Bridging the gap
Achieving high performance in product portfolio management
Accenture defines product portfolio management as "correctly understanding the market's current and future demand and allocating a company's resources to achieve optimal product offerings." This report is part of Accenture's ongoing series of international cross-industry surveys in supply chain management. Our latest survey focuses on product portfolio management, examining the means by which companies can leverage the unique opportunities to optimize product portfolio management and improve overall business performance.

We discovered how today's business leaders believe product portfolio management is of growing importance, but unearthed some surprising differences between executives' perceptions and actual performance. Our survey results offer insight into how companies might boost their product portfolio capabilities as they strive to become high-performance businesses.
Our findings show that not only is there a strong consensus among companies that product portfolio management is an important item on business agendas today, but that it is one that they intend to exploit further.

Executive summary

During 2006, Accenture asked 268 senior executives drawn from a representative range of industries worldwide to share their views on product portfolio management. In doing so, Accenture hoped to build a picture of product portfolio management by comparing executives’ perceptions and practices today and their projections for the future. Our survey asked executives:

• How important is product portfolio management in your company?
• How is your company performing with respect to product portfolio management?
• How is your company performing with respect to market and technology insight and product strategy?
• How might product portfolios be optimized?
• How is your company utilizing partnerships and tapping into talent?

We found that often there are considerable gaps between what respondents find important and what actions they take. Accenture learned that companies have clear ideas about where to start their improvement efforts: Product strategy, market and technology insight, and in reconsidering how they currently use the partnership formula to enhance their overall performance. In line with findings from other surveys conducted by Accenture, some 70 percent of respondents told us that they believe that the most successful way to optimize a product portfolio is to adopt a holistic approach that leverages and seamlessly connects market priorities, market insight, technology insight and portfolio optimization as well as maximizing the partnership, talent pool and supporting technologies.
Our survey revealed:

The critical importance of product portfolio management is highlighted by decreasing profit windows and decreasing life cycles.

More than 65 percent of our survey respondents made it clear that they intend to improve their way of working with product portfolio management within the coming two years. Respondents acknowledge the role of reduced “profit windows” (decreasing product life cycles that have payback periods between one to three years) as drivers in their decision to improve their company’s approach to product portfolio management.

Executives agree that a framework for sound product portfolio management is important but they often fail to follow through. When asked for their opinions on the core components of product portfolio management, our respondents ranked product strategy as the primary consideration, though this was closely followed by market and technology insight. But while most executives considered these core aspects important, our survey uncovered gaps between executives’ perceptions and their performance when we probed their approach to the later stages of product portfolio management. On average, more than 76 percent of executives said it was important to focus on portfolio optimization, but only 43.4 percent believed they were performing well when measured against this indicator. Similarly large gaps came to light in the areas of strategic partnership—which respondents ranked as the least important aspect—and talent and knowledge management.

While executives rate market and technology insight as equally important, in practice market insight lags behind.

Irrespective of their industries, respondents realize the importance of understanding the market and applying market segmentation for customer prioritization. However, in practice they rely more heavily on technology insight than on market insight. Overall, our survey highlighted that companies must achieve a better balance between the two key drivers of market insight and technology insight.

To optimize product portfolios, companies must achieve a better equilibrium between the parameters of value, strategic fit and balance.

In their efforts to optimize their product portfolios, executives perceive value, strategic fit and balance as more or less of equal importance. Yet our survey demonstrates that, regardless of their roles in the company, executives are failing to align these three optimization parameters to their best advantage. Of the three, companies tend to favor...
strategic fit and the weakest link in the chain is the value component.

**Product governance performance has room for improvement.**

Eighty-two percent of our respondents acknowledged the importance of having a well-functioning product governance model in place—one that effortlessly integrates product decision makers and product development teams in a single, coherent framework that is correctly focused. However, just 55 percent said that they were satisfied with the governance model within their respective companies.

**Companies are missing out on valuable talent pool capabilities.**

Accenture’s survey found that there is a tendency to involve external partners during the initial phases of product development but that when addressing the later phases, companies tend to overlook the power of partnerships.

Executives overwhelmingly share the view that there are advantages in having an effective process in place to identify, evaluate, shape and manage partnerships, yet fewer than half the respondents put this into practice. Although companies believe it is important to continuously involve external partners for gathering ideas with respect to new products and technology, only 60 percent of them follow through. Only one in four new products actually are developed using partner involvement.

