Project Portfolio Diagnostic

Peak Strategy

Welcome to Peak Strategy's Growth Project Portfolio Diagnostic! Peak Strategy has created this diagnostic tool to assist members with understanding how their current growth initiatives are related to the core business and business system. The tool allows members to understand the current and optimal mix of growth projects across various project types.

The Growth Project Portfolio Diagnostic is organized into four sections:

Section 1. Introduction to Growth Project Portfolio Management

This section introduces the "Strategy Bets" Matrix as a tool to manage growth project portfolios.

The "Strategy Bets" Matrix—Provides an introduction to the "Strategy Bets" Matrix and the four categories of growth projects: Core Value Maximization, Adjacency Extension, Core Transformation, and New Business Creation.

Allocating Growth Investments—Introduces considerations for allocating growth initiatives among the four categories of growth projects described by the "Strategy Bets" Matrix.

Section 2. Determining the Optimal Growth Project Allocation Mix

This section enables companies to determine how their growth initiatives should be distributed over the four quadrants of the "Strategy Bets" Matrix introduced in the previous section.

Optimal Allocation Self-Test—Provides a 20 question self-test that enables a company to assess its optimal allocation of growth initiatives based on a complete understanding of current risks to the company's existing industry and business system.

Optimal Allocation Mix—Presents results of the Optimal Allocation Self-Test in the form of a suggested allocation mix, based on self-test scoring.

Section 3. Determining the Current Growth Project Allocation Mix

This section enables companies to understand the current portfolio mix of growth projects in their portfolio.

Growth Project Inventory—This section enables a company to evaluate how its current growth initiatives are distributed in relation to its industry and business systems.

Step 1- This section allows companies to list its current growth initiatives (up to 15).
Step 2- Using the given score criteria, companies can generate an "Industry Relatedness Factor Score" and a "Business System Relatedness Factor Score."

Score Sheet Criteria—This tab includes an explanation of the criteria for scoring a strategy's magnitude of change from core business and business systems.

Section 4. Determining the Alignment between Current and Optimal Growth Project Allocation

This section enables companies to analyze its growth project allocation.

Alignment—This tab offers a comparison between your company's current allocation of growth projects and the optimal allocation mix as determined by the self-test results will allow you to understand where your company has either "overweighted" or "underweighted" investment in growth projects of different types.

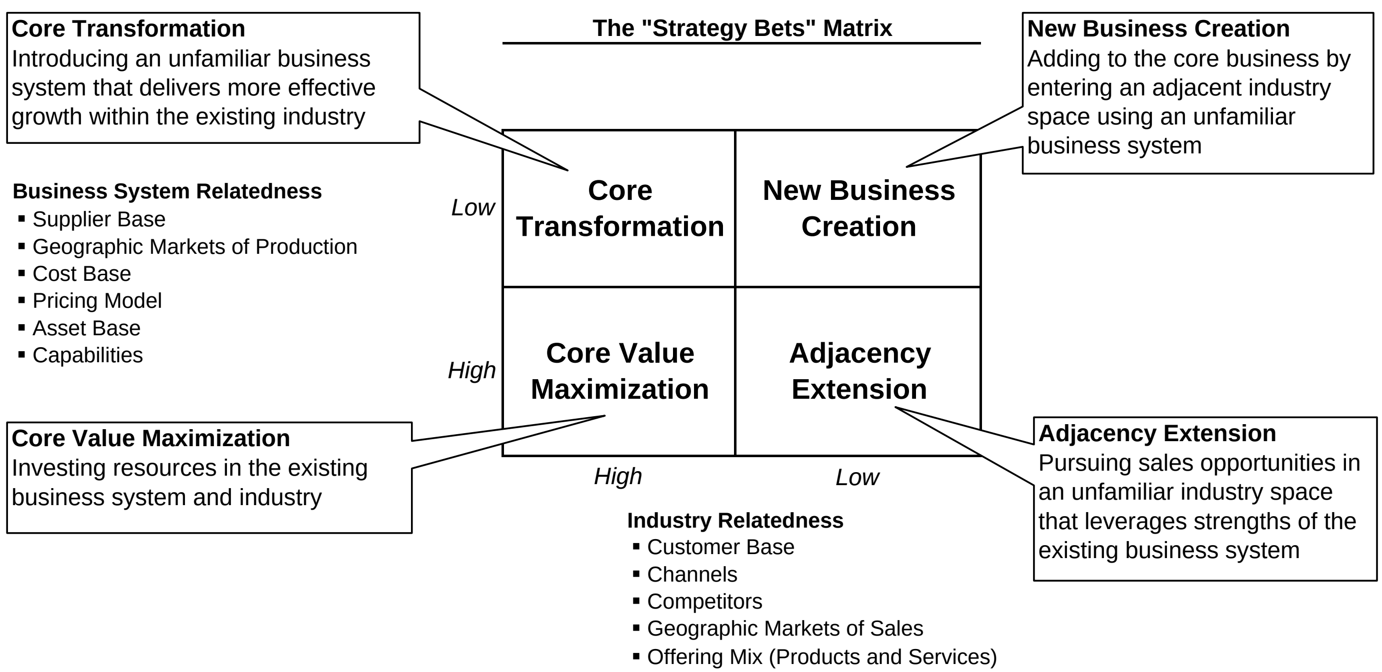
Visualizing the Growth Project Portfolio—The "Strategy Bets" Matrix

