



New Research: Trends in Portfolio Management

November 4, 2009



Objectives for this session

- Share a first look at survey results (phase 1)
- Demands on portfolio management
- Operational challenges in the current state
- How the industry is addressing those challenges
- Conclusions & Discussion

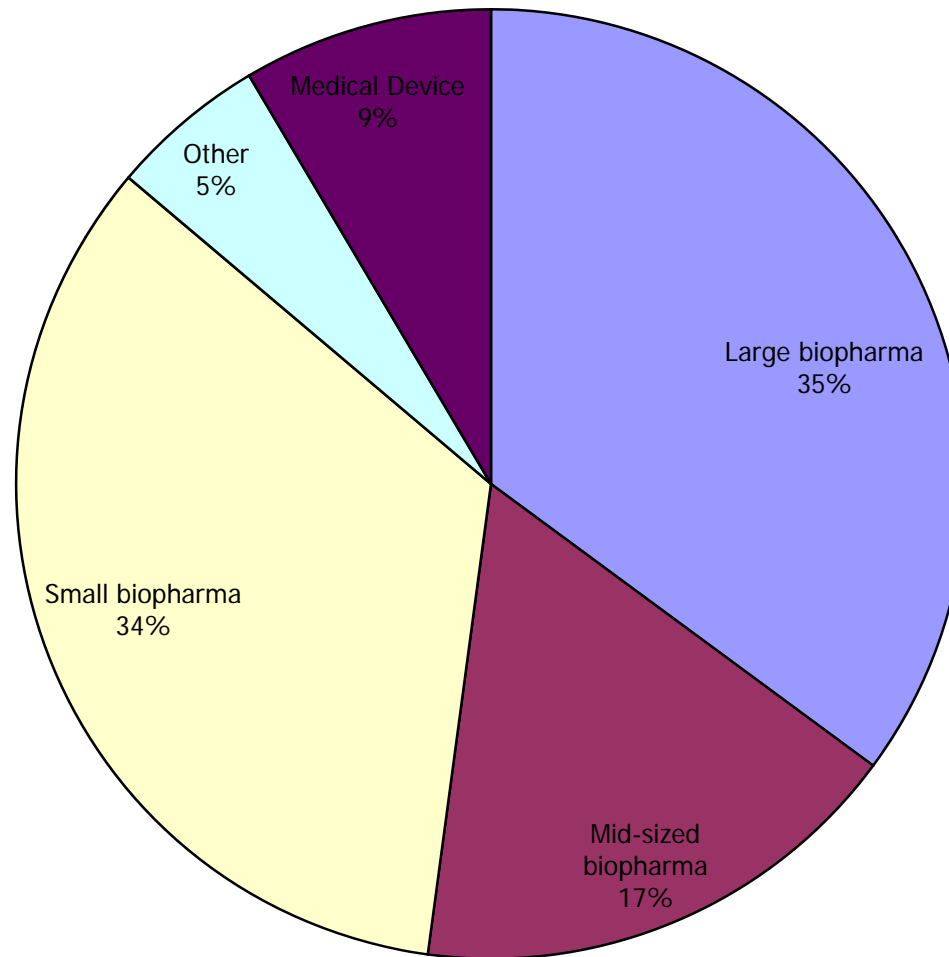
Survey Overview

- Purpose of the Survey: To assess shifts in the demands on the Portfolio Management function and practices that are emerging to address those shifts
- Survey conducted by Insight Pharma Reports
 - Phase 1: Quantitative (trends snapshot)
 - Phase 2: Qualitative (best practices)
- Survey conducted October 7-29, 2009 to senior managers in portfolio management, corporate strategy, and clinical operations
- 94 total responses
- Phase 1 results unveiled today