Accenture believes addressing product portfolio management is one way in which companies can complete their journey toward becoming high-performance businesses. Our groundbreaking—and ongoing—research program to determine the key ingredients of high performance provides unprecedented insights into the characteristics and practices that make organizations outperform their peers. The results are clear: High performance is definable, quantifiable—and achievable.

¹ Source: www.accenture.com/highperformance
Introduction

As recent Accenture research² has shown, there are significant grounds for hope for companies that may seem constrained from reaching high performance by the troubled nature of their industries. Indeed, no matter how bad circumstances get, true high performers never quit striving to be the best. With the backdrop of a changing market landscape and dynamic customer demand, the case for optimizing product portfolios is strong. As this survey highlights, companies are both recognizing the importance of effective product portfolio management and committing to improvements.

As most executives concede, sound product portfolio management entails developing market and technology insights as the core input for product strategy which, in turn, is a determining factor in how a product portfolio is managed. Optimizing the product portfolio entails managing three essential elements—value, strategic fit and balance—and any discrepancies in how these elements are handled could explain why some companies are not maximizing the potential of their product portfolios. Indeed, as they progress, the means by which companies manage internal or external resources and the tools they employ will be of considerable significance with respect to a holistic approach to product portfolio management.

Accenture believes—and virtually 70 percent of our respondents agree—that the most efficient way to achieve optimized product portfolio management is to adopt a holistic approach. Indeed, successful product portfolio management encompasses a broad variety of core business processes—such as new product development and accurate market segmentation. By employing a holistic approach, companies can benefit from an end-to-end, integrated perspective that brings together the right technologies, supports correct resource allocation and provides management with a constant stream of updates on overall performance.

The results of this survey add further evidence that businesses that are aiming for high performance may do well to consider taking a broader view of their product portfolio management capabilities.

² Source: www.accenture.com/highperformance
Accenture believes—and virtually 70 percent of our respondents agree—that the most efficient way to achieve optimized product portfolio management is to adopt a holistic approach.
During 2006, Accenture asked 268 senior executives to share their views as part of our research into product portfolio management performance. Our respondents were drawn from the business communities in Europe, North America and Japan. A little over one-fifth—23 percent—came from the Nordic countries—Denmark, Norway, Sweden and Finland. North America accounted for 14 percent and representatives from the major economies of Europe ranged between 13 percent for the United Kingdom and Ireland to 8 percent for the Benelux region. Central and eastern Europe and Japan completed the picture with 2 percent each of the sample responses (Figure 1).

Respondents were from companies representing a diverse range of industries. At 16 percent and 14 percent respectively, automotive and food and beverage were the industries best represented. Accenture also solicited the views of executives in such industries as industrial equipment and construction (12 percent), communications and high technology (10 percent) and aerospace and defense (7 percent). Executives from natural resources (4 percent) and fashion (3 percent) among others, completed the survey sample (Figure 2).

Respondents also were drawn from companies with varying levels of annual corporate revenues. At the higher end, 16 percent of our respondents represented companies with revenues in excess of US$20 billion. A further 8 percent were drawn from companies with revenues in the region of US$10 to US$20 billion. A further 37 percent came from companies with revenues between US$1 and US$10 billion and 25 percent from companies with revenues between US$100 million and US$1 billion. The remaining 15 percent responded from companies generating less than US$100 million.

With respect to job titles, 16 percent of the executives came from supply chain logistics roles, 14 percent were product portfolio/product planning leads, a further 14 percent were from the field of business development and sales, 11 percent were research and development directors and another 11 percent were marketing directors. Other respondent job titles included strategy director (8 percent), chief executive officers (6 percent) and information technology directors (5 percent) (Figure 3).
Figure 2. Survey participants by industry.

Figure 3. Survey participants by job title.
A pressing priority

Although the well-known formula for success still applies—to deliver the right product at the right time at the right price—the complexities around achieving this are growing. Our survey indicates that executives, irrespective of their industry, understand the importance of product portfolio management as a means to capture new customers and improve their companies’ market positioning. Indeed, by carefully deploying the core building blocks of opportunity evaluation, portfolio evaluation and the continuous process of portfolio optimization, expert product portfolio managers are positioned to make decisions that deliver lasting value.