"Strategy Bet" Defined

A commitment of resources, both staff and budget (expense and/or capital), toward a strategy that has the potential to materially increase company revenue.

The "Strategy Bets" matrix provides a means to categorize a company's growth projects into four types based on the project's relatedness to the company's existing business system and industry. The vertical dimension of the matrix, which describes the overlap between the existing business system and the requirements for a new growth project, can be considered a proxy for execution risk associated with the project or initiative. The horizontal dimension of the matrix, which describes the overlap between the existing industry definition and the target market for the new growth project, can be considered as a proxy for competitive or business risk.

The following pages enable a company to construct a "Strategy Bets" Matrix to illustrate the current mix of growth projects the portfolio, as well as compare this mix against a recommended allocation based on Corporate Strategy Board research.



A Multitude of Factors Influence How a Company Allocates Growth Initiatives

When allocating growth projects to the four quadrants of the "Strategy Bets" Matrix, companies must account for specific circumstances in their businesses and industries. The following factors listed below indicate the circumstances in which a company might wish to "overweight" its growth initiatives in a particular quadrant.

Factors Influencing Allocation of Growth Investments

"Exploiting the Core"

Core Transformation	New Business Creation
Core Value Maximization	Adjacency Extension

"Building Adjacencies"

Core Transformation	New Business Creation
Core Value Maximization	**Adjacency Extension**

"Reinventing the Business"

Core Transformation	New Business Creation
Core Value Maximization	Adjacency Extension

"Exploring New Businesses"

Core Transformation	**New Business Creation**
Core Value Maximization	Adjacency Extension

"Overweight" your company's allocation of growth initiatives in this quadrant when…

"Exploiting the Core":

- Market is in the growth phase of its life cycle
- Company profitability is higher than its best competitors
- Large opportunities exist in the core, promising greater than the company's average returns

"Building Adjacencies":

- "Adjacent" markets are structurally more attractive than existing one(s)
- Company has assets it can leverage to enter a new market at a lower cost or risk than competitors
- Growth opportunities offer higher risk-adjusted returns than in the core

"Reinventing the Business":

- Company's customer needs are changing dramatically
- Company's fundamental technology is changing enough to create the potential for disruption
- Intellectual assets can be utilized differently to gain advantage

"Exploring New Businesses":

- Intellectual assets give a company "privileged insight" into a non-adjacent opportunity
- Path exists to create a structurally attractive and defensible position
- Company has the financial strength to take on significant risk

Optimal Allocation Self-Test

Weighting the Strategy Bets Allocation Matrix Depends Upon Prioritizing Risks Specific to a Company's Competitive Situation

This self-test evaluates the inherent risks of the company's industry and business system.

Risks to Current Industry	**Check if "Yes"**	**Risks to Current Business System**	**Check if "Yes"**
1. Is my industry structurally maturing and are noncyclical growth rates declining?	☐	1. Is my *company's* share of my total industry's profit pool shrinking?	☐
2. Is my *industry's* total profit pool structurally declining?	☐	2. Is my company's profitability worse than my best performing competitor?	☐
3. Are my current customers shifting their spending to new goods and services?	☐	3. Do I share a similar business model with my major competitors?	☐
4. Are my customers consolidating to the point that a few customers will make up the majority of industry sales?	☐	4. Do my best competitors receive a higher stock market multiple (e.g., price-to-earnings ratio)?	☐
5. Is my industry's regulatory, legal, or political environment becoming so brutal that it severely limits profit potential?	☐	5. Are new competitors entering my industry?	☐
6. Do adjacent industries possess greater total revenues or greater revenue growth rates than my current industry?	☐	6. Are customers' needs, tastes, or behaviors dramatically changing?	☐
7. Does my company possess a proprietary *physical asset* (e.g., product, manufacturing capacity, distribution channel) that an adjacent market would value?	☐	7. Is the purchasing decision maker changing?	☐
8. Does my company possess proprietary *intangible assets* (e.g., brands, patents, customer networks, technologies, proprietary processes) that an adjacent market would value?	☐	8. Are suppliers and/or customers backwardly or forwardly integrating into my market?	☐
9. Are we seeing fewer opportunities to invest in the core that promise greater returns than my recent average returns?	☐	9. Is the fundamental technology of my business system undergoing (or about to undergo) disruptive change?	☐
10. Do the opportunities in "adjacent" markets offer higher risk-adjusted returns than those in my core business?	☐	10. Does my company possess underutilized intellectual assets (patents, customer networks, technology, proprietary processes, etc.)?	☐