Sample Respondents

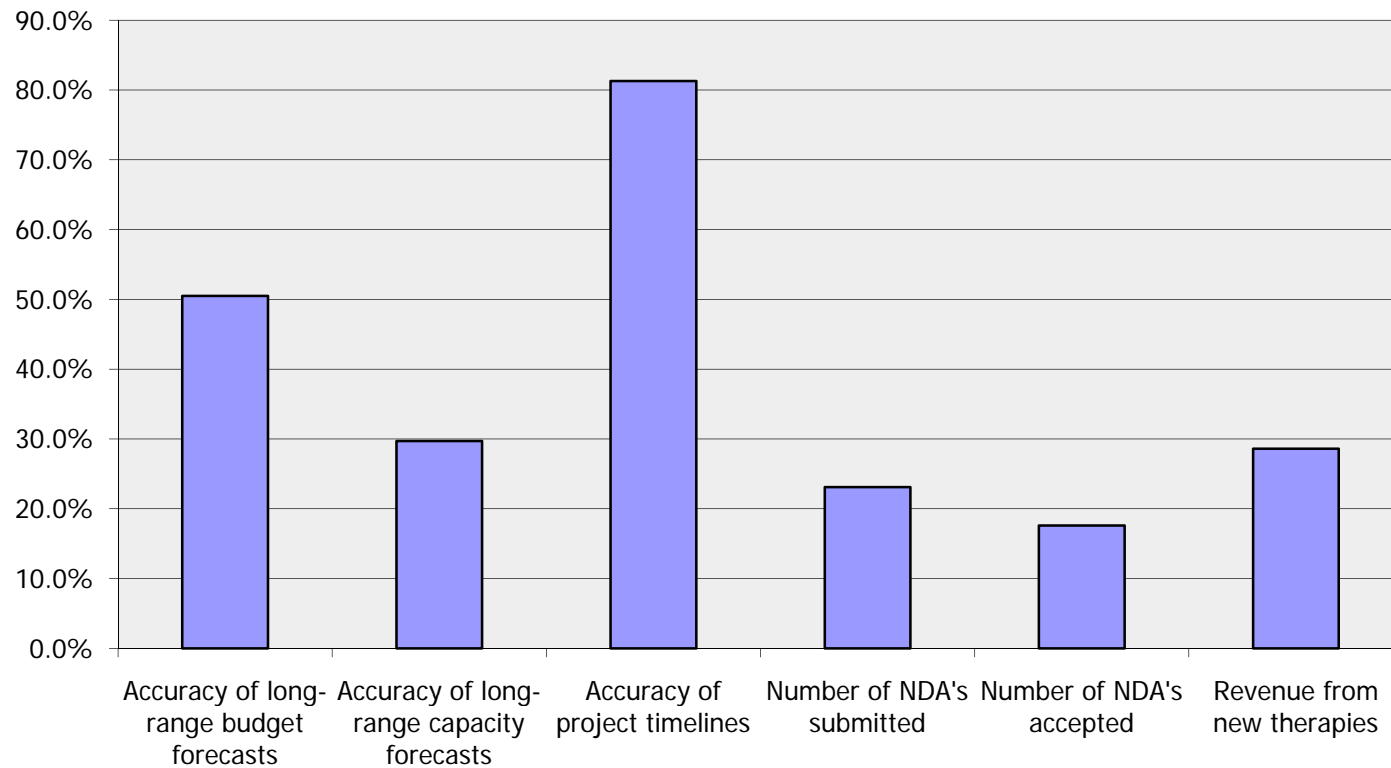
- Actelion
- Amgen
- Ariad
- AstraZeneca
- Bayer Healthcare
- Biothera
- Boehringer Ingelheim
- Emergent
BioSolutions
- Fresenius
- Johnson & Johnson
- Merck Serono
- Novartis
- NovImmune
- Pfizer
- Roche
- Solvay
- SuperGen
- Synta
- UCB