Trends

Faced with the reality that profit windows are shrinking across all the industries represented in our survey, executives are more interested than ever to discover and adopt solutions that can favorably impact the bottom line (Figure 4). Because product portfolio management touches all phases of a product’s economic impact—from concept to launch via update to phase out—while at the same time endeavoring to optimize resources, product portfolio management is very much on executives’ minds. So much so that a significant 65 percent of our respondents unreservedly stated their intention to improve their company’s approach to product portfolio management over the next two years as a means to boosting profits. Dissenters numbered less than 10 percent.

Decreasing product life cycles may do much to explain the shrinking profit windows and contribute to product portfolio management being considered a pressing priority. Our survey investigated the general trends that are affecting the product environment today where new product opportunities, updates and phase out constantly are under review by companies operating in the modern marketplace. The impact from changing product life cycles can clearly be seen with 50 percent of Accenture’s survey respondents saying that their product life cycles had decreased or substantially decreased over the past 10 years. By contrast, the experience of 18.5 percent of respondents was that their product life cycles had lengthened, while just under 30 percent said they saw no change (Figure 5).

Over one-quarter—27 percent—of our respondents claimed that they have seen their products complete the journey from introduction to phase out in a window that is now down to between one and three years. Almost another quarter—23.5 percent—found that their products made the trip in a time frame of between four and six years. Taken together, this means that approximately 50 percent of the companies we surveyed have a product life cycle time of six years or less.
Figure 4. Profit window trends.

Figure 5. Changes in product life cycles over the past 10 years.

- Increased substantially (31%–) 5.2%
- Increased (11% - 31%) 13.3%
- Unchanged (-10% - 10%) 29.8%
- Decreased (-11% - -30%) 43.5%
- Decreased substantially (-31%–) 6.5%
- N/A 1.6%
Against this trend, however, a little over one-fifth—21.6 percent—of respondents stated that in their case, product life cycles were still anchored above the 15-year watershed. Life cycle speed is, therefore, a factor that cannot be overlooked when aiming for successful product management—irrespective of the industry.

As a consequence of the shorter product life cycles and the shrinking profit window, companies now have less scope for error in new product development and are under considerably more pressure to secure success from the outset. To remain competitive and profitable, companies need therefore to continuously strengthen their capability to efficiently deliver products that closely target customer needs. Accurate product portfolio management is perceived as a preferential tool to be deployed in any drive to accommodate today’s business reality.

With a compelling 65 percent of our survey respondents indicating that they intend to improve their way of working with product portfolio management within the coming two years, we asked the question: How? Just more than one-fifth of respondents—21 percent—identified product strategy as the first area they would focus on in their drive to improve product portfolio management. These respondents were closely followed by two other groups that each accounted for approximately 20 percent of our total sample: Respondents in one group said they would opt for market and technology insight, while those in the second group identified portfolio optimization as their preferred lever in improvement efforts.

Strategic partnerships—at just short of 16 percent—were not rated highly, with talent and knowledge management identified by a mere 7 percent of respondents.

**Performance gaps**

When we asked our respondents what they perceive to be the pillars of good product portfolio management, their answers demonstrated that companies are, at times, considerably out of step. Bearing in mind that our survey involved executives drawn from disparate industries and diverse geographies, companies in different parts of the world appear to be experiencing significant gaps between what executives say and what they do.

Figure 6 illustrates the averages from the answers provided by all respondents to our questions on each of the five topics: market and technology insight; product strategy; portfolio optimization; strategic partnership and talent and knowledge management. The darker shaded bars show the average results to questions that asked respondents how important they believed certain tenets of theory were to their business. The lighter shaded bars show how those same respondents believe their companies actually are performing in respect of those tenets. Glancing across the graph, gaps are visible across aspects of business that are critical for executives who manage product portfolios. Furthermore, it can be easily seen that the more pronounced gaps occur in the latter phases of the product portfolio management process.

Market insight, in our definition, entails monitoring and understanding market-based and competitor trends as well as...
customer behaviors and preferences. Technology insight encompasses and evolutions and trends in technology. With respect to market and technology insight, almost 82 percent of our respondents agreed that it was very important. However, when asked to evaluate how they thought their respective companies were performing in this regard, it was somewhat surprising to learn that no more than 69 percent perceived their respective companies to be good performers.