Industry Risk Score (Total Answered "Yes") **0**

Business System Risk Score (Total Answered "Yes") **0**

Optimal Growth Project Allocation Mix

How Should Your Company Spread its "Strategy Bets"?
Please find below the recommended growth project allocation mix for your company as determined by the Optimal Allocation Self-Test.

Business System Risk Score: **0**

8—10	**50%**	5%	**30%**	15%	20%	25%
	35%	10%	**30%**	25%	20%	**35%**
4—7	20%	5%	15%	10%	10%	15%
	60%	15%	**50%**	25%	30%	**45%**
0—3	5%	5%	5%	5%	5%	5%
	75%	15%	**60%**	30%	35%	**55%**
	0—3		**4—7**		**8—10**	

Industry Risk Score: **0**

Key:

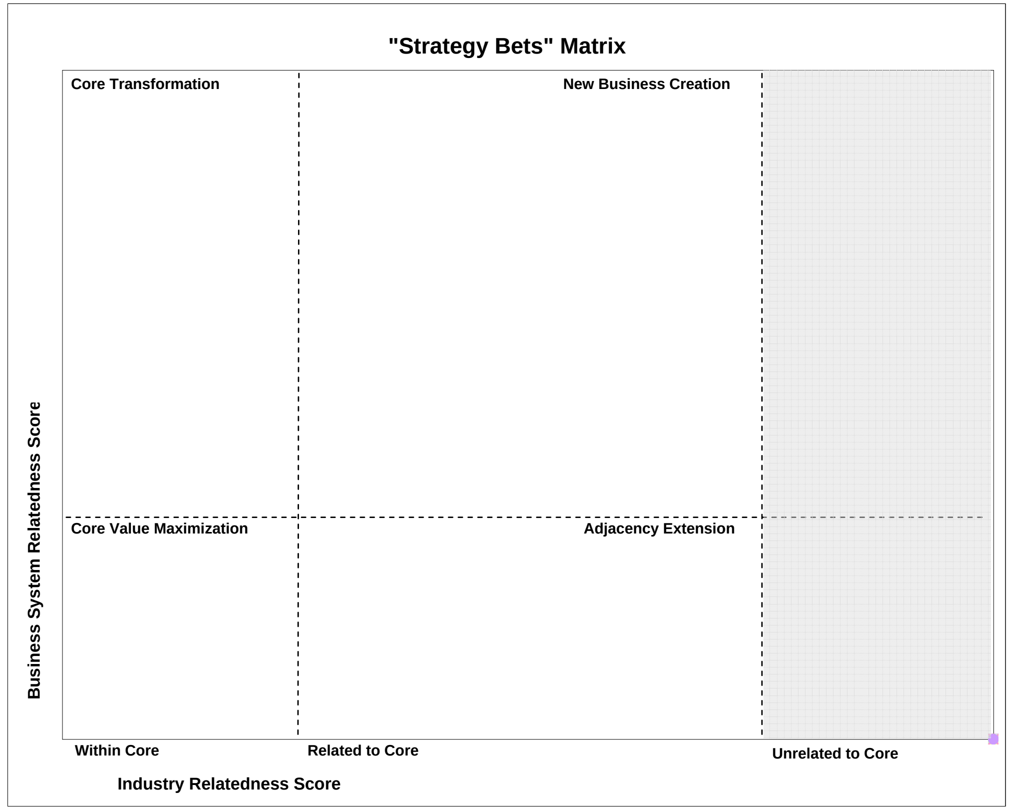
Core Transformation	New Business Creation
Core Value Maximization	Adjacency Extension

NOTE: Recommended allocation percentages are derived from an analysis of the performance of 3,560 large corporations over 20 years to understand patterns by which mature firms are able to successfully inflect revenue growth. The specific allocations were developed through an in-depth analysis of successful "Growth Restart" companies; an elite group of 51 companies identified as part of this research effort. Percentage allocations have subsequently been refined through a series of group and one-on-one interactions with several member companies.