Industry Breakdown

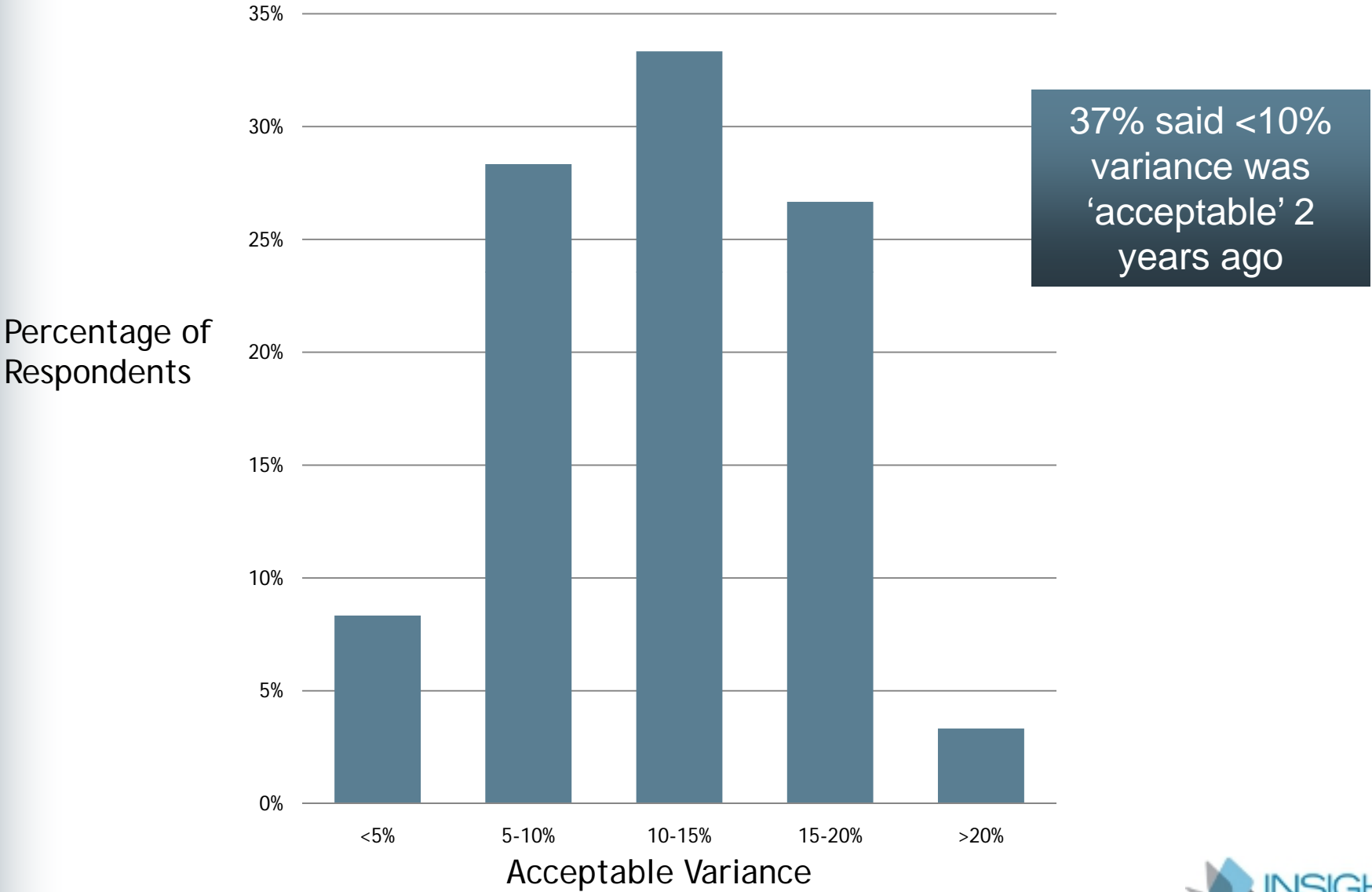


Measuring Performance of the Portfolio Management Function

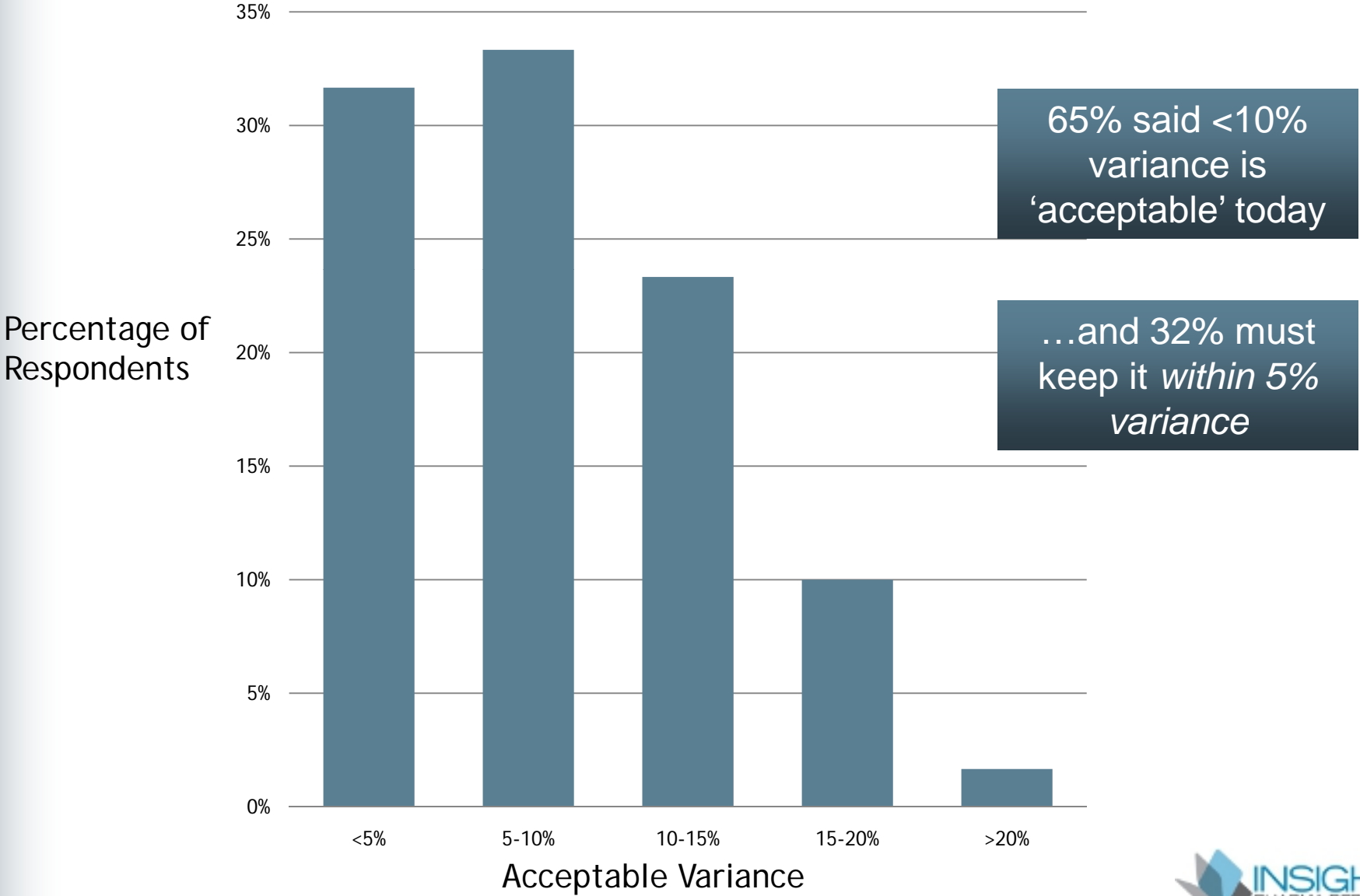
How does your organization measure portfolio management performance?