A gap only marginally smaller emerged when we probed how respondents rated the importance of product strategy. As Figure 6 clearly shows, 83 percent of our respondents had no doubts about the importance of product strategy while just shy of 72 percent believed their respective companies had performances that merited a high ranking. But when our survey addressed portfolio optimization, the gap we uncovered between what executives think and what they do was remarkably wide. While just over three-quarters of the executives we surveyed told us that for them, portfolio optimization was an important consideration in their product portfolio management strategy, less than half their number—43 percent—felt confident enough to rank their respective companies as a high achiever. Our survey findings would therefore suggest that executives are aware that there is significant room for improvement in respect of what can—or needs to be—done to improve portfolio optimization performance.

Further performance gaps exist. Evaluation of strategic partnerships produced a similarly large gap between executives’ perceptions and their performance. Virtually two out of three of our respondents said they considered this particular aspect as important. Yet when they evaluated their own performance, one out of three believed their companies could be ranked among performance leaders with respect to strategic partnerships.

What clearly emerges from our survey is that there are gaps between what is perceived as important and the corresponding performance. Of note is the finding that executives rate their performance higher during the initial stages of the process and that they are considerably less confident about their performance in later phases.

Overall, as our survey highlights, there are many indicators that product portfolio management is becoming increasingly important—not least the sizable gaps in performance and our respondents’ commitment to improve—sound reasons why product portfolio management can be considered a pressing priority.
Market matters

How do market matters influence portfolio management? Executives use market insight to develop product strategy which subsequently drives their product optimization decisions. It is important, therefore, for companies to get this right. Although our survey shows the large majority of companies—88 percent—rank market insight as an important consideration, they fall short in practice with 81 percent of respondents indicating their companies perform well with respect to market insight.

When respondents were asked about market segmentation practices in their companies, 61 percent of respondents said that in their opinion, they have a market segmentation model that truly supports their customer prioritization. Meanwhile, 76 percent of respondents believe it is very important or important to have a good understanding of market requirements, but significantly fewer—69 percent—are convinced that their performance is on target. Analyzing this data further showed that 57 percent rated a correct understanding of market segmentation as very important while 35 percent believed they actually rise to the challenge (Figure 8).

Perhaps it is the case that executives are more sensitive to technology evolution. Interestingly, our respondents rated their performance a little better when asked to consider how they view technology developments in the market: 82 percent identify technology developments and implications to be important but 77 percent say that they agree or fully agree that they understand technology developments and implications (Figure 9). These statistics suggest that companies are not only performing well with respect to technology insight, but that they are also aware it is important.

When Accenture’s survey asked respondents to compare the highly rated importance of the steps of market and technology insight and product strategy with their contribution to the business, gaps were detected. When confronted with a more specific question asking them to distinguish between the importance of market insight as a vital input to product strategy on the one hand and technology insight on the other, a sizable majority—88 percent—of respondents rated market insight as a highly important aspect; 73 percent stated they prioritize technology insight. Executives thus expressed a net view that for them, market matters are—in theory—more important factors for product portfolio management than technology insight.

When we asked our sample group whether they thought it was important for a company to have a well-defined product strategy, more than 88 percent said that it was important or highly
important. It is interesting to note that 54 percent rated it as highly important while around half that number—27 percent—felt their respective companies actually have a product strategy that adequately meets the challenge.

Generally, it appears something is amiss. What emerges from our survey is while companies agree that market and technology insight are prerequisites for achieving good product portfolio management, they often realize—irrespective of their industries or geographies—that their subsequent performance does not reflect the high levels of importance they attribute.

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**Figure 8. “We truly understand the market requirements.”**

<table>
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<th>Fully agree/Very important</th>
<th>35.4%</th>
<th>56.6%</th>
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<td>4%</td>
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**Figure 9. “We truly understand technology development in the marketplace and the implications for our company.”**

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<th>48.7%</th>
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<td>1%</td>
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<tr>
<td>N/A</td>
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<td>4%</td>
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Portfolio challenges

Optimizing a product portfolio may not be simple but, given the array of well-known and relentless market pressures, it is certainly worth aiming for as a goal. Optimization initiatives encompass a variety of concepts each with its own complexities—and opportunities—on the road to becoming a high-performance business. As noted in the Introduction of this report, companies believe it is important to optimize their product portfolio based on strategic fit, value and balance. Our survey makes it clear that one of the reasons why companies fail to achieve optimized portfolios is that there are remarkable discrepancies between what executives believe is important and their actual performance with respect to this classic equation. Although respondents’ views on the importance of strategic fit, value and balance broadly converged, we observed that with respect to performance, the percentage of companies that successfully focus

Figure 10. “We optimize the value of the portfolio in a structured way.”

