



Case Study

Restructuring Resources to Improve Returns

Situation

Hewlett-Packard's Product Processes Organization (PPO) is a diverse central service group that includes strategic consulting, engineering and testing services, and environmental and compliance programs. The organization needed to make decisions about how to manage its resources in a complex, competitive, and constantly changing environment. In particular, PPO faced internal pressure to reduce resources while continuing to provide vital services throughout HP.

Challenges

PPO needed to assess how it was allocating its resources to ensure that it was focusing on the highest-value work. This was easier said than done: evaluating the contributions of various departments often requires “apples-to-apples” comparisons because different groups contribute value to HP in different ways. For example, the strategic consulting group received some of its funding from internal customers, while the environmental compliance groups served all of HP and were funded centrally—and both were subject to a common resource constraint. PPO needed a single methodology to support fair evaluations and choices by answering questions such as:

- In which groups should we invest resources to create more value for HP? Which should we reduce?
- How can we identify hidden opportunities to improve the value of individual groups?
- How can we plan for these changes so they are implemented as effectively as possible?

PPO needed to develop a clear case to support resource allocation decisions, one that would withstand the natural conflicts and politics inherent in these situations. Because previous approaches had not succeeded in addressing these issues, PPO turned to SmartOrg for assistance in developing a rational methodology to meet the challenge.

HP's Product Processes Organization (PPO) was under pressure to reduce resources while still providing vital services to the company. SmartOrg's methodology allowed the team to allocate resources to support its highest-value opportunities.

The approach forced us to get clear and specific about the value of each element of the portfolio, which was something we had great difficulty doing before.

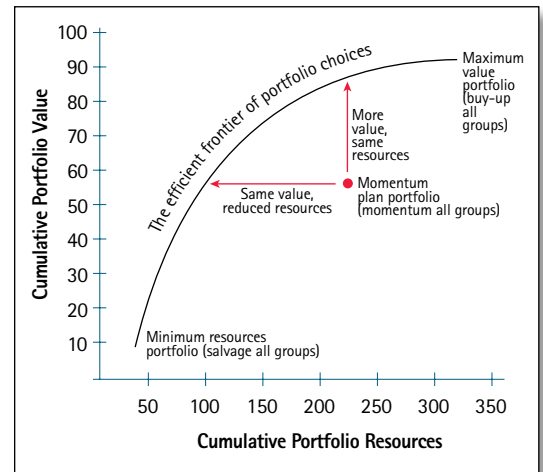
Scott Ellis

Director of Strategic Planning and Modeling

Solution

To address these issues, PPO directors asked Scott Ellis, a member of their management team, to work closely with SmartOrg to develop a unified system for evaluating various groups and allocating resources to activities that created maximum value for HP.

The PPO management team deployed Portfolio Navigator™ to analyze the 12 groups under its direction using SmartOrg’s structured value-based methodology. The group then created four options for each team: **salvage** (exit), **buy-down** (reduce investment), **momentum** (keep at same level), and **buy-up** (increase investment). The team framed its discussions around which functions were most valuable and least valuable. “The approach forced us to get clear and specific about the value of each element of the portfolio, which was something we had great difficulty doing before,” said Ellis.

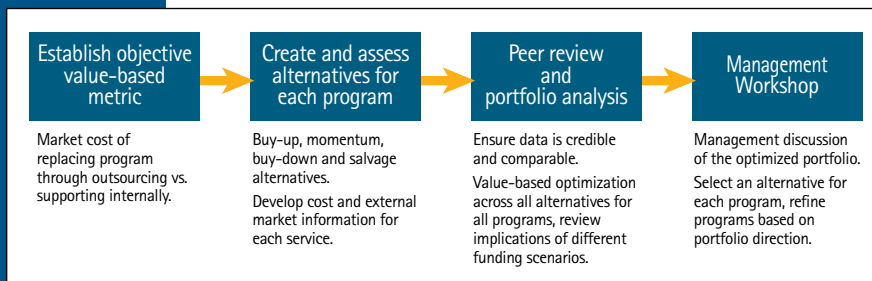


Improving the portfolio.

Results

The result of this process was a series of customized portfolios based on a common logic that could be implemented depending on business circumstances. For example, even though the company as a whole was reducing its staffing levels, PPO recommended increasing its resource levels to support programs determined to have high value.

This approach also resulted in positive cultural changes as the PPO management team began using the new value-based decision-making vocabulary and gained clarity about strategic alternatives by working through the structured decision process as a team. “The key was to use the methodology and the optimized portfolio,” added Ellis, “It enabled frank discussions and revealed preferences that were different from our momentum plans.”



Management discussion of the optimized portfolio.

By comparing alternatives and valuations using a consistent process across the organization, the management team was able to evaluate each group objectively. This information provided the foundation for the resource-reduction planning process.

About SmartOrg

SmartOrg’s value-based management (VBM) approach helps organizations drive profitable growth by focusing their attention and resources on high-value opportunities. We help companies evaluate and assess current and future projects and answer the fundamental question: “should we do it?” SmartOrg’s software tools, training, and coaching help organizations bridge the gap between business and technology by managing risk and uncertainty, selecting the best projects in their portfolios, setting project strategy and accelerating deployment. SmartOrg headquarters are in Menlo Park, California with regional offices in the eastern and western United States, the United Kingdom, and Asia.

SMARTORG™
VALUE-BASED MANAGEMENT SYSTEMS

+1 650 470 0188
www.smartorg.com
info@smartorg.com