Acceptable Budget Variance Two Years Ago



Acceptable Budget Variance Today



Forecasting Confidence: Budgets & Timelines

- 64% of respondents were “somewhat” or “not confident” in their 1-year plans
- Increases to 84% when looking at 3-year plans

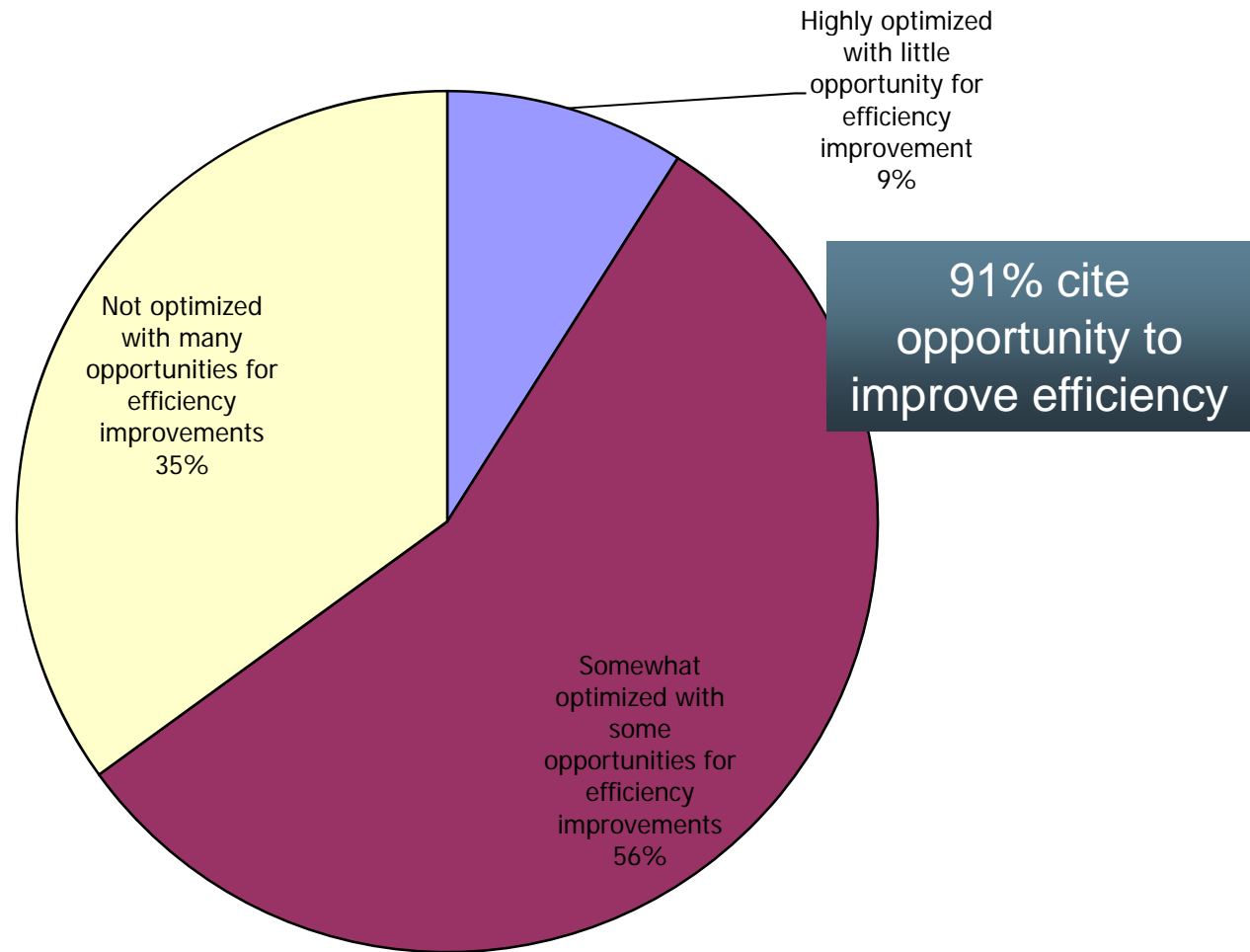
Forecasting Confidence: Resources/FTE

- 57% of respondents were “somewhat” or “not confident” in their 1-year resource capacity forecasts
- Increases to 81% when looking at 3-year forecasts

Performance Challenges

Inefficiency in the Portfolio Management Function

How would you characterize the overall efficiency of your current portfolio management process?



Summary of current state

- Accuracy of timeline and budget vs. plan is the measuring stick
- Management is tightening the screws on what is “acceptable” variance (sub-5% for 32% of market)
- We’re not very confident in the *accuracy* of our estimated timelines and budgets
- 91% of us think we are not very efficient in our portfolio management

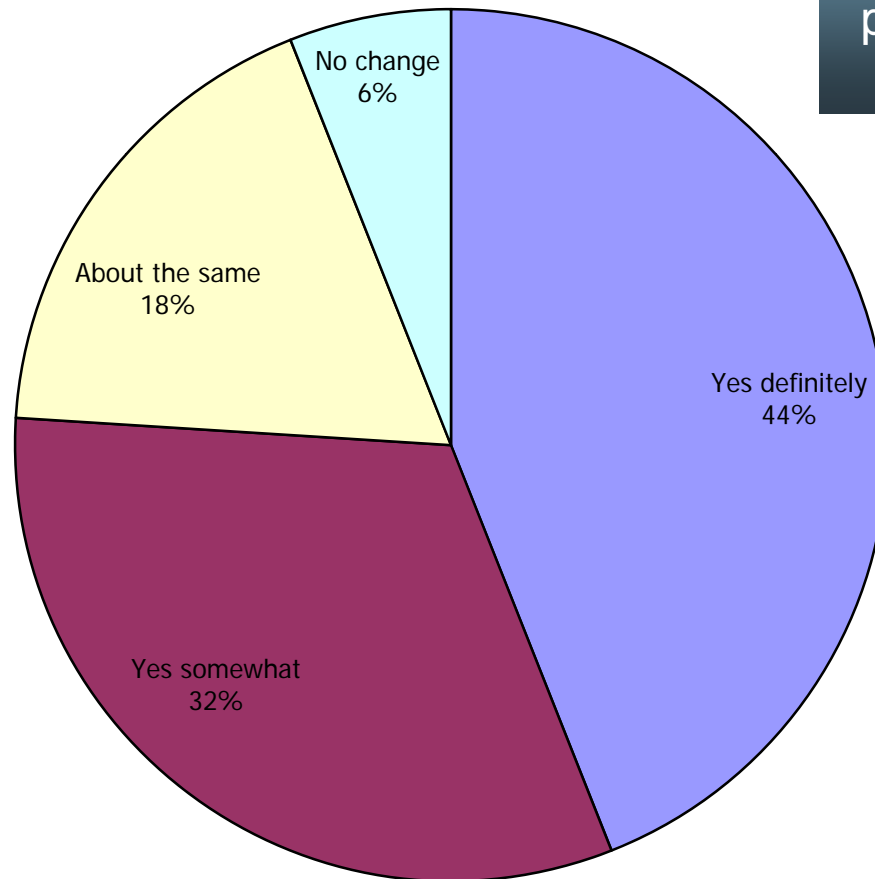
But that’s ok, because what we lack in accuracy and speed,...