Current Growth Project Inventory

Please enter the name of the company's current growth initiatives (up to 15) in the "Initiative Description" column below. To generate "industry Relatedness" and "business system relatedness' scores for each initiative listed, please click on the relevant navigation button beside each item.

	Initiative Description	Industry Relatedness Score	Business System Relatedness Score
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			



Current Percentile Distribution of Growth Projects

Business System Relatedness

Core Transformation %	New Business Creation %
Core Value Maximization %	Adjacency Extension %

Industry Relatedness

Alignment of Growth Initiatives

Please find below a comparison of the results from the company's current growth project allocation (in yellow) with the company's recommended growth project allocation (in blue). The Growth Project Portfolio Alignment matrix (in orange) illustrates the difference between the optimal and actual mix of growth projects in the portfolio.

Current Percentile Distribution of Growth Projects

Business System Relatedness

Core Transformation **%**	New Business Creation **%**
Core Value Maximization **%**	Adjacency Extension **%**

Industry Relatedness

Growth Project Portfolio Alignment

Business System Relatedness

Core Transformation **#VALUE!**	New Business Creation **#VALUE!**
Core Value Maximization **#VALUE!**	Adjacency Extension **#VALUE!**

Industry Relatedness

Optimal Percentile Distribution of Growth Projects

Business System Relatedness

Core Transformation **5%**	New Business Creation **5%**
Core Value Maximization **75%**	Adjacency Extension **15%**

Industry Relatedness

Interpreting the Results

- <10% Underweight—Company may be underinvesting in projects of this type.

± 10% Aligned—Company is sponsoring an appropriate number of projects of this type.

+ >10% Overweight—Company may be overinvesting in projects of this type.

Criteria for Scoring a Growth Project's Industry and Business System Relatedness

	Relatedness Score				
Analysis Factors (only factors listed in bold contribute to industry relatedness)	**None (0 points)**	**Some (1 point)**	**Significant (3 points)**	**Extreme (5 points)**	**Discontinuous (7 points)** (applies only to factors contributing to industry relatedness)
Market Relationships					
1. Composition of Customer Base	Consistently serving same set of target customers	Serving existing customers and targeting additional subsegments	Serving existing and additional customer segments occupying multiple positions in same value chain	Serving existing and additional customer segments in multiple positions in multiple value chains	Abandoning traditional customer segments and value chain to transfer focus to new customers in unfamiliar value chain
2. Channels to Market	Consistently using same channels	Using existing and slightly different channels possessing same economics	Using existing and similar channels, but adjusting balance of economic benefits	Using existing and additional channels that possess multiple economic value propositions	Abandoning traditional channels to use new channels with unfamiliar economic propositions
3. Composition of Supplier Base	Consistently sourcing from same supplier base	Sourcing from a more concentrated or more fragmented supplier base within a familiar economic relationship	Sourcing from a similar supplier base but with fundamentally different economic relationships	Sourcing from supplier bases at multiple positions within the value chain and with multiple types of economic relationships	
Industry Environment					
4. Composition of Competitors	Consistently competing with same set of companies	Competing with a more concentrated or more fragmented set of similar companies within the same industry	Competing with unfamiliar entrants with similar value propositions or familiar firms with much altered levels of market strength, but within the same industry	Competing with new entrants with dissimilar value propositions or crossing industries into additional value chains to confront unfamiliar firms	Abandoning existing competitor set to enter new industry with unfamiliar firms possessing dissimilar value propositions
5. Geographic Markets of Sales	Consistently selling in same region(s)	Expanding sales domestically to new regions	Expanding sales into first international market or into additional, easily accessible foreign markets	Expanding sales internationally into markets difficult-to-enter for regulatory, cultural, or operational reasons	Abandoning existing sales regions to enter unfamiliar foreign market(s)
6. Geographic Markets of Production	Consistently producing in same region(s)	Producing in additional, domestic regions	Producing in first foreign market or in additional foreign markets possessing similar infrastructure and regulations to familiar markets	Producing in additional foreign markets possessing dissimilar infrastructures and regulations to familiar markets	
Profit Model					
7. Offering Mix	Consistently improving product lines in current categories	Adding goods or services complementary to existing product lines	Adding new categories of products not necessarily connected to existing product lines, but still within the same value chain	Adding new product offerings in unfamiliar value chains that leverage a capability developed by an existing line of business	Abandoning existing product categories to sell within an unfamiliar value chain, depending upon creating a new capability
8. Cost Base	Consistently relying on the same cost base having predictable economics	Relying on an existing cost base but changing performance relative to competitors' cost bases	Restructuring elements of cost base but delivering a similar value proposition	Restructuring to create dissimilar cost base with unfamiliar economics	
9. Pricing Model	Consistently pricing offerings as customers have come to expect	Pricing offerings at a new or at additional price points to alter customers' purchasing behavior, but not altering terms such as timing of revenue collection	Pricing offerings in a manner that is unfamiliar to company, but familiar to customers, such as spreading out or consolidating payments	Pricing offerings in a manner that is unfamiliar to both company and customers, such as integrating pricing with each party's value creation	
Asset Base					
10. Composition of Hard Assets	Consistently operating a stable set of assets	Operating more or fewer assets of similar type	Operating existing types of assets and additional dissimilar assets	Operating multiple unfamiliar asset types possessing different economics, or divesting from hard assets	
11. Branding Approach	Consistently promoting a traditional brand with a constant message	Promoting a traditional brand into new customer segments or adjusting the brand's message	Promoting existing as well as new brands with familiar brand identities	Promoting new brands with unfamiliar brand identities, unrelated to traditional brand	
12. Intellectual Property	Consistently leveraging existing intellectual property to create customer value	Leveraging existing and additional intellectual property developed through familiar processes	Leveraging intellectual property developed through unfamiliar processes but within traditional value chain(s)	Leveraging intellectual property developed through new processes spanning multiple, unfamiliar value chains	
Capabilities					
13. Internal Operational Processes	Consistently applying existing operational processes as efficiently as possible	Applying enhancements to existing processes that reset operational performance limits	Applying existing processes outside traditional value chain(s) or introducing new processes from outside familiar value chain(s)	Applying operational processes drawn from multiple, unfamiliar value chains to serve multiple value chains	
14. Internal Technological Capabilities	Consistently deploying existing technological capabilities to create customer value	Developing technological capabilities that enhance value within existing lines of business	Developing technological capabilities that enable new lines of business or that transform the customer value proposition within existing lines of business	Developing technological capabilities that are new to world and transcend existing business boundaries	
15. Sales Force Structure and Capabilities	Consistently fielding a sales force with stable reporting relationships, incentives, and skill sets	Fielding a sales force possessing additional capabilities to enhance performance within existing lines of business	Fielding a sales force operating under unfamiliar management scheme or implementing new sales forces possessing unfamiliar skill	Fielding multiple, dissimilar sales forces possessing multiple, new skill sets to market unfamiliar customer value propositions	