Fully agree/Very important

<table>
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<th>Percentage</th>
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<tr>
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<tr>
<td>Very important</td>
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<td></td>
<td>25.9%</td>
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<td></td>
<td>21.8%</td>
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<td>20.7%</td>
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<td>2.9%</td>
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Disagree/Not important

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<tr>
<td>Not important</td>
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<td></td>
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<td>2.3%</td>
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N/A
on the value parameter factor was lowest. While 72 percent admit that they believe it is very important or important to focus on value in order to optimize their product portfolio, slightly less than half their number—35 percent—are satisfied that their companies do so in reality (Figure 10).

When asked how they perceive the concept of balance in the same context, more than 70 percent said it was the factor on which to focus in order to optimize a product portfolio. However, those who consider that their respective companies are performing well with respect to this parameter stopped just short of 44 percent. (Figure 11)

Data from our survey shows that companies are more inclined to focus on strategic fit than on either value or balance in their efforts to optimize their product portfolios. Though narrower, the gap between the percentage of respondents who believe
that it is important for companies to have a strategic fit between their product portfolio and their business strategy—virtually 80 percent—and the percentage of those who believe they actually manage to achieve this goal—approximately 56 percent—is nonetheless significant (Figure 12).

Overall, companies across all industries and geographies within the scope of our survey seem to be performing better from the standpoint of strategic fit. When averaged, our findings show that on a scale of one to five, executives believe that strategic fit is the more important parameter—4.2—followed by balance—4.0—with value closing out the list at 3.9.

Despite the many gaps that undoubtedly exist between what executives think and what they do, nearly 70 percent of those same executives told us that when securing resources for their product initiatives, they take a holistic project portfolio view to ensure complete coherence among the various key elements such as new products, customer adaptations and maintenance (Figure 13).

A checklist of concepts that executives need to carefully examine on the road to holistic portfolio optimization includes ensuring that:

- Their respective companies have a formal, systematic portfolio management process in place.
- An effective framework has been established to identify and evaluate opportunities.
- Product projects are aligned with overall business strategy.
- The portfolio under development contains projects that bring high added-value to the enterprise.
- The portfolio is well-balanced from the standpoint of project types.
- The number of allocated projects and resources has been correctly calibrated.

Striking the right balance between all of the above poses quite a challenge for product portfolio managers. Our survey found that executives today are struggling to identify a model that correctly blends all essential elements in one logical framework.
For effective portfolio optimization, companies need to perform well across market and technology insight and product strategy, raising their overall performance in the process. As Figure 14 indicates, when compared to an average score, respondents who consider that they perform well in market and technology insight tend to score above average in portfolio optimization. The opposite also holds true: Respondents who perceive themselves as relatively low performers in market and technology insight achieve much lower scores in portfolio optimization.

While this provides additional evidence that correctly calibrated product portfolio management is an important tool in a company’s quest to achieve high performance, it also shows what sets high-performance businesses apart from their competitors: Success is contingent upon a company’s ability to master the early stages of the product life cycle, that is, the insights and resultant strategy. Companies that adopt a holistic view of product portfolio management leave no gaps: They employ a seamless approach that brings together all the components in a logical way—adding greater overall value.

Figure 14. How the performance of market and technology insight influences portfolio optimization. Where 1=low performance and 5=high performance

<table>
<thead>
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<th>Market and technology insight</th>
<th>Product strategy</th>
<th>Portfolio optimization</th>
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</thead>
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<td>High performers in market and technology insight (top 10 percent)</td>
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<td>4.5</td>
<td>4.3</td>
</tr>
<tr>
<td>Low performers in market and technology insight (bottom 10 percent)</td>
<td>2.2</td>
<td>3.1</td>
<td>2.6</td>
</tr>
<tr>
<td>Average across all areas</td>
<td>3.8</td>
<td>3.9</td>
<td>3.3</td>
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Tapping into talent

While our respondents may hold fast to certain beliefs, often ranking them as “highly important,” our survey findings show that, at times, it seems their respective companies are disinclined to act on those principles. One section of our survey that revealed some significant performance gaps included questions around decision making, talent and ideas and strategic partnerships.