Emerging Trends:

Increasing Demand to Improve Efficiency of Portfolio Management

Are you under more pressure today than you were one year ago to improve portfolio efficiency?

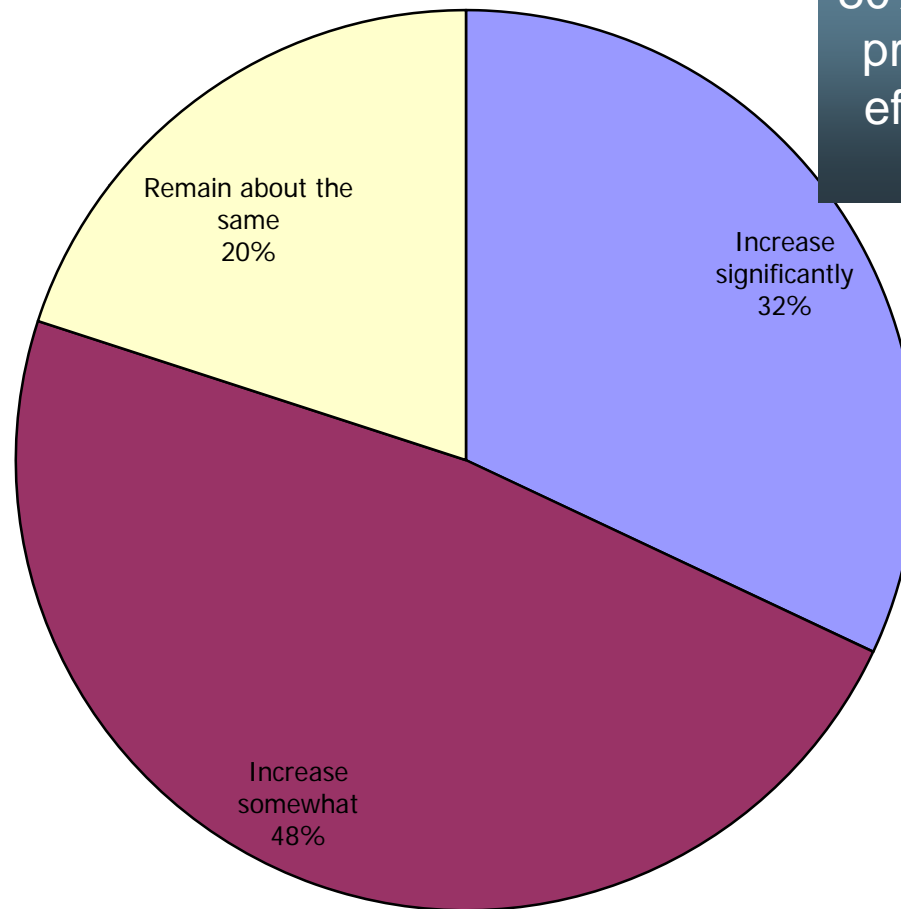
76% are under more pressure TODAY to improve efficiency



Emerging Trends:

