

Background

In this segment of *Avoiding the Top 5 Product Portfolio Pitfalls*, we take a closer look at a common issue facing many companies: insufficient or unreliable data. Your performance predictions are only as good as the underlying data. But many companies still rely on manual spreadsheets as their only means of capturing and storing data. If you frequently deal with spreadsheets, you know how error-prone and laborious they can be, especially if you are trying to manage a portfolio of multiple products in different stages of development. Is your company caught in the status quo of spreadsheet hell or is there something better? Is it worth the effort to switch to a different tool for data you can trust?

I. A Time and a Place for Spreadsheets – This Isn't It

If you manage a product portfolio, you probably are used to fighting for resources and adapting to market fluctuations while simultaneously trying to produce a valued product. It's your responsibility to keep your team updated so they can make key product decisions, but working with enormous spreadsheets, often with thousands of cells, graphical charts, and several macros fraught with human error, doesn't give you or your team the confidence needed to make those decisions. Precious time is often wasted on data collection rather than analyzing the data. Frequently, managers don't realize how much they are structuring their work and processes around an inadequate tool for the complex job at hand rather than leveraging an efficient tool to accomplish the necessary work.

Although there is a proper place for spreadsheets, they are generally not the most effective tool if you are managing a portfolio of more than 20 products, relatively short go-to market cycles, a distributed workforce, or a highly dynamic production schedule. It's like trying to mow a five-acre lot with a weed whacker; it will do the job, but not as well as a ride-on mower. Simply put, you're better served by using the right tool for the job.

II. The Top 5 Reasons Spreadsheets Aren't Cutting It Anymore

1. **Spreadsheets have their place, but were not designed for collaboration.** In an organization with multiple products and often multiple product lines, there are a lot of players involved in updating, maintaining, analyzing, and reporting on the product portfolio. Spreadsheets do not allow multiple users to input or access data when necessary, so product managers are forced to monitor who has the spreadsheet open and when it will be open for editing. Or worse, there are multiple spreadsheets housed in distributed locations that are sent to a single person for compilation and consistency verification. These kinds of approaches often lead to serious frustration and data inconsistency.
2. **Data integrity is by far the most important aspect in decision making.** If you can't depend on your data, your decisions are simply best guesses. Because spreadsheets require manual data entry, there is an inherent risk for human error or "fat fingering." If one single cell of a massive spreadsheet is incorrect, the entire spreadsheet can be rendered useless and has the potential to steer product decisions down a less than optimum path, putting the entire organization at a risk. And if you have various people entering data into the spreadsheet, multiply that risk tenfold.

3. **Designing and maintaining spreadsheets can be big time wasters.** There is an inordinate amount of spent time manipulating spreadsheet so they will provide the necessary information for effective decision making. But this often requires the use of complex macros that can be difficult to accurately create and even harder to explain to product managers inputting the data. Sometimes the data is deemed unreliable by the executives who analyze the data to help drive revenue into the organization. Not only are spreadsheets complicated to design, product spreadsheets inevitably crash on a regular basis because desktop applications were not designed to hold the volume of data needed to manage all aspects of multiple product portfolios. With spreadsheets, productivity truly suffers.
4. **The only constant is change, yet spreadsheets are static.** So things are working fine at your organization; what can change? Economic and market conditions, priorities, product specifications, competitors and the playing field, resource availability, and demand. A product portfolio has a myriad of moving parts and thus needs to be constantly evaluated to keep up with these changes. Spreadsheets are static in nature and cannot capture real-time data modifications without the Wizard of Oz moving levers behind the curtain. Valuable “what if” scenarios cannot effectively be tested, evaluated, and compared because the data is inflexible. Asking a simple question like, “What if we pushed our product go-to market target date another six months to save costs?” brings additional questions like:
 - What will the impact be to our revenue projections?
 - What will the resource impact be with this delay?
 - Does this decision give our competition an edge?
 - What projects need to be cut, rescheduled, or reprioritized to accommodate this change?
 - How will this impact our ability to meet the organization’s strategic objectives?

Using a spreadsheet, you may never know.

5. **Standardization cannot be achieved with spreadsheets.** Not only do spreadsheets present challenges with data integrity, without any kind of standardization, you cannot enforce the use of consistent evaluation and reporting criteria, best practices, or process improvement. There is no way to analyze information on an even scale because fields, acronyms, codes, and other data detail often vary from user to user. Are one user’s definitions of a “high” revenue potential the same as another’s? Trying to make good decisions and determine equivalents between spreadsheets is extremely risky.

If any of these above scenarios look familiar, you aren’t alone. Many companies sacrifice margins and profitability, competitiveness, meeting time-to-market targets, and ultimately shareholder value because they can’t leverage the data needed to make the best business decisions.

III. Climbing Out of Spreadsheet Hell – The Solution

According to a 2009 report by Aberdeen Group¹, “better decisions about product portfolios have enabled the Best-in-Class companies to release products on time and on budget as well as bring in expected revenues and enjoy a 19% increase in profit margins.” These improvements begin by implementing strategies that support the decision making process. Compared to competitors, these companies are also:

- ⇒ 3 times more likely to leverage dashboards defining the potential value of product portfolios
- ⇒ 2.1 times more likely to have central visibility to product development workloads across projects
- ⇒ 3.6 times more likely to evaluate portfolio “what-if” scenarios

So what is the best way to achieve this Best-in-Class status? Industry analysts and other research organizations suggest that a product portfolio management solution is worth the investment. Among many things, it gives managers and executives visibility into portfolio detail required to

make product investment, product development, and resource decisions that minimize risk and provide a greater return. Can your spreadsheets do that? How much better could you do your job if you had technology and processes in place that facilitated your decision making rather than frustrating it?

Summary

Companies who desire to improve performance and maximize profits must understand how different variables affect portfolio valuation and have insight into the status of development projects and resources. Once you reach a certain size, using static, manual spreadsheets is a major hindrance in achieving this goal.

Settling for the status quo inevitably results in the status quo. Examine your processes to see if there is room for improvement. Product managers can play an integral role in bringing about positive change that makes a company more competitive and more responsive to market fluctuations. A product portfolio management solution could be your ticket out of spreadsheet hell.

Learn more now

- Learn more about how your organization can benefit from product portfolio management at www.planview.com/ProdDev
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Carrie Nauyalis manages the strategic direction and development of Planview Enterprise Product Portfolio Management and Planview Process Builder. Ms. Nauyalis began her career at Planview implementing portfolio management solutions and training clients around the world, specializing in large, international implementations. She is now creating new opportunities for Planview customers with offerings and features that extend the benefits of Planview Enterprise further into the world of product development. Prior to Planview, Ms. Nauyalis held various systems engineering positions with Emerson Process. She earned her Bachelor's degree from Truman State.

¹*Managing the Innovation Portfolio: Enabling Engineering Success to Boost Profits.* Michelle Boucher, Aberdeen Group, August 2009