Decision making and product governance

When we asked our respondents about decision making we found that in 40 percent of companies, the executive team takes the product portfolio decisions. At 23 percent almost one in four respondents told us that their respective companies rely on a business unit management structure and just short of one in five—21 percent—involve a cross-functional product board. Only 2 percent of respondents said research and development people make product portfolio decisions within their companies.

Accenture’s survey also probed how companies today manage talent and knowledge as part of overall product governance. Our aim was to discern whether executives think it is important that companies have an effective product governance model in place and, if so, how they rank their respective companies’ performance. For the purposes of our survey, we defined a product governance model as an integrated framework in which product decision-making bodies collaborate with product development teams. In their feedback, the vast majority of our respondents—82 percent—agreed it was important for companies to have such a model in place. Given such strong consensus on the importance of having a well-functioning product governance model, it was somewhat surprising to learn that a very sizable gap exists between the percentage of executives who hold this strong belief and the percentage of those who rate their performance positively: Barely more than half of our respondents—55 percent—consider that their companies are performing successfully.

Talents and ideas

Talent governance garnered a similar response. We asked our executives whether they thought it was important that a company have an effective process in place to govern idea generation and idea management (including rewards and recognition); 78 percent said “yes.” However, only 44 percent ranked their respective companies among the better performers when translating this into reality.

When venturing into a partnership framework to boost product portfolio performances, a company will want to have structured risk and reward arrangements in place that will enhance the spirit of collaboration. There are many parallels with internal talent management. Here, too, companies will be mindful of considerations that extend to the resources―be they internal or external―that are deployed to product development processes and will accordingly want to:

• Consider strategic and long-term competence planning.
• Build a clear understanding of employee preferences and appealing career maps.
• Instill a creative culture and foster an environment that embraces a “fail early and fail often” approach.
• Ensure efficient idea generation and idea management through attractive rewards and recognition.

Bearing this in mind, we asked our respondents to rate the importance of having a process in place that enables them to effectively govern idea generation and idea management while making appropriate provision for rewards and recognition. Such a model also will ideally facilitate strategic focus and ensure that product portfolio management components are integrated as part of annual business plans. From our survey, just less than 73 percent of respondents said they believed this was an important or highly important process for a company to have. When asked how they think their companies are performing in this regard, respondents uncovered another performance gap: only one in three ranked their companies as good performers.

When asked how important it is for a company to have a well-functioning framework for evaluating product or market opportunities, a convincing 82 percent of our respondents stated their belief that it is important, or very important, for companies to have such a mechanism in place. Underlining the seriousness of the issue, no respondents said they disagreed with the above statement. When asked about their own operations, the percentage of respondents who found there was coherence between principle and practice dramatically dropped to 39 percent; that is, less than half the number of those who believe this to be an important concept.

Partnerships

Among the more pronounced performance gaps uncovered by our survey are those between respondents’ evaluation of the way in which their companies manage partnerships and their rating of how important it is to have an efficient partnership management model in place. An efficient model is one that not only supports the management of partnerships but also helps companies to initially identify and evaluate potential partnership candidates from various important standpoints.

Almost three-quarters of our respondents—71 percent—agreed that it was important to have effective processes in place to identify, evaluate, shape and manage overall relationships with partners. However, just short of one-third of total respondents—32 percent—actually believe they have these processes in place. Furthermore, in contrast to the 25 percent of respondents who announced that it was “very important” to have effective partnership management processes in place, only 8 percent of the total number of respondents believed their companies were performing well in this regard (Figure 15).
We asked executives whether they believed it was important to involve partners in the process of gathering new product or technology ideas. While almost two-thirds of respondents agreed it was very important or important to do so, in reality, a mere 38 percent of the executives we surveyed do so. It was interesting to observe that more than 7 percent of respondents stated their belief that it was not important to collaborate with partners in the search for ideas (Figure 16).

Our survey also asked respondents about the intensity of their partner collaborations in product development initiatives. When asked what percentage of their new products were developed in partnerships, only 8 percent replied that between 76 and 100 percent of their new products are developed in conjunction with external entities. One respondent in five said they involve partners to develop between 25 and 50 percent of their new products. However, the majority of respondents—nearly 60 percent—said they resort to external collaboration to develop between 0 and 25 percent of their new product offerings. This statistic, when compared with the earlier finding that almost two-thirds of respondents agreed it was important to involve partners in the process of gathering ideas for new products, demonstrates that companies are more willing to involve partners in the early stages of product development. Our survey shows that they are less inclined to carry their partnership activities through to the product launch phase. Indeed, Accenture believes that overall, regardless of industry distinctions, the propensity for companies to involve partners in new product development is fairly poor.