Increasing Demand to Improve Efficiency of Portfolio Management

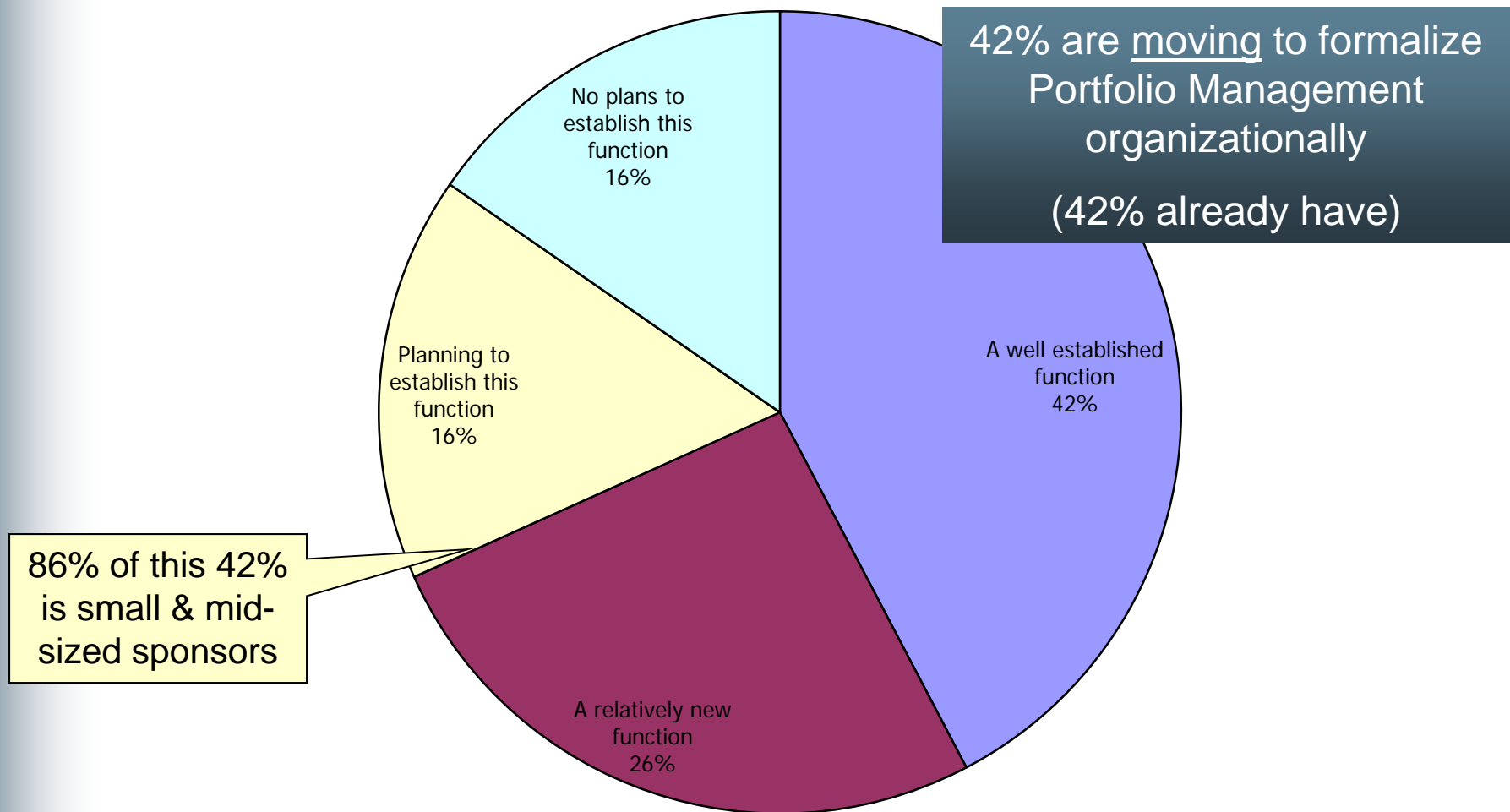
Over the next 12 months, do you