	2.30	7.44	€ 1.18	€ 8.92
Project M	2.24	2.34	2.30	7.36	€ 0.36	€ 9.28
Project S	2.20	2.94	2.30	7.36	€ 1.42	€ 11.10
Project O	2.18	2.34	2.30	7.23	€ 1.08	€ 12.18
Project P	1.95	1.94	3.30	7.12	€ 1.85	€ 14.03
Project F	2.08	2.34	2.30	6.73	€ 0.26	€ 14.29
Project A	1.98	2.34	2.30	6.65	€ 0.40	€ 14.69
Project N	1.45	2.94	3.30	6.43	€ 1.07	€ 15.97
Project H	1.39	1.94	2.30	6.33	€ 1.41	€ 17.38
Project B	1.52	2.34	3.30	6.19	€ 0.39	€ 17.97
Project U	2.17	2.34	2.30	5.84	€ 1.52	€ 19.49
Project G	2.16	1.34	2.30	5.80	€ 1.41	€ 20.91
Project Q	1.34	2.94	3.30	5.71	€ 1.21	€ 22.12
Project E	1.90	1.94	3.30	5.47	€ 0.42	€ 22.94
Project F	2.36	2.34	3.30	5.00	€ 0.33	€ 23.27
Project S	1.44	2.34	3.30	4.41	€ 0.34	€ 23.60

## Strategic Portfolio Management - Outcome

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1

Used to assess new ideas vs current projects. Should a current project to be put on hold and start this new project?

2

Used on a quarterly basis for budget/resources allocation: ie. project prioritization

3

Used on a yearly basis to define the budget allocation for next year

4

It is also a visual portfolio snapshot to communicate with Top Management or Stakeholders on the state of the portfolio



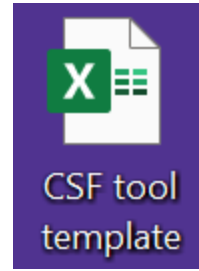
## Strategic Portfolio Management – Lessons Learned

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- 1** Strategy needs to be clear and understood by everyone
- 2** Make sure everyone understands each CSF, according the Strategy
- 3** Use the “Cage Match” tool to weight of each CSF, in an objective way
- 4** Make sure the Rubric is well defined for each CSF for scorecard. Avoid ambiguity!
- 5** Define first the CSF Rubric and the weighting before assessing all the projects
- 6** If some projects cannot be evaluated on the CSF, go one step back to CSF definition or Rubric
- 7** Once the CSF and criteria are defined and Portfolio fully evaluated, don’t go back!
- 8** CSF is not the only criteria for making decisions on Innovation projects. It is an additional tool that can be used

## Lets Walk Through an Example

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## Strategic Portfolio Management

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If you have additional questions  
you can contact me by email:

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# Acknowledgements

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