Growth Project Score Sheet

Instructions: For each of the analysis factors listed, please indicate the extent to which this growth project is related to your company's existing industry and business system using the 0-7 point scale provided in the highlighted column. To review scoring criteria for each of the analysis factors listed, please click on the navigation button labeled "Go to Score Sheet Criteria."

Analysis Factors (Only Factors Listed Below in Bold Contribute to the Competitive Distance from Core Business Scores)			Factor Relatedness to Existing Industry and Business System (None = 0 points; Some = 1 point; Significant = 3 points; Extreme = 5 points; Discontinuous = 7 points)	Industry Relatedness Weighting Multiplier	Industry Relatedness Factor Score	Business System Weighting Multiplier	Business System Relatedness Factor Score
Market Relationships	1	**Composition of Customer Base**		**35%**	0.00	10%	0.00
	2	**Channels to Market**		**10%**	0.00	5%	0.00
	3	Composition of Supplier Base		0%	0.00	2.5%	0.00
Industry Environment	4	**Composition of Competitors**		**25%**	0.00	5%	0.00
	5	**Geographic Markets of Sales**		**10%**	0.00	2.5%	0.00
	6	Geographic Markets of Production		0%	0.00	2.5%	0.00
Profit Model	7	**Offering Mix**		**20%**	0.00	10%	0.00
	8	Cost Base		0%	0.00	10%	0.00
	9	Pricing Model		0%	0.00	15%	0.00
Asset Base	10	Composition of Hard Assets		0%	0.00	5%	0.00
	11	Branding Approach		0%	0.00	5%	0.00
	12	Intellectual Property		0%	0.00	5%	0.00
Capabilities	13	Internal Operational Processes		0%	0.00	7.5%	0.00
	14	Internal Technological Capabilities		0%	0.00	7.5%	0.00
	15	Sales Force Structure and Capabilities		0%	0.00	7.5%	0.00
		Subtotal		100%	0.00	100%	0.00
		Divided by Maximum Possible Score			7		5
		Relatedness Scores					