expect this pressure will:



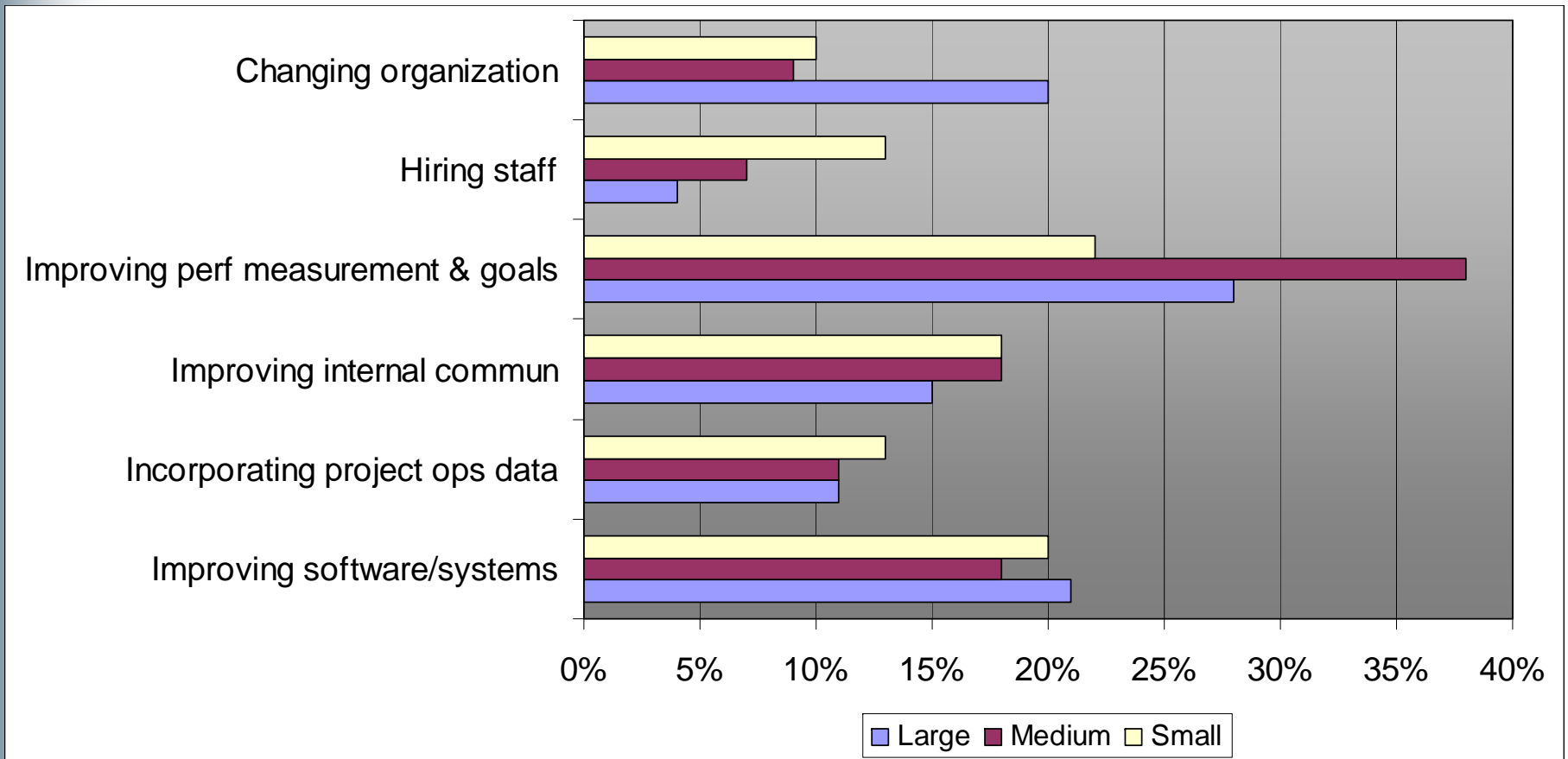
80% expect increased pressure to improve efficiency in next 12 months