When we averaged out our survey findings from the area of strategic partnerships, we found there was a wide gap between what executives believe and how they behave (see Figure 6). More than 66 percent of our respondents answered that the partnership concepts we identified were very important but approximately half their number—35 percent—perceive their respective companies to be performing well in this area.

**Figure 15.** "We have effective processes to identify, evaluate, shape and manage partnerships."

**Figure 16.** "We continuously use partners for gathering new product or technology ideas."
As our survey respondents have confirmed, companies are experiencing shrinking profit windows, as a result of decreasing product life cycles and the pressures of relentlessly regular payback periods. In such a climate, the importance of product portfolio management is taking center stage.

Perhaps it is time to get back to basics. Product portfolio management may have its complexities, but if executives overlook certain fundamentals, their companies will not be able to complete the journey to high-performance business. Our survey reveals that while certain opinions remain, beliefs and behaviors diverge at surprisingly regular intervals, uncovering large performance gaps in the major components of product portfolio management. Executives are aware of the challenge: Two-thirds of our respondents stated that they intend to improve their way of working with product portfolio management during the next two years.

So how can executives bridge these gaps in performance? According to 70 percent of respondents, the solution lies in highlighting the holistic in order to align and integrate their product portfolio potential. Accenture believes that to be successful in product portfolio management executives should:

- Prioritize customers and their requirements and use this information as the basis of all product portfolio management decision making.
- Allow their company's product strategy to clearly guide portfolio decisions.
- Increase the level of internal innovation to gain more and better ideas as well as using partners for both idea generation and the development of new products.
- Optimize product portfolios based on value, strategic fit and balance.
- Place product portfolio management at the heart of their company's strategic planning process.
- Aim to make efficient product decisions through a well-formulated product governance model.
- Ensure information technology supports product portfolio management processes.

Perhaps the journey for successful product portfolio management and high-performance business should include the familiar warning signs from the London underground—"mind the gap" is sound advice to avoid potential performance pitfalls. Indeed, the gaps our survey uncovered go some way toward explaining why certain companies may be losing out on achieving better returns. By adopting a holistic approach that bridges performance gaps to optimize product portfolio management, companies might well help to close another gap—the one that keeps them apart from becoming a high-performance business.
Contacts

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About Accenture Product Development and Innovation

Accenture offers a suite of product life cycle management capabilities that help companies to create and launch successful products and manage their life cycles to maximize profitability. Our team of dedicated professionals is skilled in managing the activities associated with new product development, synchronization and quality management with respect to collaborative processes, information systems required to integrate and update product and process data and the efficient introduction of new products or engineering changes in production plants.

Accenture's offerings include:
- Product portfolio management
- High performance research, innovation & development
- New product introduction
- Product cost management
- Product quality management
- Design for supply chain
- Complexity management
- Product data management/Product life cycle management
- Engineering outsourcing

Accenture's collaborative tools, organizational models, advanced methodologies and program management capabilities bring innovative solutions to clients' challenges. Our experience enables us to assist companies to develop product life cycle transformation plans that both deliver short-term results and provide a platform for future growth.

About Accenture Supply Chain Management

The Accenture Supply Chain Management service line works with clients across a broad range of industries to develop and execute operational strategies that enable profitable growth in new and existing markets. Committed to helping clients achieve high performance through supply chain mastery, we combine global industry expertise and skills in supply chain strategy, sourcing and procurement, supply chain planning, manufacturing and design, fulfillment, and service management to help organizations transform their supply chain capabilities. We collaborate with clients to implement innovative consulting and outsourcing solutions that align operating models to support business strategies, optimize global operations, enable profitable product launches, and enhance the skills and capabilities of the supply chain workforce. For more information, visit www.accenture.com/supplychain.

About Accenture

Accenture is a global management consulting, technology services and outsourcing company. Committed to delivering innovation, Accenture collaborates with its clients to help them become high-performance businesses and governments. With deep industry and business process expertise, broad global resources and a proven track record, Accenture can mobilize the right people, skills and technologies to help clients improve their performance. With more than 152,000 people in 49 countries, the company generated net revenues of US$16.65 billion for the fiscal year ended Aug. 31, 2006. Its home page is http://www.accenture.com.