Emerging Trends:

Formalize the Portfolio Management Function



Emerging Trends: Initiatives to Improve Efficiency



Emerging Trends:

Frequency of Initiatives by Market Segment

	#1	#2	#3
Large	Performance Measurement & Goal Setting	Improve Software & Systems	Re-Org
Medium	Performance Measurement & Goal Setting	Improve Software & Systems	Internal Communication
Small	Performance Measurement & Goal Setting	Improve Software & Systems	Internal Communication

Conclusions

1. Strategy is outpacing operational readiness

- There is an operational gap between *Strategy* and readiness of the organization to execute the strategy

Operational Gap - Example #1:

Lack of Integration - Ops to Portfolio Mgmt

- Strategy: 84% of respondents have/are formalizing the Portfolio Management function...
- Operational Challenges:
 - 88% of respondents lack visibility to project-level operational metrics
 - for use in LRP / portfolio planning
 - for proactively changing portfolio direction
 - ***And less than half of the remaining 12%*** have systems that integrate operational data into the portfolio planning function

Operational Gap - Example #1 (cont'd):

Lack of Integration - Ops to Portfolio Mgmt

- Only 1 in 3 respondents feel portfolio management function is “highly aligned” with clinical operations
 - 50% of small and mid-sized biotechs “highly aligned”
- Only 1 in 5 believe the portfolio strategy is executed “very effectively” at the operational level
- Only 1 in 6 say that the portfolio strategy reflects operational input “very effectively”

Operational Gap - Example #2:

Program-level Outsourcing

- Strategy: Sponsors **contracting a CRO for entire program** vs. one-off studies
 - Either full service, or
 - By function (FSP model; e.g. Data Management)
- Operational Challenges:
 - Pricing systems must capture economies of scale
 - In FSP model: Project Planning & Tracking systems must handle multi-vendor, global studies

Operational Gap - Example #3:

Project & Vendor Performance Management

- Strategy: Sponsors implementing **project performance** and **vendor performance management and metrics initiatives**
- Operational Challenges:
 - Lack of sophistication in project performance management (e.g. Earned Value Management – EVM)
 - Lack of integration between Planning tools and Tracking systems
 - “Performance data is scattered about in spreadsheets”
 - Lack of centralized, enterprise class metrics repository

Conclusions

2. Quest for visibility is centerpiece of efficiency initiatives

All forms of “visibility”

- #1 Visibility to Performance Measurements / Metrics
- #2 Software / System integration
- #3 Internal communication
- #4 Visibility to Project Ops info for Portfolio Planners
- #5 Re-organization

Thank You